



S I G M A

The bulletin of European statistics

MEDSTAT

Statistics cross
the Mediterranean

02/1999

Statistical Office of the European Communities





In *this issue* of Sigma...

Shared prosperity, peace and free trade in the Mediterranean region... this is the aim of the Euro-Mediterranean initiative launched in Barcelona in November 1995. Statistics – as represented by the Medstat project – play a key role.

Medstat was the first regional cooperation project between the EU and the 12 Med partners to flow from the new agreement, its outline sketched only two weeks after the Barcelona Declaration. Aims drawn up then by Eurostat and the 27 countries involved are – four years on – still used to steer the initiative.

General aim is to encourage harmonization and comparability of statistics in fields covered by the Barcelona accord. But behind the formal structure and procedures is a remarkable story of cooperation between countries with widely differing cultures and, in some cases, a history of enmity.

Medstat is now entering the second half of its life. And in this issue, *Sigma* seeks – through the words of some key participants – to chart its progress... from early beginnings to where we are today...

Sigma – the bulletin of European statistics produced in Luxembourg by Eurostat

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Published by

Office for Official Publications of the
European Communities

Catalogue number
CA-AB-99-002-EN-C
© ECSC-EC-EAEC
Brussels • Luxembourg 1999

Printed in Luxembourg

Views expressed in *Sigma* are those of the authors, not necessarily those of the European Commission

Sigma is available free of charge from:

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Daniel Byk, Eurostat Adviser responsible for technical cooperation with certain non-member countries, sets the scene. In charge of the project for Eurostat is **Yves Mahieu**. We asked him to describe how Medstat started, how it's progressing...

Martin Dawson of the European Commission's DG 1B then gives us the policy background.

Medstat's management committee held its second meeting in Malta in October 1998 – an opportunity for us to talk to those most closely involved...

First the EU side...

The Mediterranean EU countries form a bridge between the Union and the

12 Medstat countries. So not surprisingly the NSIs of Italy and Spain are to the fore. We asked their DGs – **Paolo Garonna** and **Pilar Martín-Guzmán** – for their views...

Then we turned to the other side – first the meeting's host, **Alfred Camilleri**, Director of Malta's COS who says Medstat has "opened up new horizons". Next we listened to the top statisticians of Morocco... Tunisia... Algeria... the Lebanon... Israel... the Palestine Territories... Turkey... Cyprus, each with an individual view of Medstat.

Finally, **Ib Thomsen**, EFTA's Statistical Adviser in Luxembourg, describes his organisation's contribution to Medstat.

Also in *this issue*...

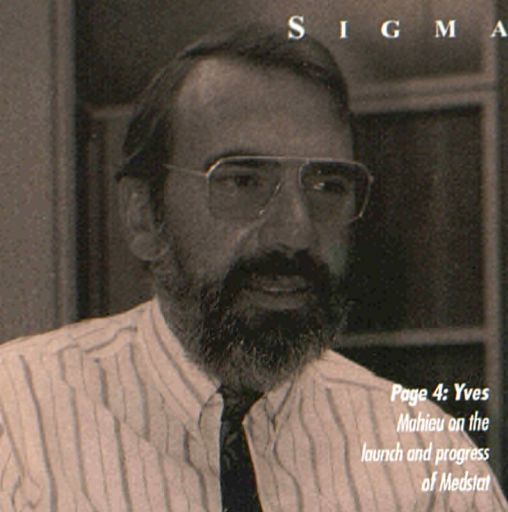
...the new European System of Accounts (ESA 95)... **Brian Newson**, head of the Eurostat unit responsible for national accounts methodology and statistics for own resources, explains some of the background to this key change. **Marco De March**, head of the Eurostat unit, Economic accounts and international markets, describes the change in terms of data supply. **Dieter Glatzel**, head of the Eurostat unit responsible for accounts and financial indicators and statistics for the excessive deficits procedure, discusses what it means for the excessive deficit procedure. And **Steven Keuning**

of CBS Netherlands views the transition from the point-of-view of one Member State.

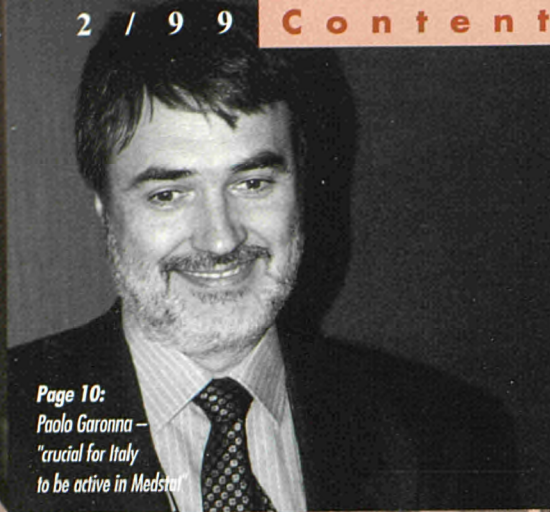
For our regular profile of an NSI we went to Lisbon where **Carlos Corrêa Gago**, President of INE, describes how EU support for Portuguese statistics has been "decisive".

We also have articles on statistical cooperation with China... and statistical implications of the change to the euro.

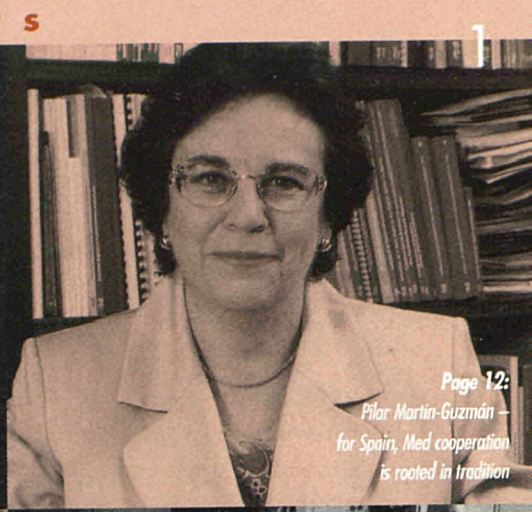
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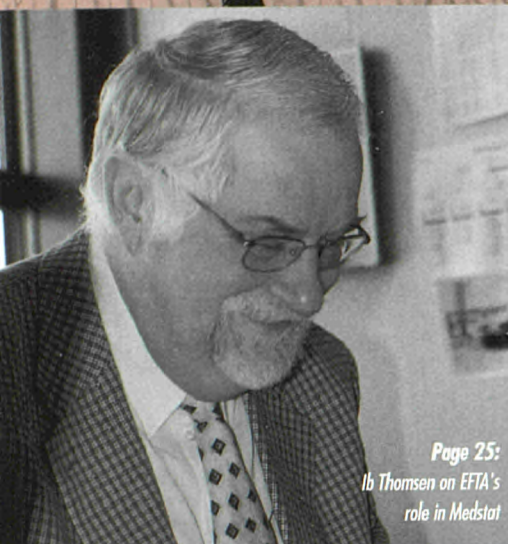
Page 4: Yves Mahieu on the launch and progress of Medstat



Page 10: Paolo Garonna – "crucial for Italy to be active in Medstat"



Page 12: Pilar Martín-Guzmán – for Spain, Med cooperation is rooted in tradition



Page 25: Ib Thomsen on EFTA's role in Medstat



Page 27: Brian Newson – new ESA has arrived!



Page 34: Steven Keuning describes an "adventure in unknown territory"

SIGMA COMMENT

- Medstat – a catalyst for political progress** 2
by Daniel Byk, Eurostat

SIGMA THEME

MEDSTAT – STATISTICS CROSS THE MEDITERRANEAN

- Medstat – initial lessons** 4
by Yves Mahieu, the man in charge at Eurostat
- EU-Med link is a top priority** 8
The European Commission view
- Building networks of common understanding** 10
Barbara Jakob talks to Paolo Garonna, Director-General of Italy's Istat
- Cooperation in a long tradition** 12
Barbara Jakob interviews Pilar Martín-Guzmán, President of Spain's INE
- Med partners give their views**
- Alfred Camilleri, Director, Maltese COS 14
- Dr Hassan Abu-Libdeh, President, Palestinian CBS 16
- Professor Joseph A Yahav, Government Statistician, CBS, Israel 17
- Claude Massaad, Director-General, and Robert Kasparian, former DG, COS, Lebanon 18
- Professor Ömer I Gebizlioglu, President, State Institute of Statistics, Turkey 19

- Pambis Philippides, Director, and Ioanna Chappa, Senior Statistics Officer, Department of Statistics and Research, Cyprus 20
- Khalifa Ben Fekih, Director-General, Tunisian NSI 21
- Taoufiq Cherkaoui, Director-General, Moroccan Directorate of Statistics 23
- Mohamed Boumati, Director-General, Algerian NSO 24
- Efta & Medstat** 25
by Ib Thomsen, EFTA adviser, Eurostat

FOCUS ON ESA 95

- New ESA 95 has arrived!** 27
by Brian Newson, Eurostat
- Quality demands on statistics** 29
by Marco De March, Eurostat
- Greater clarity for excessive deficit procedure** 31
by Dieter Glatzel, Eurostat
- Venturing into unknown territory** 34
Barbara Jakob seeks an NSI view from Dr Steven Keuning, CBS, Netherlands

FOCUS ON MEMBER STATES

- EU support for Portuguese statistics 'decisive'** 36
John Wright profiles Portugal's INE

FOCUS ON EUROSTAT

- The ECU, the euro and statistics** 42
- EU moves to help Chinese statistics** 43

Medstat – A CATALYST

Medstat can be defined in three ways:

- ▶ as a desire to support projects for political and economic cooperation between countries on both sides of the Mediterranean by providing relevant statistical information
- ▶ as a technical challenge, since it involves achieving in less than 10 years a level of statistical harmonization comparable to that of EU Member States, and
- ▶ as a convenient structure for exchanges among statisticians, allowing them to collaborate in a way seemingly quite out of reach only a few years ago.

Experience in Europe provides daily proof that you cannot move along the path of cooperation – to say nothing of regional integration – without the means of measuring things. Liberalisation of trade between the two sides of the Mediterranean, as well as among countries on its southern shores, will call for some hard negotiation before this ideal becomes a reality as a result of tariff measures and removal of trade barriers. At each step there will be need to measure volumes of trade and its economic and social repercussions and to anticipate the effects on various sectors of the economy and society.



Trade statistics, economic accounts, social data and information about specific sectors of the economy and society will fuel these discussions. In a way, statisticians will be supervising these delicate negotiations. As in the case of other examples of integration or cooperation

between Europe and groups of partner countries, these data will have to be accessible and available – through analysis and dissemination – so that transparency and fairness of discussions can be assured.

Against this background, it is easy to understand the choice

of the sub-programmes comprising Medstat.

If the objective is to be achieved, the EU's 40 years' experience of harmonizing the statistical systems of Member States will be invaluable. By drawing on Commu-

FOR POLITICAL PROGRESS

nity experience, it is possible to build a system suited to Euro-Med circumstances, and to rely on concrete and proven examples to define rules and standards that will result in a statistical information system for both regions.

Commitment wanted

The accumulated expertise, harmonized concepts and standards and working procedures of the European Statistical System suggest such a challenge is realistic. Without all this, any attempt to build in 10 years what took others four times as long would be in vain. Such an approach, using European experience as a basis, depends on the commitment of EU and EFTA NSIs. Statisticians on the southern shores of the Mediterranean are proving their determination and ability to acquire these methods and results at each stage of the programme.

But statisticians on both sides readily state that exchanges that occur in the course of Medstat work are one of its major – indeed vital – contributions. For example, a training seminar on social surveys at Libourne in France included some female statisticians from Israel and Syria. The ensuing dialogue covered not only their experiences as statisticians but also as women at work.

A management seminar was organised in Cairo for senior NSI staff. After best practice in work planning and management had been outlined and discussed, there was a useful exchange of methods and ideas between NSI directors-general from southern Mediterranean countries and those from Portugal and Iceland. It all stemmed from their respective experience.

Training schemes and working parties have usually resulted in such north-south exchanges – but also in south-south exchanges.

A professional forum

These discussions are not spontaneous. At the start there is distrust. But, in the end, the appeal of exchanging ideas among colleagues takes over.

When Eurostat conducted a follow-up mission to the Palestinian, Jordanian and Israeli statistical offices, there was a unanimous response from those who had taken part in various courses, seminars and working parties – Medstat's greatest contribution was providing an opportunity to talk to other statisticians in this extensive region – a chance to lay down how other people work and to exchange Med partners interests and wishes.

This environment of exchange and discussion can also be found at senior staff level. Meetings of the DGs have become a kind of regular forum for professionals. And all this against a sensitive political background.

To see this encouraging departure in its real context, it must be remembered that Mediterranean statisticians do not have the same opportunities to meet as their counterparts in Europe. They have nothing comparable to meetings of the UN Economic Commission for Europe or OECD. The UN does have an Economic and Social Office in Beirut, but its meetings have been and still are infrequent, if not impossible. Only the Arab League occasionally organises meetings for some of its members.

Thus Medstat has managed to establish the framework for dialogue that these countries were lacking. Cooperation among the Med partners is also proceeding at its own pace, separately from action funded by the regional programme. For example, the Maltese NSI allows statisticians from countries in the programme to attend training courses originally organised for its own staff.

Israeli statisticians have direct contact with counterparts in Turkey and Cyprus.

A pattern of exchanges among Med countries is gradually emerging. In some ways it is a kind of catalyst or full-scale prototype for what this political, economic and social process hopes to achieve.

What it's all about

This issue of *Sigma* outlines the regional Medstat programme as fully and faithfully as possible. It offers the views of various people from the EU and EFTA and the southern Mediterranean countries. Their descriptions of action, projects and successes – but also of difficulties and shortcomings – provide an understanding of what the programme is all about and the results expected.

But there is another, less visible aspect that must not be forgotten or underestimated: the coming together of people that many factors might otherwise keep apart – and who thus have a chance to talk, at least about technical matters. Euro-Med cooperation offers an opportunity in a wider sense for such dialogue and rapprochement. The statistical element already demonstrates what can be achieved in a specific area.

Daniel Byk
Adviser for the coordination of Eurostat units
C1 to C4

Medstat is the statistical side of the Euro-Med initiative launched in Barcelona in November 1995 with the aim of creating an area of shared prosperity, peace and free trade in the Mediterranean region. In charge at Eurostat is YVES MAHIEU. Here he discusses Medstat – how it started, how it's progressing...

Medstat – the early lessons

Medstat was the first regional cooperation project between the EU and the 12 Mediterranean partners.

Its outline was sketched at a seminar in Valencia on 11-13 December 1995, only two weeks after the Barcelona Declaration. Senior staff from the NSIs of the 27 partner countries joined Eurostat to draw up a number of aims that four years on are still used as a guide by the team monitoring the programme.

Medstat's primary objective is to satisfy statistical information requirements stemming from the Barcelona Declaration...

- ▶ It provides a 'regional core' that may be accompanied by national programmes when a country's specific needs are clearly identified. Any national programmes are the responsibility of the European Commission, Member States or other donors. EFTA in particular was involved from the outset, both regionally and in bilateral assistance to particular Med countries.
- ▶ A country that receives technical help is responsible for achieving the objectives of the project in question. Such help takes the form of technical expertise available from all the partners involved.

▶ Medstat's highly decentralised nature calls for a major management and coordination effort. The former is the responsibility of the management committee, which once a year brings together top officials from Eurostat and NSIs. Other institutions or countries can be involved if necessary. This committee can introduce sectoral structures (steering committees, task forces and other working parties) if it feels they are warranted. Eurostat is in charge of coordination. This includes organising channels of information and the management committee secretariat.

- ▶ General aim is to encourage harmonization and comparability of statistics in fields covered by the Barcelona Declaration. A number of tangible ideas emerged from the Valencia seminar:

establishment of a Euro-Med free trade area (MED-Comext and MED-Trans sub-programmes)

Euro-Med regional policies, especially on the environment (MED-Env) and mobility of people (MED-Migr, MED-Tour)

development of human resources (MED-Training)

information exchange and use of new technologies (MED-IS), and

strengthening of national statistical systems and their institutional organisation (covering all sub-programmes, including MED-IS in particular).

Finally, there is a statistical bulletin of macro-economic indicators: inflation, GDP, industrial output, the labour market, unemployment etc.

Pioneering spirit

There was a pioneering spirit at Valencia, although torn between the appeal of a giant leap forward and fear of a step in the dark. But the former prevailed.

Eurostat had already sent out, in September 1995, a questionnaire to the 12 Med countries asking about their statistical systems and development priorities. A key finding was just how varied the systems were...

- ▶ in terms of organisation – ranging from highly centralised, or even exclusive, systems to those highly decentralised at sectoral and/or provincial level
- ▶ in terms of size of the central office – ranging from a few dozen to several thousand staff, and
- ▶ in terms of level of development – some countries needing basic training,

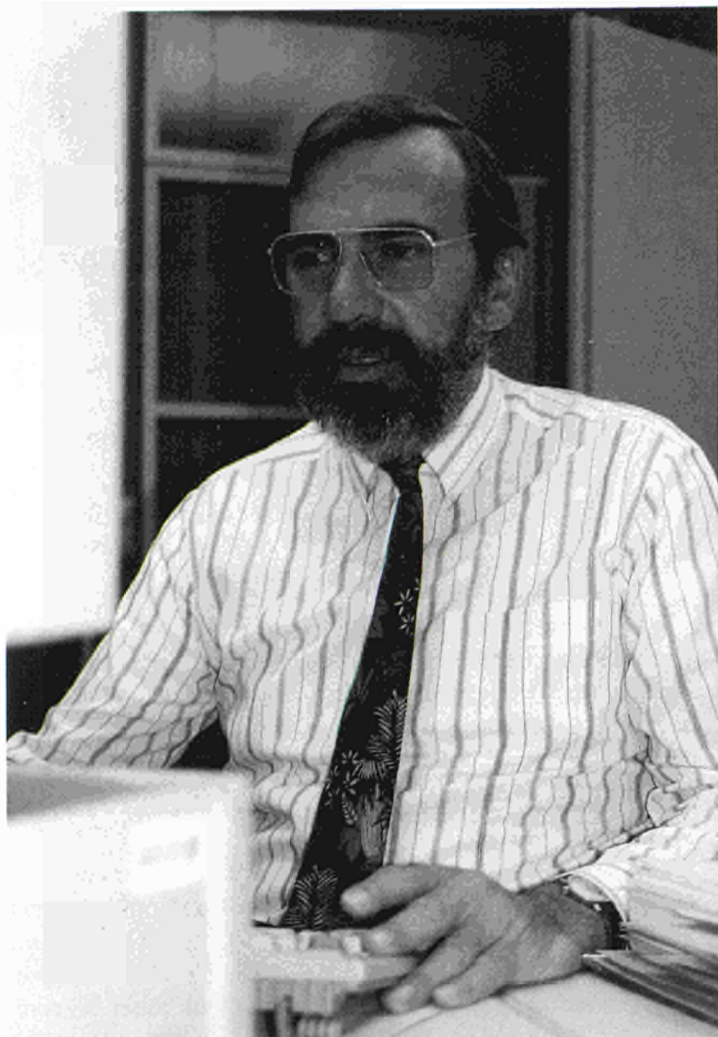
with others already passing statistical expertise to other countries.

As for priorities, economic and environmental statistics were often mentioned. National accounts and the informal sector were also highlighted, to such an extent that they were subsequently added to the list of sectoral sub-programmes.

Finally, respondents laid particular stress on 'horizontal' aspects of the cooperation programme: training and information, especially in dissemination and mapping.

Six months after Valencia the statistical heads met again, in Naples, this time under the aegis of the Italian Foreign Ministry, Istat (the Italian NSI) and Eurostat. It was an enthusiastic meeting. And it was here that Euro-Med statisticians obtained their first real idea of what the full-scale Medstat programme would be like.

The first two task forces outlined their ideas and future work plans for tourism and environment sectors. For each other sector, several speakers from European, Mediterranean or international statistical backgrounds described the work of their organisations, their ideas and their proposals. Naples resulted in the launch of fact-finding missions to the Med partners and



the setting-up of task forces for the five other sectors, each responsible for a work plan.

Naples decisions were implemented in the months that followed. The budget was released by the European Commission's DG IB (External relations) after an administrative procedure that, although politically justified, to the recipients seemed endless.

The fact-finding missions were undertaken by teams of five people from the European Statistical System. On the whole, their reports were excellent. The Naples task forces also met to lay groundwork for the work plans for the MED-Comext, MED-Trans, MED-Migr, MED-Training and MED-IS sub-programmes.

First signs of reluctance

In accordance with decision-making arrangements introduced in Valencia, the task forces submitted their work plan proposals at the management committee's first meeting in Malta on 24-26 June 1997. They were well received. For the first time there was a clear distinction between sectoral or vertical sub-programmes and service or horizontal sub-programmes.

The former cover statistical production in the strict sense and work plans are similar:

- analysis of existing systems, inventory and evaluation

- identification and utilisation of available administrative sources

- data collection

- adaptation to international and/or European definitions, concepts, nomenclatures and methodologies

- exchange of expertise and training

- creation of a database for each country, and

- review of data, publications and exchanges with the EU.

The second group of sub-programmes (MED-Training and MED-IS), together with the Euro-Med statistical bulletin, is designed to provide more or less direct support for the vertical sub-programmes. Each was a special case. And although the work plans outlined were approved, experience proved implementing them was not easy.

Last part of the meeting was devoted to a proposal for new programme developments, based on a review of the fact-finding missions. Paradoxically, the proposal encountered a certain reluctance among Mediterranean DGs. They were concerned at the scale of tasks that would be entailed. In the end, more modest decisions were taken...

- Strengthening of the institutional organisation, initially conceived as a sub-programme in its own right, was cut back to become part of the MED-IS sub-programme. The idea was that the organisational power of

new technologies would ensure better flow of information between partners in the chain of production. It was also decided to arrange a seminar for DGs on the internal management and role of an NSI.

- Specific national requirements, hard to reconcile with Medstat's regional approach, were to be studied further in the light of earlier fact-finding missions – and given individual consideration.

- National accounts were selected as a sub-programme in their own right.

- The informal sector, while acknowledged as a key topic, would be dealt with initially in a workshop for interested parties.

Year of change

Mainly because of external factors, 1998 was a difficult year.

Firstly, in terms of human resources, in a few months four of the Eurostat and DG IB launch team moved to other jobs. Then, at institutional level, there was a major overhaul of the Commission directorates-general responsible for external relations. Net result was several months' delay in finalising new contracts or additions to existing ones.

Originally scheduled for June, the second management committee meeting was postponed by Eurostat to end-October. This breathing space gave time to organise human resources properly,

improve the information flow among all involved and, especially, get down to serious work on formulating sub-programmes.

It was decided to organise human resources as follows:

- ▶ a monitoring team attached to Eurostat unit C3
- ▶ a set of correspondents in the Eurostat vertical units involved in the programme: C2 (transport), C4 (external trade), D3 (tourism), E4 (migration) and F3 (environment), together with units A2 and C1 (information systems). Correspondents had a dual role: as technical advisers and in exchanging relevant data between Eurostat production bases and those of the Med partners
- ▶ implementation agencies, mainly from the CESD network
- ▶ experts recruited by these agencies from the NSIs of countries involved in the project, and
- ▶ 'national coordinators' representing the Mediterranean statistical systems – generally one for each sub-programme and recruited mostly from the NSIs.

Sub-programmes affected by the formulation work were:

- ▶ **MED-Comext.** In April a seminar on the Eurotrace production method resulted in a plan for its installation in eight countries and upgrading existing installations in Malta and Algeria.

Tangible results



The *Internationale Tourismus Börse*, an annual tourism trade fair, was held in Berlin in March 1999. For this event Eurostat produced a *Statistics in focus* report, *Tourism in the Mediterranean partner countries* (illustrated here). This highlighted strong rises in international tourism for many of the EU's Med partners in 1998. Overall, international

arrivals to these countries were an estimated 28.9 million in 1998 compared to 28.8 million in 1997, up very slightly – but Jordan, Tunisia and the Lebanon witnessed double figure annual percentage rises. On average nearly 50% of international tourists to the Med countries come from the EU. For some countries it is much higher: 85% for Malta and 72% for Cyprus.

- ▶ **MED-NOE.** In May a workshop on measuring the informal sector expanded its field to include the 'non-observed economy' – underground and even illicit. Thanks to ideas from the two study groups, it was possible to devise a separate work plan. A key part of this was devoted to improving GDP figures by including the non-observed economy in the national accounts.

- ▶ **MED-NA.** In June the task force established to cover national accounts held its first meeting and came up with a draft action plan. This was based on three-stage introduction of SNA 93 and, separately, evaluation of GDP by a Euro-Med working party. Between June and October there were several events affecting the action plan: a report on European software packages for compiling of national accounts, findings of a feasibility

study in Tunisia, and IMF recommendations on the publication of national accounts (the General Data Dissemination System). Eurostat looked at their effects on the sub-programme and presented its findings at the second management committee meeting.

- ▶ **MED-IS.** This was a particularly complicated topic. The statistical information system covered both technological elements (hardware, software, data transmission facilities) and organisational aspects (arranging information flows between economic operators and institutions). While the specific purpose of this sub-programme was a network for electronic interchange of statistical data among the 27 partner countries and the European Commission, it was a massive and complicated undertaking – too vast for the time available.

So the aim was to come up with a meaningful project to start the ball rolling towards the ultimate objective but that could be completed in two years. Another complication was the varying circumstances of the Med partners. This meant it was impossible to arrive at a single project valid for all. There were some national information systems that needed some serious technical and organisational upgrading so they could be raised to an acceptable level and become an effective link in the exchange network. The regional approach demanded a fair amount of flexibility in adapting the project to countries' individual circumstances. The proposal eventually put to the task force at its Lisbon meeting in October was in two parts:

- ◊ *Data exchange:* a system for exchanging files between Eurostat and

Mediterranean partner NSIs, the latter being responsible for collecting relevant data within their own national statistical systems. Tools and procedures were to be the same as already used for exchanges between Eurostat and EU Member States. This would avoid a variety of one-off systems being devised by European officials and their Mediterranean counterparts and ensure savings in time and effort.

- ◊ *Dissemination support:* helped by a Euro-Med adviser, each Med partner would draw up a solid two-year plan for technical and organisational support. Aim was to improve the national statistical system and preferably its dissemination aspects. Examples were: identifying statistical clients, defining dissemination policy, introducing new publications, producing a CD-ROM, using the Internet, introducing a simpler reference environment, coordinating and/or disseminating data compiled by several different bodies, starting a mapping system such as GIS or desktop mapping, and introducing a system for invoices and subscriptions.

The task force was clearly happy to endorse the proposal.

- **MED-Training.** From the outset of the programme, training was emphasised as a particularly important sub-programme likely to help the Med partners in developing human resources and

strengthening their institutional framework. First training schemes organised by European providers proved very popular. Unfortunately it was all a bit hit-and-miss. After a succession of meetings it was decided to put the following ideas to the management committee:

- ◊ to introduce annual planning
- ◊ to switch from a supply- to a demand-led approach, *and*
- ◊ to include Mediterranean sources among training providers.

So these new ideas could be put into practice, the task force asked for its mandate to be expanded, its membership enlarged to include all Euro-Med providers and for 1999 to be seen as a transitional year.

Mixed feelings

The management committee met for a second time on 28-30 October in a more subdued atmosphere.

First part of the meeting was devoted to reports on progress of the various sub-programmes and presentations of proposals for sub-programmes to be introduced or changed. Vertical activities already running – MED-Tour, MED-Migr and MED-Trans – had already produced results in the shape of methodological guides and collections of figures in brochures or on CD-ROM.

All this was generally well received although with the desire for further discussion on MED-Training, apparently the most sensitive sub-pro-

gramme. But there were some complaints that emerged consistently throughout the discussions: that Medstat was beset by red tape and cumbersome procedures for decision-making; that it did not pay enough attention to national circumstances and priorities; that Med members did not feel it was a real partnership; and that they had no idea of what was going to happen when the current programme ended.

In the second part of the meeting, participants divided into three groups, each with a Eurostat moderator and a Mediterranean rapporteur. They were asked to look seriously at three strategic topics, based mainly on concerns that had emerged: self-assessment at the halfway mark, partnership, and training. Exchanges were lively and the conclusions should affect 1999 work plans of many of those involved:

- simplification of the decision-making process by changing the steering committees into working parties
- enhanced transparency through using Eurostat's Internet server
- monitoring resources switched between different sub-programmes and results produced by each country, *and*
- creation of a study group to look beyond Medstat.

These innovations provided some response to concerns voiced by the Mediterranean partners.

The management committee endorsed the training task force's recommendations but asked for them to be intro-

duced from the start of 1999. The task force, expanded to include all Euro-Med providers, then met on 14-15 December to draw up the Medstat 1999 training plan. This was based on a double survey to determine the training required and what was available.

However, national programmes could not be discussed properly in the Medstat context and had to be referred to other bodies, other arrangements and other officials from DG IB. But it is worth mentioning that four bilateral programmes with the EU are in the process of being formulated or approved.

Second wind

By the time this article appears, Medstat will have entered the second half of its life. If time has been made up for delays, all sub-programmes will be operational. It is very likely that the study group responsible for recommendations on what to do when Medstat ends will already have met and examined results of the current programme: adoption of common nomenclatures, harmonization of indicators in each vertical sub-programme, exchange of data among partners etc.

There is a long and difficult road ahead. How will the management committee react? Will it be able to inspire everyone to further effort after the relatively subdued performance of 1998? Eurostat will make every effort to ensure progress. But the Med DGs are the ones really in control. ■



THE EUROPEAN COMMISSION VIEW... EU-Med link IS A top priority

For the policy background to the Medstat initiative, *Sigma* had a question-and-answer session with Martin Dawson of Directorate-General IB, responsible in the European Commission for External relations: Southern Mediterranean, Middle- and Near-East, Latin America, South and South-East Asia and North-South cooperation.

Sigma: What were the reasons for launching the Euro-Med initiative? What's the Commission position on progress towards the objectives of a free trade area and an area of shared prosperity? What's the timescale?

Dawson: From its very birth the European Economic Community has had structured relations with 'non-member Mediterranean countries'

(NMMCs). This has evolved and deepened, taking account of the process of European integration, NMMC aspirations and the changing nature of international relations.

At the Barcelona Conference of 1995 the 27 foreign ministers of the EU countries and their 12 Mediterranean Partners (Morocco, Algeria, Tunisia, Egypt, Jordan, Israel, the Territory under Palestinian Authority, Syria, Lebanon, Turkey, Cyprus and Malta) decided to establish the Euro-Mediterranean partnership. The reason was recognition that countries of the Euro-Med region are interdependent in a wide range of areas, for example the environment, energy and trade.

For the EU there is awareness that it cannot maintain its prosperity and deepen its integration without stability and

prosperity in its immediate neighbourhood. For these reasons, Agenda 2000 establishes relations with the Mediterranean as a key priority for EU external relations after enlargement.

Establishment of the Euro-Med free trade area is a central objective of the partnership. All partners agree on the objective; only modalities and the time-frame remain to be discussed. The free trade area is expected to bring significant benefits by anchoring the partners to the EU economy. This will at the same time stimulate and provide a framework for economic reform within the partners and facilitate their integration into the world economy.

There is still a very wide prosperity gap between Europe and its southern neighbours and this is not sustainable.

The latter need to achieve greater growth to reduce unemployment that averages some 20-25% – and this among a population where about half are under 20 years of age.

But the Mediterranean is a very heterogeneous region and we cannot try to apply a single blueprint for all. This is why the Commission has a flexible approach. Association Agreements have been signed or are under negotiation with all the partners, taking account of the specificity of each. Taken together, the Agreements will establish free trade by 2010. However, it is also important the partners establish and apply free trade agreements among themselves. This will make the region much more attractive for investors because individual economies are relatively small.

The MEDA programme managed by the Commission was allocated a financial envelope of 3.4 million euro for 1995-1999. The programme is intended to support economic and social reform through programmes targeted to the specific needs of the partners. These may range from structural adjustment operations to projects to develop the private sector; to education and health programmes, rural development and so forth. Around 10% of MEDA is used to finance regional or multilateral activities in which partners cooperate on cooperation programmes as well as with the EU.

Cooperation intensifying

Sigma: *What level of development should Med countries achieve to continue their cooperation with the EU – in the economy in general and in statistics?*

Dawson: Cooperation has been intensifying since 1995, in both qualitative and quantitative terms. Our experience is they are perfectly capable and willing to continue intensifying cooperation with the EU, which is by far their most important international partner. Certainly, economic transition is not easy. It implies difficult political, economic and social reforms. But we are moving forward.

Ultimately, the partner governments will have to make the greater effort to achieve sustainable change. A key indicator will be if they are able to increase private investment from both domestic and international sources. The EU can

provide political and moral support and, through the Agreements and the MEDA programme, act as a facilitator for change.

These general principles apply to EU-Med cooperation in statistics through the Medstat programme as in other fields. Our Eurostat colleagues are convinced of the importance of strengthening the partners' statistical capacity and are cooperating very closely.

Sigma: *In many ways these countries are very different to EU Member States. To what extent is this a challenge for them and the EU? How can you cope with partners that are so diversified, Med countries having no common administrative links?*

Dawson: We live in a world and an age in which the forces of globalisation are bringing countries closer. Cooperation now is easier than ever, although this doesn't mean it's easy. But it is true that the differences in history, culture and level of development among the partners need to be taken into account. At the same time, because they share common challenges and opportunities, it is important for them to cooperate with each other. Much depends on identifying activities that are relevant and feasible.

You are right to mention that this also represents a challenge for the EU. Recently the Commission created a new External Relations Common Service for implementation of programmes to improve and rationalise the administration of cooperation. Much is expected of it.

Statistics 'still sensitive'

Sigma: *What degree of eagerness do you sense among the Med countries for preparing for a free trade area and an area of shared prosperity?*

Dawson: They have all declared their intention to establish free trade with the EU. They recognise that this is a strategic decision to build closer links with Europe, and that this can also act as a stepping stone to integration with the world economy. But the consequence of free trade is change in their social and economic structures and this has to be prepared and managed. It also has to be negotiated with the EU, which can take some time! In this respect the partners find it difficult to understand why it takes so long to ratify the Association Agreements. For example, Tunisia signed the Agreement with the EU in July 1995 and it was only ratified in March 1998.

Sigma: *Why do you consider statistical cooperation important? In some countries statistics are still very sensitive, with some information regarded 'for government only'. How can this be dealt with?*

Dawson: Statistics are essential for development because they provide reliable and accurate information about the real nature of society and the economy. How can decision-makers and the public deliberate about different policy options without a clear picture of the reality they are trying to change? This applies at both national and regional level. As for 'sensitive' information, this is obvi-

ously a decision for individual governments.

Sigma: *What's your view of the degree of statistical cooperation developed by Eurostat so far? Are there any particular obstacles or challenges and where does it go from here?*

Dawson: Medstat was the first regional cooperation programme under MEDA. Statistics are very appropriate for regional cooperation because statisticians belong to a real intellectual community with an inherent interest in and a need for the exchange of ideas and information. This does not necessarily mean they should all do the same thing at the same time. One aspect we have to examine, learning from experience gained so far, is how to incorporate into Medstat, which is a regional programme, an appropriate degree of flexibility to take account of the participants' differing needs.

Sigma: *What progress has been made in other projects that followed the Barcelona Declaration?*

Dawson: From 1995-1999 the MEDA programme has committed 2.5 million euro. This is about three times more than in the previous five-year period. Because MEDA is intended to contribute to long-term restructuring, individual programmes are implemented over a number of years, on average four. Current disbursements are 25% of commitments. So we are on course.

Sigma: *Medstat officially ends in 2001. Do you envisage a follow-up?*

Dawson: We're currently discussing with the partners and Eurostat the possibilities of pursuing cooperation in statistics. ■

Due to their geographical situation, the Mediterranean EU countries are in the forefront of the Euro-Med initiative in general and the statistical cooperation of Medstat in particular. They form a bridge between the Union and the 12 Med countries. BARBARA JAKOB took the opportunity of a Medstat conference in Malta (see next page) to ask the NSIs of Italy and Spain, both very active in this initiative, to explain their role.

First, she spoke to PAOLO GARONNA, Director-General of Istat, Italy's NSI...

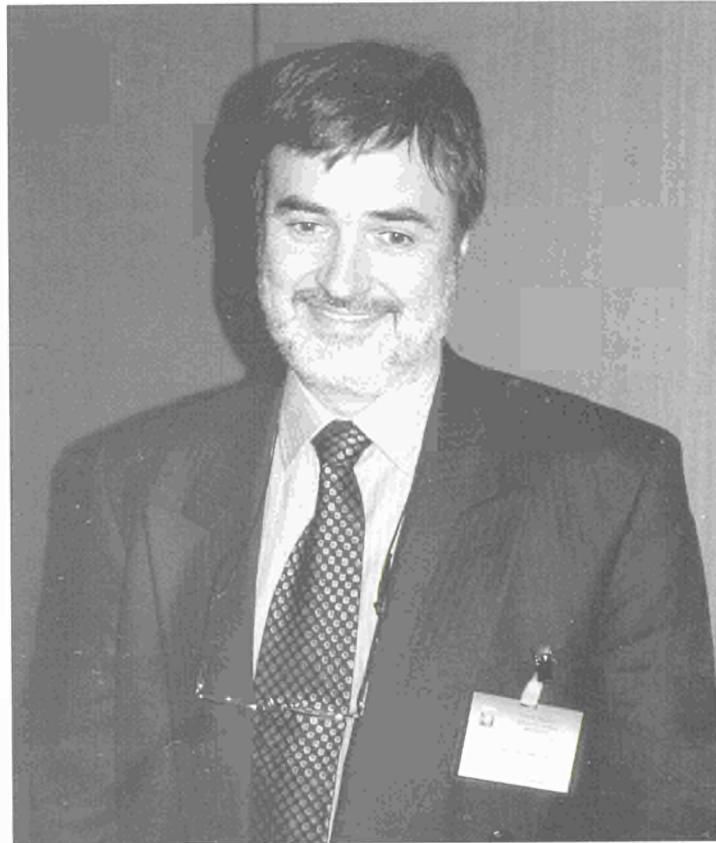
Building networks of common UNDERSTANDING

"It's crucial for us to be active partners in the Medstat programme", **Garonna** says. "In view of our geographic, economic and social interests, we need to be significantly involved. So we really do attach great importance to the project."

In particular, Istat has been involved in the sub-programmes in transport, migration and the non-observed economy. In these priority areas it plays a leadership role. This means it takes initiatives and coordinates the work of task forces in this field.

"We find that it is possible to apply what we have learnt in these areas to the Med countries", **Garonna** explains. "Of particular help is the expertise Istat has gained in measuring the non-observed economy – a field for which we are well known."

Medstat is taking place in the framework of the Euro-Med political initiative that embraces a whole range of projects in different areas. Its progress depends on political preconditions and circumstances. Adds **Garonna**: "We have to realise that the



process set in motion by the Barcelona Declaration is very ambitious.

"Rightly in that process, statistics play a prominent role as essential infrastructure for the economic and political objectives of the Barcelona Declaration. Statistics have a technical and a scientific dimension that demands long-term planning. They require the interaction of different ele-

ments – technical and non-technical expertise, policy, and public opinion.

"Statistics are an instrument of both government and civil society. This underlines not only the importance but also the difficulty of Medstat: even though statistics have a technical dimension they cannot ignore what takes place in the wider environment. And the follow-up of Euro-Med cooper-

ation has witnessed increasing difficulties that have certainly affected the progress, involvement and participation of countries."

Boosting the original spirit

He continues: "But I am impressed that, despite the difficulties and the constraints, the process has continued and progress achieved. Admittedly, this is at a pace that probably does not match the expectations of many countries, and there have been some difficulties in actively involving the Med partners. The future challenge is to have the Med countries much more involved than hitherto. But statistics are only one part of the process; it is the whole that needs to be supported.

"What has been happening in relation to the Wye Agreement is a key precondition for boosting the original spirit and enthusiasm of the Barcelona Declaration. Statistics can profit from that."

Many statistics-related difficulties have prevented faster progress. Med countries are not homogeneous; they have different con-

cerns and are at different stages of statistical development.

"Some have important and established traditions of economic analysis and statistical development", **Garonna** explains "Others are at a more initial stage. There are also various groupings of countries around common concerns. So the main difficulty is finding the right balance that brings them all together without neglecting the specific needs of individual countries that would like a tailor-made approach and institution-building investment."

In **Garonna's** view, one of the main difficulties lies in Medstat's exclusively regional approach. There is a big desire for action in the programme that meets the specific needs of individual countries, while, at the same time, retaining the regional aspect, which means bringing all the countries together.

In 1993 Istat organised in Italy the first meeting of the directors-general of Mediterranean countries' NSIs within the Conference of European Statisticians Programme. "Thanks to the Barcelona Declaration we have the opportunity to meet regularly every year, which is of great benefit to us all", **Garonna** states. "It creates links and establishes a dialogue, which are invaluable.

"We're not only learning through formal procedures, we're also learning by chatting together. Within the task forces, people engage in field operations and various technical aspects of statistical work. They exchange views and develop networks, not just of technical skills and expertise but also of common understanding, dialogue and the sharing of basic statistical values. Statisticians

need this community of fundamental values."

Keeping political aims in mind

Asked about Medstat's future, **Garonna** pleads for a focused approach closely connected to the political aims of the Barcelona Declaration. "We need to be realistic", he says. "Occasionally, enthusiasm has led us to conceive broad strategies – a lot of useful ideas that have then encountered difficulties, particularly those of restricted resources.

"We need to emphasise the priorities set within the Barcelona Declaration. These are above all economic, with the objective of creating the conditions for improved economic relations or even a common market by the year 2010.

"We should focus our efforts on striving for a statistical infrastructure to support the policy objectives of the Barcelona Declaration. We know that the preconditions for effective market mechanisms are wide-ranging. We need social data, data on the labour market... we must come to terms with the non-observed economy... follow migration and population movements. So we require a broad base dealing with various aspects of statistics.

"But the key progress should be towards supporting the establishment of a common market, better economic conditions in individual countries and, in particular, freer patterns of interchange among the countries involved."

Many statistical problems in Med countries remain unsolved

and the scope of action is wide. **Garonna** is therefore pleading for continuation of the programme. "It would be a pity if we had to stop Medstat for lack of resources. It's not that we haven't achieved concrete results, but, as usual, these have led to further questions that need to be followed up.

"In many European and non-European countries we know that the catching-up process can be extraordinarily challenging. But I am confident that Med countries will catch up in statistical techniques and methodology very rapidly.

"The real difficulty is in establishing a community of values in the relationship between statistics and policymaking. It is vital that the principle of independence and credibility of statistics is accepted; that policymakers recognise the importance of taking decisions based on solid, reliable and objective economic indicators.

"Such things take time and need to be developed in a process on which, I hope, a follow-up to Medstat will be based. After all, it has taken a long time to develop in Europe the kind of links – not only economic and technical but, in particular, cultural and institutional – that have led to European integration.

"If we want – and I think we need – a more integrated community across the borders of the Mediterranean Sea, we must invest not only in statistical culture, techniques, methods, norms and standards, but also in principles. It's a kind of institutional and social capital around which, really, we can put statistics to the service of democracy and economic progress."



A typical Maltese street

Medstat is the statistical cooperation programme of the Euro-Mediterranean partners*. It aims essentially at promoting comparability of statistical data and their interchange. Its strategic monitoring structure is the Directors' Committee, which held its second meeting in Malta in October 1998. Sigma took the opportunity of this evaluation and reorientation exercise by Medstat to talk to some of the partners involved and record their views about the programme (pages 10-24).

* The EU on one side and, on the other, Algeria, Cyprus, Egypt, Israel, Jordan, Lebanon, Malta, Morocco, Territory under Palestinian Authority, Syria, Tunisia and Turkey.

Spain has been a melting pot of Mediterranean cultures for centuries, with a long tradition of cooperation with its southern neighbours. There, is for instance, a school of Arabic translation in Toledo with a reputation stretching back 800 years.

"We feel we should play an important part in the Euro-Med initiative", **Pilar Martín-Guzmán** states. "We have very much to contribute to relations with these countries."

This long tradition has been followed in modern times by the signing of an agreement between Europe and the Med countries in Barcelona in 1995 and the Medstat programme launched in Valencia in 1995.

"We're trying to establish a cultural and statistical bridge between the EU and these countries", adds **Martín-Guzmán**. "This is a role we have played for more than 20 years with Latin American countries – a statistical cooperation programme that has been very successful."

In the framework of the Medstat programme, CESD Madrid functions as an implementing agency. This non-profit organisation, part of the CESD network and closely linked to the Spanish NSI, is managing two projects in the field of tourism statistics. "So a lot of coordination work between Brussels and Med countries is undertaken in Madrid", says **José Luis Cervera**. "In the near future we hope to manage another project, in the field of foreign trade statistics, and also, hopefully, a bilateral programme with the Palestinian Central Bureau of Statistics."

Next, BARBARA JAKOB spoke to PILAR MARTÍN-GUZMÁN, President of the Spanish NSI, INE, and two representatives of CESD (European Centre of Statistics and Development), Madrid: JOSÉ LUIS CERVERA, Director of International Relations, and NATALIE KIRWAN, Medtour* expert.

Cooperation IN A LONG tradition



Pilar Martín Guzmán

Eager to learn

The progress being made depends very much on the level of development from which the Med countries' statistical systems are starting. This level varies according to their socio-economic situa-

tions and the resources they allocate to statistics.

Martín-Guzmán is confident: "Med countries have a young population, eager to learn; our impression is that there is a lot of enthusiasm and participation. In the Latin

American programme we have seen statistical capability growing to an impressive level. We do hope and expect that, supported by the enthusiasm and cooperation of the EU, Med countries, too, will boost their capacities and reach a more homogeneous status."

Obstacles to be overcome are mainly bureaucratic and financial. Coordination is necessary on different levels.

Cervera: "We have to coordinate between several Directorates-General of the Commission, the political aspect being assured by DG IB (External relations), the technical side by Eurostat. Then there is sectoral cooperation in tourism statistics with DG XXIII (Enterprise policy, distributive trades, tourism and cooperatives) of the Commission on one side and NSIs and tourism ministries on the other."

Another challenge, adds **Martín-Guzmán**, is the lack of human resources in many Med NSIs. This hinders them in committing to projects to the extent that they might wish.

A barrier much easier to cross was language.

Martín-Guzmán: "The school of translation in Toledo is translating most of the manuals and documentation into Arabic."

Ambitious targets

"The task", she continues, "is very ambitious – too ambitious for the amount of time available, even for the amount of money we have been allocated. The minimum target would be to organise a tourism database compatible with Eurostat's *New Cronos*. That's what we shall try to achieve in this part of the programme."

"Of course, there are many other things to do. Some sectors in the tourism information system are not covered properly in every country, so some new statistics need to

be implemented. At the end of the day, it would be desirable to have a database not only compatible with *New Cronos* but as complete as *New Cronos* as far as tourism is concerned.

"That will not be achieved in this part of the programme", she doubts. "But we hope there will be a continuing programme and that we might achieve even better results and implement a really good tourism database in all these countries."

"It's a question of time", **Cervera** asserts. "If we had not only the regional approach of Medstat but also bilateral, national and even sub-national projects, we could achieve better

Medtour expert, Natalie Kirwan: "The EU generates an enormous amount of tourism in Med countries, representing from 40% to as much as 80%. When establishing reliable statistics on inbound tourism, which we plan in harmony with the EU Directive in this field, we might even think about some mirror exercises, such as external trade. But this goes beyond the current programme."

"Also, accommodation statistics need to be improved. And we shall be working on standardised collection of such data. There is important work to be done in bringing everyone to a reasonably similar level of data collection."



José Luis Cervera

results with the same resources."

Martín-Guzmán: "There are always teething troubles at the beginning. Once you solve them you make faster progress. The results of a follow-up to Medstat would be better even with a similar amount of time and money."

"The learning-by-doing process is naturally slow. Therefore, you have to think long term to allow people to settle in, improve their offices, recruit experts and train them. Better and more complete training, as well as easier access to new technologies, is essential for the success of the programme."

"Cooperation programmes are more fruitful when there is a continuity. We have seen more than 20 years of cooperation with Latin America; now it is

blossoming, but it has taken us a long time." ■

From 12-14 April 1999 the first Euro-Med forum on tourism statistics was held in Mallorca. It was organised by CESD-Madrid in cooperation with Eurostat and DG XXIII (Tourism). The forum aimed at bringing together statisticians, economists, researchers and academics to exchange information and best practices on tourism statistics, as well as showing progress of the Med-Tour cooperation programme.

* Medtour is the sub-programme of Medstat dedicated to tourism statistics.

Med partners give their views

BARBARA JAKOB then turned her focus at the conference on the Mediterranean partners themselves and their view of Medstat.

First, the conference host, **ALFRED CAMILLERI**, Director of Malta's Central Office of Statistics (COS)...

BRICK BY BRICK TO HIGH ASPIRATIONS

Situated at the crossroads of two continents, Malta has always served as a meeting place of different cultures – the perfect spot for a Euro-Med meeting.

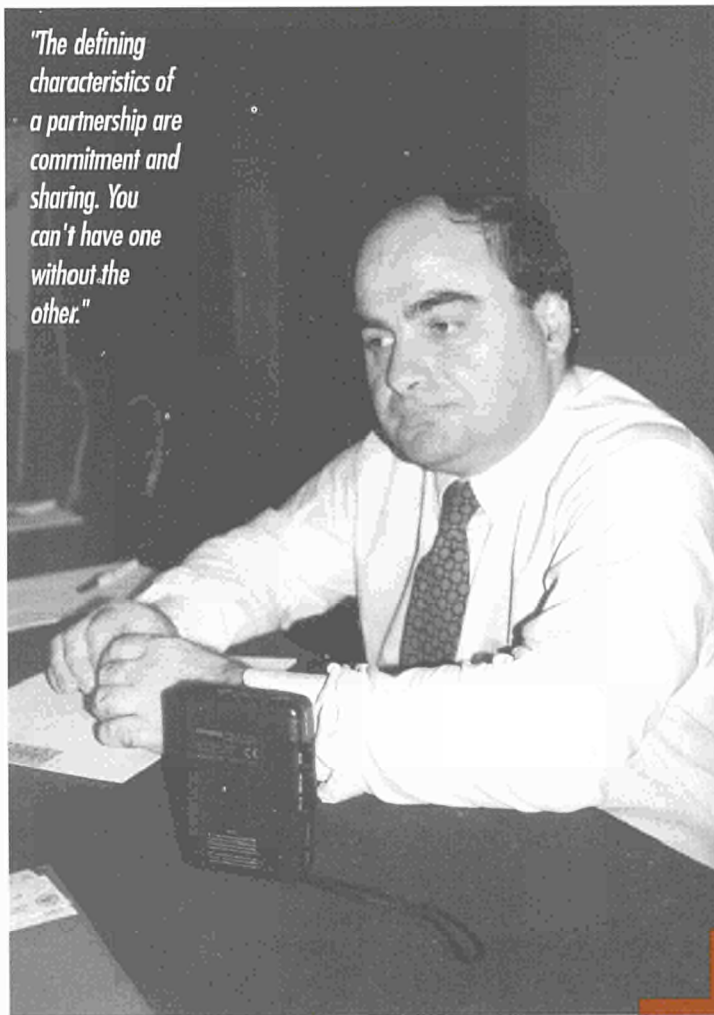
Alfred Camilleri regards bringing people together as a natural role for Malta, given its size and geopolitical situation. "We feel close to many of the Med partners and the European side as well. So, people coming here don't feel any obstacles or inhibitions.

"Medstat cooperation has opened up new horizons", **Camilleri** says. "European and Med countries have certain close affinities from an historical perspective. However, at least from the statistical point of view, there wasn't much of a relationship or at least the sort of relationship one would desire. Many Med countries are closely linked economically to the EU. So it makes sense to align the statistical reporting systems within the different countries – to harmonize them to gain maximum benefit."

What is the Maltese COS expecting from this cooperation?

Camilleri: "What one desires and what is achiev-

"The defining characteristics of a partnership are commitment and sharing. You can't have one without the other."



able are two different things. In Medstat we are dealing with a heterogeneous group of countries with different levels of development and different statistical systems. Of course, there are some similarities but, certainly, substantial differences. We have to fit whatever we are trying to achieve into this context.

"I believe we shall manage to achieve a certain degree of harmonization of our systems – a greater comparability and better exchange of information. Although one must have high aspirations, one should also take a step-by-step approach. So the first measure is to prioritise and highlight those areas that call for

immediate attention. We should stress and aim to achieve a sound degree of comparability and a certain degree of harmonization. Then gradually we can improve on that.

"Statistics are an evolutionary process. You can't do everything at once. Like a house, you build brick by brick."

Intensive dialogue

Although the diversity of the countries working together in Medstat creates obstacles that slow progress, **Camilleri** thinks much has been achieved since Valencia, when Medstat was launched. "The dialogue is now firmly entrenched. These countries were talking before but perhaps not as intensively as now. The level of understanding has definitely been enhanced.

"We have some very well laid out programmes in a sufficiently wide and varied range of statistical areas. We have carried out a range of actions that has contributed in no small way to increased awareness and understanding of the extent and magnitude of the task at hand." And training measures have

increased know-how and furthered human resource development – something **Camilleri** considers to be the basis of it all.

"Now that we have laid the foundations, progress can be much more rapid", he states. "One is never satisfied with the kind of progress that is being registered. However, the fact that sometimes things might look slow-moving should not be discouraging. We have to take account of where we started from. Cooperation was either very little or none at all. Provided one does not become discouraged and given the necessary commitment – a prerequisite of the whole process – I would envisage substantial progress in the next few years."

Small but beautiful

A basic difficulty for Maltese statistics is the small size of the country and its NSI. "But within our limitations we are doing a substantial amount of work and moving ahead",



"...the Mediterranean cannot be looked at as a sea that divides. On the contrary, we have always considered it as a bridge that links the northern littoral states and Europe's hinterland with the southern countries".
The Hon Professor Josef Bonnici, Maltese Minister for Economic Services, in his opening address to the meeting.

Camilleri says. "We are giving priority to national accounting, prices and short-term indicators, and we are investing substantially in our human resources. Without the latter, you can make very little progress. Therefore, I consider this a top priority."

In view of its reactivated application for EU member-

ship, the COS is carefully examining EU directives and is putting a lot of effort into aligning its statistical system to that of the EU. Work in the Medstat programme coincides with this.

"We also have a small research group dealing exclusively with the problem of the informal sector, which, although still substantial, has been contained by the advent of VAT. This group is trying to come up with some benchmarks on the sector."

One Medstat aim is to create partnership. **Alfred Camilleri** has some very distinct feelings about relationships and progress within the project. "If you want to take things forward you have to seize the initiative. If you adopt a passive role, then you can easily feel that somebody is driving you. On the other hand, if you try to take an active role, you have to increase your level of commitment and make a more positive contribution."

"I don't think any country should be inhibited in taking an active role. My experience is that whenever we tried to take the initiative we found a responsive ear. If you are not taking the initiative, you can't blame anybody but yourself. There are opportunities to express yourself and to influence the decisions, in meetings like this and beyond. It's a question of taking them."

Camilleri's vision of Medstat's future is positive: "Prospects are good provided we follow up programmes that are manageable both in time and space and provided there is the necessary involvement and commitment. A process won't move ahead at the desired pace without such prerequisites."

"A partnership, like a marriage, means commitment. If this element is missing the process will slowly die and disillusionment can creep in. But I don't see any reason why this should happen, because ultimately everybody can benefit from the project." ■

Malta and the EU

After the Maltese Labour Party won the October 1996 elections it put the country's 1990 application for EU membership on hold. Instead, it aimed at a closer relationship with the Union before membership would be reconsidered.

But, for statistics, nothing changed, **Camilleri** explains. "Whatever we were doing we kept doing, because even the direction of the Labour Government – establishment of a Malta-EU free trade area – would have required the same basic changes as EU

membership. We are still working very much on the same lines as before."

After the September 1998 elections and another new Government, the situation changed again, with Malta's application for EU membership reactivated.

No matter the course of politics, for the Maltese COS the objectives are unchanged and clear: improving those statistics that primarily serve the national interest, and, at the same time, aligning the statistical system with that of the EU.

Next, Dr HASSAN ABU-LIBDEH, President, Palestinian Central Bureau of Statistics, Territory under Palestinian Authority...

A VEHICLE FOR REAL PARTNERSHIP



"This cooperation is a pragmatic approach to bringing Euro-Med countries together", says **Dr Abu-Libdeh**. "Medstat is probably one of the most direct means of converging concepts, methodology and procedures towards EU standards. It will serve as a very important vehicle for partnership between the EU and Med countries in the framework of the Barcelona Declaration.

"Our expectation is, first of all, to profit on a technical level from the sophistication achieved by the EU in statistics. From the beginning of the establishment of our bureau we considered bringing our statistical system in line with that of Eurostat."

Abu-Libdeh expects convergence with EU standards can be achieved mainly through capacity building, transfer of know-how and access to the training offered in the Medstat project. *What has been achieved already to reach this goal?*

"Progress has not been as expected", he admits frankly. "This is partly because our peace process went through a turbulent year-and-a-half and this was reflected in the way the project itself was implemented. Given the political conditions, at least the project is still alive, and that in itself is an achievement."

What he expects in future is more involvement by the southern part of the partnership on one hand, and better recognition of the real needs and priorities of Med countries on the other. "Maybe the kind of involvement of each country should be evaluated and the expected involvement clearly stated, so that the partnership concept applies on a fair basis.

"Very often an important obstacle to deeper involvement of Med countries is not that they don't want to cooperate, but that they don't have the means to allow them to do so", **Abu-Libdeh** explains.

A young discipline

One difficulty faced in his own country stems from the fact that the PCBS's is only five years old. "Statistics is a relatively new field in the country. This means that while trying to produce statistics, we still have to promote the need for reliable statistics in policy circles. And, since statistics is a young discipline and not yet established as a profession, we lack the human resources necessary to lead the programme. What we are trying to do is conduct a regular, classical programme of statistics while, at the same time, building a basis of human resources for future, growing tasks."

The complex political situation poses another problem for Palestinian statistics. **Abu-Libdeh**: "The country is not fully independent. Part of it is run by the Palestinians, part by the Israelis. Most difficulties are caused by this political situation.

"Trade statistics are one of our most difficult fields. We have a very similar situation to the Common Market with no customs declarations. Within the context of Israel and Palestine there is a great alliance to cheat the two governments among those who are supposed to make declarations. In foreign trade we really have a hard time. We are trying to obtain data from the original source and we are negotiating with the Israelis to reach a formula whereby the data flow becomes easier. Many activities take place across the borders between Israel and Palestine against the background of political arrangements. Activities in the informal sector also call for closer examination.

"As for data gathering, we also have unique experience in that

we started our activities after 28 years of Israeli occupation, during which information was considered both very important and dangerous. So this history makes collecting statistics difficult. People are not yet aware that supplying data is part of being a good citizen. Usually, they are not very happy to provide information: we have to overcome the obstacle of people being suspicious about what will happen to it. But we recognised the problem and things have improved over the last five years. In fact, we have just conducted our first population and housing census and it was very successful.

Still hoping

"I'm not really very satisfied", **Abu-Libdeh** states of Medstat relationships and progress. "I hoped when we first met in Valencia that we would be communicating not only with the north but with the south. It's a bit disappointing not being able to cooperate with Jordan, Israel or Egypt. So far, my early expectation that this vertical relationship between the EU and Med countries would also bring about horizontal 'south to south' communication has not been fulfilled.

"I'm very confident that, in the long run, this project will lead to improvements in the statistical systems of participating countries. I assume the European agenda will be achieved, but the prospects are also good for the project to be used as a vehicle to improve coordination and cooperation among the Med countries. It will take more time – probably a second or third phase. It is a very good opportunity for us to benefit from the EU – and not only financially: communicating and being part of this historical development are profit themselves." ■

Next, PROFESSOR JOSEPH A YAHAV, the Government Statistician, Central Bureau of Statistics, Israel...

CREATING A NEW STATISTICAL CULTURE

Statistics enable decisions to be taken on the basis of facts rather than on beliefs or a spiritual view of the world – this is, **Professor Yahav** believes, one of the most important achievements of modern times. But, according to him, this 'revolution' has not yet really come about in Med countries.

"And that's why I consider the Medstat project very important. I think such cooperation might create this revolution. I expect it to give Med countries a start in developing a culture and a common language leading to policy on a common basis.

"Harmonization is a slogan; it's not really what we want, which is a common language. Harmonization means that a certain set of data is collected and treated the same way in different countries. Our concern is talking the same statistical language, using the same methods, producing the same data in a process transparent to all. I'm talking about a much higher level of harmonization."

Professor Yahav's aim is Med and European countries with the same system of statistics at their disposal and, in the long term, the former developing this system further within the world community of statisticians. "I think this can be achieved; it might take three to five years or more, but what is important is that we have started."

Professor Yahav is convinced that capacity building should be Medstat's first aim.



"It's not meaningful to talk about harmonization when there is no capacity. Therefore the most important part is trying to raise the level of all Med countries in the production and dissemination of statistics. Once all of them are approximately on the same footing we can start talking about harmonization, but it makes no sense when some are at a fairly good statistical level while others hardly produce any data."

Priority to training

Consequently, it is training to which he attaches most importance within Medstat. And he wishes it would be more tailored to the countries' diversified abilities and

needs. He suggests opening the TES training 'basket' to all Med countries so each might choose the training it needs rather than being simply told what to do.

"In Israel we are not good enough at business statistics", **Professor Yahav** explains. "We don't have a business register, for instance. And our labour market statistics also lag behind. We are also far behind in social statistics as we don't have an annual social survey that would give us an insight into living conditions. We are not able to measure poverty correctly, we measure poverty by using only the income distribution.

"So there is much room for improvement. My long-term aim is to bring Israeli statistics up to the level of those in the Netherlands, Norway or France. I would greatly welcome a training programme with countries that have achieved a high level of statistical quality."

Though **Professor Yahav** is quite critical of the way Medstat cooperation works at present, he regards the relationships between people and the atmosphere as very good. "There is cooperation and that encourages me for the future", he says.

"The way Medstat runs now we don't have the feeling of a partnership between Med and European countries. We have the feeling that European countries are kind of looking on the Med countries from above and telling them what to do.

"There is not enough listening to what Med countries want and need, and no real dialogue. Decisions are made, with or without the appropriate information. I would like to see a bit more openness in discussion with Med countries about their needs and expectations.

"But, if we simply give up in three years' time after achieving very little and say 'We tried', that would be the worst thing that could happen. One can learn from mistakes, and improve. We are talking about a change in culture, and you don't achieve that in two or three years." ■

Next, **CLAUDE MASSAAD**, Director-General, and **ROBERT KASPARIAN**, former Director-General, Central Office of Statistics, Lebanon...

GOING THE EXTRA MILE



“There’s a lot we can get from this relationship – our main desire is to go the extra mile in technical terms. As the third millennium dawns, and with the trend towards globalisation, we need to be in touch with current advances, especially in the fields of science and statistics.” **Claude Massaad** (pictured above right) outlining the reasons why his institute wants to be involved in Medstat.

Robert Kasparian adds: “We’re very keen on the idea because we feel close to Europe and work within Medstat helps us complete the tasks we’ve been given. Even though Medstat requires a great deal of effort, it is very useful.

“We’re a young statistical institute. We started work only four years ago after a 20-year break because of the war. Despite that, Medstat still came to help us.

“There’s a total lack of statistical data”, acknowledges

Kasparian when he talks about statistics in the Lebanon.

“We’re going to draw up a five-year plan, reviewed annually, to establish the statistical bases and thereby set up our whole statistical structure in every domain, social as well as economic. We’ve given initial priority to social statistics – by conducting a big household survey so we can study general living conditions. Next priority, as we build up the national accounts, will be economic statistics and collection of data we don’t yet have for various sectors.”

Statistics not a luxury

“We need everything because we lack everything”, states **Massaad**. “We can’t do everything at once but we have priority programmes that need to be implemented. Anything we can learn will be useful for the future. At the moment, statistics are not a luxury but an actual necessity. Lots are missing and that explains why the national accounts are inaccurate: 80% of the figures are

based on estimates that rely on what we know about people’s habits. In theory, statistics should always be reliable and accurate – but that’s not the case at the moment in the Lebanon.

“We should like to acquire the know-how and expertise of other statistical offices so we can adapt them for the Lebanon. We don’t have the resources to conduct research, and that’s why it’s important for us to see what happens in other countries and to try to put it into practice at home.

“We attach tremendous importance to all kinds of training because, in view of our brief existence, there’s a lack of experience among our staff. The 20-year break meant our trained staff grew old, and there’s a gap between old and new generations.

“Medstat has helped us with training. The young people who have attended Medstat events come back with a lot of knowledge and expanded horizons, full of new ideas.”

Some criticism

But **Kasparian** has some criticism of the Medstat approach. “The programme decides priority themes, such as transport, external trade, tourism and migration. But while these areas are of interest to politicians – the people who make the decisions about Euro-Med cooperation – this doesn’t mean our priority areas are bound to be the same.

“Our view is that these statistics need to come later. Our priority is compilation of the basic statistics we lack. This might be

why our collaboration with Medstat is lagging somewhat: we don’t have enough staff for these particular areas. Our people are too busy compiling basic statistics.

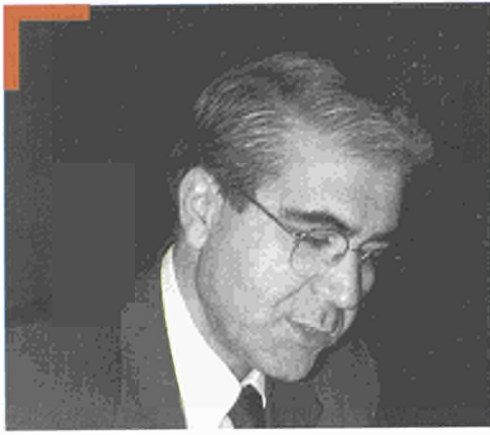
“As we see it, this lack of agreement on objectives is the only blip in our cooperation with Medstat and something that applies only to the Lebanon.”

And **Massaad** concludes: “We expect a lot from Europe, to which we feel very close. We hope Europe will provide enough aid to countries where the infrastructure has run down, so they can get going again and, in a few years, be treated as equals. We don’t want to be a burden for ever. We have our objectives, which are ambitious, and we need help to attain them.” ■

Training: an absolute necessity!

Kasparian: “Lebanon receives aid from Europe not only in connection with Medstat. We’re a Medstat partner to carry out certain statistical work. We also receive short-term training in a number of very specific areas.

“Lebanon also receives European help under the MEDA Regulation, and this involves considerable aid for placement of human resources. For instance, the EU has financed long-term grants for the basic training of young people with a qualification in economics but no knowledge of statistics. They spend three years in France for basic training at a school of statistics. This is very important for us in training young officials to replace older staff.”



Next, **PROFESSOR ÖMER L GEBIZLIOGLU**, President, State Institute of Statistics, Turkey...

GREATER PARTICIPATION, MORE PROFIT

For Turkey, Medstat is an important platform for exchanging expertise and experience and becoming familiar with international statistical rules and standards.

Turkey is already in a customs union with the EU and hopes to join the Union in the long run. It is already closely linked to the EU and the other Med countries via a big share of trade and transport, and also migration.

"There are common grounds and common goals, so good reasons to cooperate", **Professor Gebizlioglu** says.

"Although, compared to others, the State Institute of Statistics is quite advanced in its services and quality of data, there is room for improvement. We knew that participation in Medstat would be a good opportunity to improve. All Med countries have to make efforts to reach the expected standards. I am confident that data quality will improve as a result of this project.

"My expectations are very high", he adds. "Not very much progress has been made so far, but everybody accepts that starting something is difficult. Things often begin slowly. It took time to make people understand what the programme is all about...to set up the organisation, the allocation of budgetary and human capi-

tal to several activities. Now that we have overcome all this we shall increase speed."

Professor Gebizlioglu thinks the sub-programmes regarded as priority areas of action – foreign trade, national accounts, transport, tourism, the non-observed economy and information systems – are well chosen. "Almost all countries, no matter how advanced they are in statistics, have some difficulties in these areas. Our institute gains most profit from cooperation in national accounts and tourism statistics. Representatives at meetings and workshops return with a broader view and new ideas to improve data production and the whole statistical system. We are gaining a lot from such activities."

Observing the non-observed

One challenge for Turkish statistics is the large share of non-observed economic activities. **Gebizlioglu** explains: "There are several reasons, one being our geographical position. We are really struggling to cover this field. We try to measure its size and have started to make a breakdown. We have also created methodology for this purpose, and, of course, we should like to share experiences with other countries.

"For instance, we have a collaboration agreement with the Polish CSO. Together with them, we have listed topics of primary importance for our countries. The informal sector and the non-observed economy were top priority for both of us.

"The non-observed economy is a key topic for all Med countries because a large part of cross-border trading and other mutual trade activities occurs without record. The only solution to measuring this kind of economic activity is bilateral agreements to exchange information. But it will take time to come up with a standard methodology and measurement approach because it's a very complicated sector."

Gebizlioglu is not very satisfied with the communication flow of Medstat. His impression is that the different groups researching the sub-programmes are working more or less in isolation, whereas they should be keeping each other informed of progress, allowing all to profit from it.

"All I can say is that communication among Med countries in the Medstat project is not at all satisfactory", **Gebizlioglu** asserts. "Because of the experience we have accumulated, we think we should participate in all the

task forces. We know this is not easy, but otherwise we feel we are not getting the best out of the project.

"We can profit much more from the project if we participate more.

"It's difficult to overcome the communication problem because there are political and historical resentments, which make it difficult to bring the professionals together. But I think ways can be found."

*Many tasks, many challenges to overcome – what is **Professor Gebizlioglu's** expectation of Medstat's future?*

"One thing is more pilot projects. Funds are being used partly for such purposes in some countries. These countries benefit a lot from this kind of exercise. Pilot studies supported by Medstat funds are really creating a big opportunity for the countries concerned.

"There are so many things I wish Medstat would carry out. It's a matter of the budget and allocation of funds. But I think what Medstat can achieve as an ultimate aim is for us to speak the same 'language': to adhere to common standards and rules. Another big achievement would be data transparency. To know how data are produced and if they are based on common nomenclatures and definitions is the first step to high quality.

"Common standards and definitions and transparency are a prerequisite for the reliability and validity of data. We are taking the first steps to better quality. If we follow this path, Medstat can be a great success." ■

Next, **PAMBIS PHILIPPIDES**, Director, and **IOANNA CHAPPA**, Senior Statistics Officer, Department of Statistics and Research, Cyprus...

A DOUBLE CHANCE FOR CYPRUS

“We consider this Euro-Mediterranean cooperation very important because we believe in the objectives”, say **Ioanna Chappa** and **Pambis Philippides**.

“Medstat was proposed as the project title by the Cypriot delegation at the first meeting in Valencia”, states **Philippides**.

Chappa continues: “The objectives, as we understand them, are to adopt international recommendations and harmonize the methodology with international standards, in particular European. As Cyprus is also a pre-accession country and committed to harmonization of methodology to EU standards, Medstat is very helpful to us. But we also see the cooperation in the broader sense – as a possibility of establishing a partnership between Med and European countries.”

Main difficulties for Cypriot statistics stem from the fact that it is a very small country with a small statistical office. **Chappa** again: “Our human resources are limited and we feel we have to participate in many things at the same time and fulfil our commitments in all respects.”

Philippides adds: “Since starting accession negotiations with the EU we have had a time limit. By 2003 we expect to have most, if not all, of our statistical methods and data in line with EU requirements, and fully har-



Ioanna Chappa

monized. This is a pressure that we feel. Of course, by undertaking harmonization in the accession process and, at the same time, participating in Medstat, we have a twofold opportunity of improving our statistical methods.”

Harmonization is planned on different levels. **Chappa** explains: “We want to cover three aspects: harmonization in coverage and collection of data, in processing and compilation, and finally in dissemination.”

“But the final aim of the project is, of course, through statistical cooperation to serve

the broader policies set out in the Barcelona Declaration – the free trade area, peace and safety in the region, and establishing partnerships within the region and with the EU”, **Philippides** adds.

Commitment from all sides

As for the latter aim, **Chappa** has a definite view of what has been achieved: “I wouldn’t say the spirit of partnership is non-existent, but it could really be enhanced. More transparency in the way the work is being done is needed and more active participation by

the Med countries; also participation by them in the decision-making process, which sometimes is not very clear.

“In order to feel partners there must be a commitment from all sides. At present the project is in the initial stages and these things take time to mature. We have a diversity of countries, not very homogeneous on one side and the EU on the other. The planned outcome might take longer than was thought at the beginning.”

“The decision-taking mechanism needs certain improvement”, **Philippides** confirms. “We have made several proposals for the mechanism of task forces, steering committees and the directors’ committee meetings in order to improve decision-making and ensure the needs of the Med countries are taken into account better in the preparation of agendas for meetings, in discussions and conclusions.

“And we do hope the Medstat project will be extended and the uncertainty that now exists in administrative and financial respects will be overcome, so that all the projects that have been initiated and those still planned can be completed.”

Ambitious aims

“The time limit for projects is a real problem”, **Chappa** maintains. “I believe that activities cannot be completed successfully by 2002 because the programmes that have to be followed are, in certain aspects, too ambitious.

“Progress has been achieved in assessing the current situa-

tion and creating a greater awareness of what is happening in the region. The second thing is that we have identified data sources that have not been exploited. We have proceeded to harmonize the methodology and, through training, enhanced the capabilities of human resources.

"Another positive thing is that, since statistics are provided not only by NSIs but also by agencies and ministries, the project has led to better coordination, including, in some respects, that between countries in the region.

"In the priority fields determined by the Barcelona Declaration – foreign trade, migration, tourism, transport – much progress has been achieved. And two more sub-

programmes, on training and information systems, have been initiated."

Philippides concludes: "We are a small office of some 110 people but we feel that the statistical infrastructure exists. Although there is much more to do, given some strengthening of our resources we can be confident about the future. We are now preparing a plan for introducing new surveys, adjusting methods and adopting EU concepts and classifications. In general we are aiming for compliance with EU standards, which hopefully can be achieved by 2003.

"The Medstat programme is undoubtedly a multiple activity – helpful for our own targets and for cooperation with our Med partners." ■



Pambis Philippides

Next, **KHALIFA BEN FEKIH**, Director-General, National Statistical Institute of Tunisia...

MEDSTAT – A REGIONAL OR NATIONAL DIMENSION?

Tunisia has signed an Association Agreement with the EU that includes statistical cooperation. It has also become involved in the Eurostat initiative to encourage Medstat dialogue on statistics. The Tunisian NSI is keen to take every opportunity to improve its statistical system.

Original objective of the Medstat programme was to ensure statistics of the Med countries and EU Member States were as comparable as possible. Ultimate goal was to harmonize statistics, methods and techniques, particularly in helping to establish the free trade zone provided for under the Barcelona Declaration.

"But for the Mediterranean countries there's also another objective", says **Khalifa Ben Fekih**. "We expected the programme to make a substantial contribution to the development of the national statistical systems of the Mediterranean countries, because if we are to produce quality statistics in these fields, we need statistical tools that are up to the task.

"For us the purpose of this project is twofold. Firstly, we are working on the harmonization of European and

Mediterranean statistics in priority fields. The second objective goes beyond the harmonization of certain sectors – it is to meet specific national needs to develop the statistical systems.

"The project is currently limited to the first aspect – regional cooperation", he adds. "Some Mediterranean countries find they have to supplement these regional projects with national bilateral projects to meet specific needs."

Important time

This is an important time for Tunisian statistics. A committee of experts has been working on structural reform of the statistical system. One study currently under way has already yielded initial results and should lead to adoption of a statistical law, explains **Ben Fekih**.

Tunisia's NSI was established in 1970. In the fields of population and consumption statistics or national accounts, data are of sufficient quantity and quality. And there's no lack of experience in compilation of price indices or short-term economic indicators.



"But new areas such as business registers are poorly covered, so these definitely will be future priorities", **Ben Fekih** continues. "For the business register, we shall need to develop a sound system of business surveys. One immediate priority is forthcoming revision of the system of national accounts in accordance with SNA 93. And there's urgent need for short-term economic statistics.

"When discussing reform of the statistical system, users stressed not just the fields to cover themselves but also dissemination of results and statistical coordination. This horizontal work is very important and must be clearly developed."

Within another Medstat sub-programme, the non-observed economy, Tunisia has already acquired some experience. **Ben Fekih** points out that this phenomenon was first investigated in the seventies and has led to sur-

veys and studies dealing with sectors such as mechanical repairs. "Then, in 1980, we carried out an enterprise and establishments census. On the basis of this study, we conducted surveys in various sectors of the non-observed economy using unstructured samples and limiting ourselves to enterprises with a minimum of 10 employees. The findings were incorporated into the national accounts. But the experiment was not repeated until 1997 when we undertook a sample survey of small enterprises chosen from the enterprise register.

"The methodological approach is still somewhat tentative. For us, the non-observed sector is not just illegal activities, the underground economy, it is also the activity of small enterprises that have neither accounts nor records. It is difficult to approach these enterprises and chart their activity. So we are faced with two problems – firstly, they are small,

so we have to identify them, and, secondly, how to evaluate the activity of each of them?

"This is why it's useful to study what other countries have done. Exchanges of experience and ideas will certainly be useful if we are to make headway in this field."

Concept of partnership 'yet to be defined'

Ben Fekih agrees with his colleagues that progress with the Medstat project seems slow, although in terms of training and preparation of papers much has been accomplished. "A regional programme embracing 12 Mediterranean countries and 15 EU Member States is slow to put in place, despite the experience Eurostat brings to bear in

running this kind of programme. There are challenges when countries and systems first start working together, and apparently the European decision-making process is a little unwieldy.

"We should probably have allowed longer for the project. But I doubt all the national systems would be able to keep up if the pace were faster. The key thing is to have the time to complete projects that have been started."

Mr **Ben Fekih** concludes: "I think we need more time to refine and develop partnership between our statistical systems. If the Medstat project is extended, I would expect the national aspect to be better covered. This has not featured prominently enough in the current Medstat project." ■



Next, **TAOUFIQ CHERKAoui**, Director-General, Directorate of Statistics, Morocco...

'NEED FOR CONTINUITY'

"There's a lot we can learn from European countries and we have a certain amount of experience we can exchange with them. Medstat is the ideal framework for this." **Taoufiq Cherkaoui** speaking when asked his opinion about Medstat

It's his hope – and he is convinced it will be achieved – that with Medstat's help Moroccan statistics can be brought to the same level as that of EU NSIs. There are still many shortcomings, especially in the vitally important area of economic statistics.

The Directorate's medium-term strategy document puts it like this: "Economic information has suffered greatly from the lack of recent structural surveys (the last one goes back to 1975), especially for the manufacturing sector, and the inadequacy of data on distributive trades and services.

"The scope of the survey on short-term trends is fairly limited, and price and volume indicators can reveal some weaknesses as a result of their obsolescent structure. In addition, the lack of any system for exhaustive, ongoing and consistent information on undertakings surveyed using a single code number, and the non-existence of a national committee for economic accounts, are the main obstacle hindering work on national accounts."

The office's three-year programme sets out, as a priority, to overcome these shortcom-



ings in economic statistics. The main thrust is:

- ▶ harmonization of integrated nomenclatures of activities and products with those of the UN and EU
- ▶ a census designed to build up a comprehensive register of economic units and to create a single identity code, so the demographic features of such units can be monitored
- ▶ surveys on the informal sector
- ▶ structural business surveys, and

▶ construction and transport statistics.

Taoufiq Cherkaoui: "Our main concern at the moment is introduction of the 1993 UN system of national accounts. This calls for a certain number of surveys of the economic set-up in the Kingdom and will involve a fair amount of expense.

"As for the informal economy, there are now new methods of approaching it, such as the 1-2-3 method used in Madagascar and Mexico. This is currently under way in Morocco, and to my mind seems an encouraging method

of covering the informal sector while providing very reliable information."

Although he thinks there were obvious reasons why Medstat should make a slow start, **Taoufiq Cherkaoui** believes "the time has come to move up a gear. The idea of having a cut-off date worries me a bit. It's my hope that in two years from now we shall be able to implement major structural actions to ensure the continuity of projects that are under way, and also introduce systems to take over from the present partnership arrangements.

Need for bilateral approach

"As I see it, if Medstat is going to develop further and faster, it needs to incorporate a bilateral element. I think it's time to devise bilateral cooperation programmes geared to each country."

*Asked for his personal views on how the project is working, **Taoufiq Cherkaoui** replies:*

"You have to understand we started from scratch but had help: when the Mediterranean partners failed to come up with an option, Eurostat was ready to offer one. I don't think we're being dictated to – there's always room for discussion – but obviously if we say nothing, it's their ideas that are accepted. As a rule, there's a lot of discussion; and what usually happens is that either they eventually convince us or we manage to persuade them."

And he concludes: "I think there's a real spirit of partnership. The key thing is that Medstat provides a focus for developing regional cooperation and networks.

"It's an exciting idea!" ■

Finally... MOHAMED BOUMATI, Director-General, National Statistical Office of Algeria...

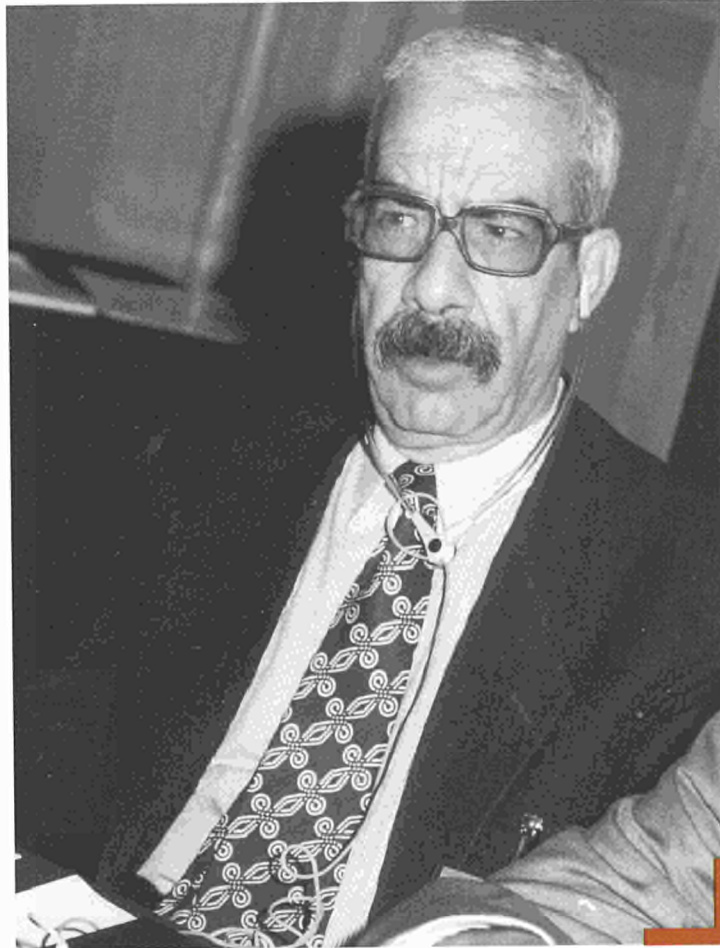
SHARPER FOCUS ON NATIONAL CONCERNS

When asked about Algerian participation in Medstat, **Mohamed Boumati** declares it has brought close communication with the various partners and enriched the national system of statistical information – especially on external trade, transport, tourism and emigration.

“Of course, we’re pleased with the amount of cooperation”, he explains. “But some of my national colleagues have told me they would like better feedback. The people I’ve spoken to within ministerial departments say they have the impression they’re working mainly to satisfy the requests of a single user, whereas our concerns are national.”

While he regrets national concerns are not addressed more fully, **Boumati** adds: “We are making an effort to contribute to the harmonization of Euro-Mediterranean statistics. We provide information but I don’t see what we get back.

“For the moment, what we’re hoping for and expecting is that implementation and follow-up of projects becomes more permanent. As of now, we still have no idea if the project will be extended beyond 2001. Methodology is not what’s causing the difficulties in implementing national systems. Main problem – and apparently one shared by the other Med countries and even by certain EU members – is budgetary restrictions affecting the statistical programme. We find it difficult even to devise programmes, never mind finding the necessary financing.”



He says it has sometimes proved difficult to obtain financing for priorities that aim to satisfy only a few users. “The fact is that when I try to get the relevant ministerial departments interested in the Medtour programme, they tell me it sounds very attractive but at the moment is not a priority – that there are other national concerns. Actually, we should like Medstat to help us get the message through to the decision-makers – those holding the purse strings: to convince them they should provide the necessary funding.

“Many statistical fields have high priority in Algeria”, he explains, “but Medstat covers

two of them. One is a study of the non-observed economy, aiming to integrate it into the economy as a full, contributing component.”

The second, he adds, is making macro-economic aggregates easier to compare. This is to allow a change from the national accounting system to the UN common system (1993). “I can’t deny we’ve had enormous difficulties in harmonizing our previous national accounting system with the new UN system”, admits **Boumati**. “It is a switch that can’t be made overnight. Also, we have had to make an extra effort and obtain extra financing so

there’s no break in the time-series of our national accounts.

“Another concern I have is the Medstat sub-programmes”, he continues. “The ideal solution would be to adapt these to national concerns, some of which are shared by several Med countries. If only our European partners were willing to devise other sub-programmes to accommodate the different needs of the Med countries and the Euro-Med community...”

Better feedback

“It seems to me the programme’s main goal should not be basic training but sharing experience and skills. We should like to have greater feedback of statistical information from Europe, and also more workshops on specific topics, instead of more theoretical, general training. We should like to be able to train communication specialists to act as intermediaries between providers and end-users of information, and thus help potential users understand everything that can be learned from statistics. Actually, the users need to be trained too.”

Boumati concludes: “In future we shall have to look at matters more closely and ensure continuity, communication and transparency in the actions that need to be developed. An effort has to be made to involve everyone in decisions and to include everyone in thinking about programmes, planning and decisions.” ■

EFTA & Medstat

by Ib Thomsen

EFTA's involvement in Medstat aims at helping the Med countries to produce more relevant, reliable and timely data.

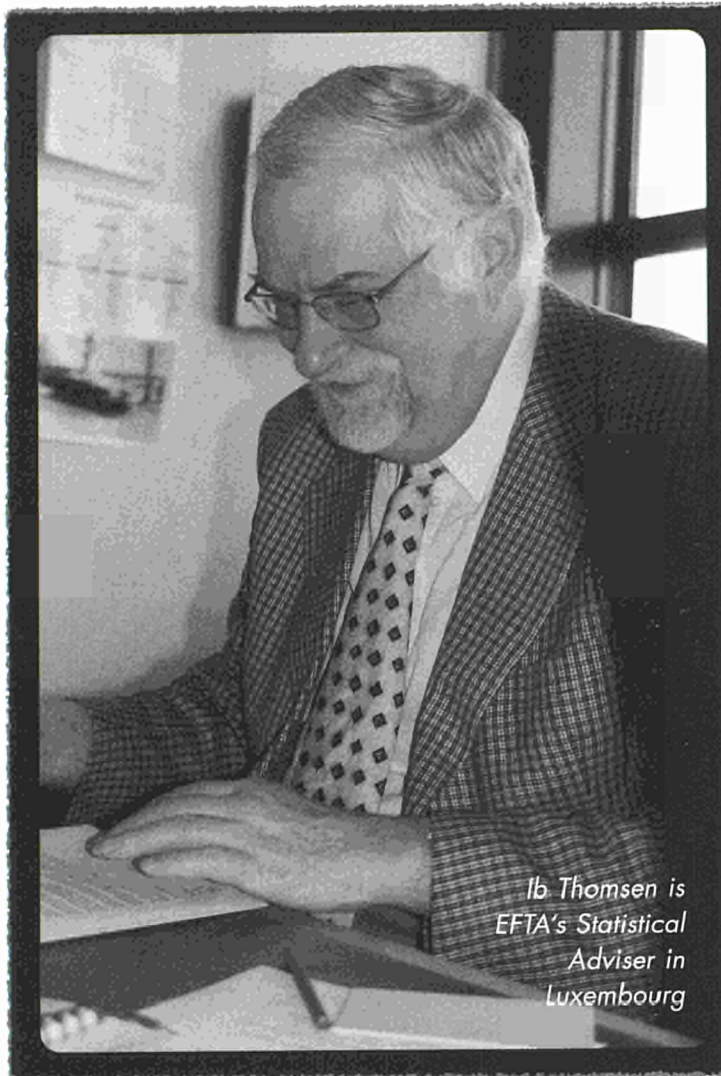
New political perspectives in the region and associated changes make the specific aim of improving statistical systems a key part of economic and social reform. Participation in Medstat also offers the possibility of coordinating in a wider framework the bilateral activities that both Norway and Switzerland undertake with the Palestinian Authority.

EFTA's involvement in Medstat is closely linked to Eurostat activities and the two have a memorandum of understanding in this area. The EFTA Council endorsed this cooperation on 3 December 1996.

Between 1997 and 1998, EFTA contributed through funding and participation in four important aspects of the Medstat programme:

- ▶ a seminar in Cairo on the management of NSIs
- ▶ a task force on national accounts
- ▶ a task force on Medstat training, and
- ▶ follow-up to the Cairo seminar.

The Cairo seminar was held from 18 to 20 November



*Ib Thomsen is
EFTA's Statistical
Adviser in
Luxembourg*

1997. The seminar's objectives were mainly to:

- ▶ present principles and techniques of management of statistical offices and programmes
- ▶ discuss the need for the strategic planning and development of national statistical programmes
- ▶ outline the need to plan the work of the NSI
- ▶ define an integrated approach to management

of statistical activities within cross-cutting projects, and

- ▶ heighten the awareness of Med countries of issues related to quality control, measuring efficiency and monitoring programme performance.

The directors-general and top management of all the Med countries (except Syria), as well those of the EFTA countries and Eurostat, attended the seminar.

Mr Barnabé Richard,
Director of Statistics

Canada, was invited to the seminar to coordinate and raise the profile of the event. Participants were all invited to express their points-of-view to Mr Richard – a process that greatly facilitated the exchange of information and experience. The opportunity of holding in-depth discussions on managerial issues in small groups, and the fact that every participant played a specific role as lecturer or discussant, contributed significantly to the meeting's success.

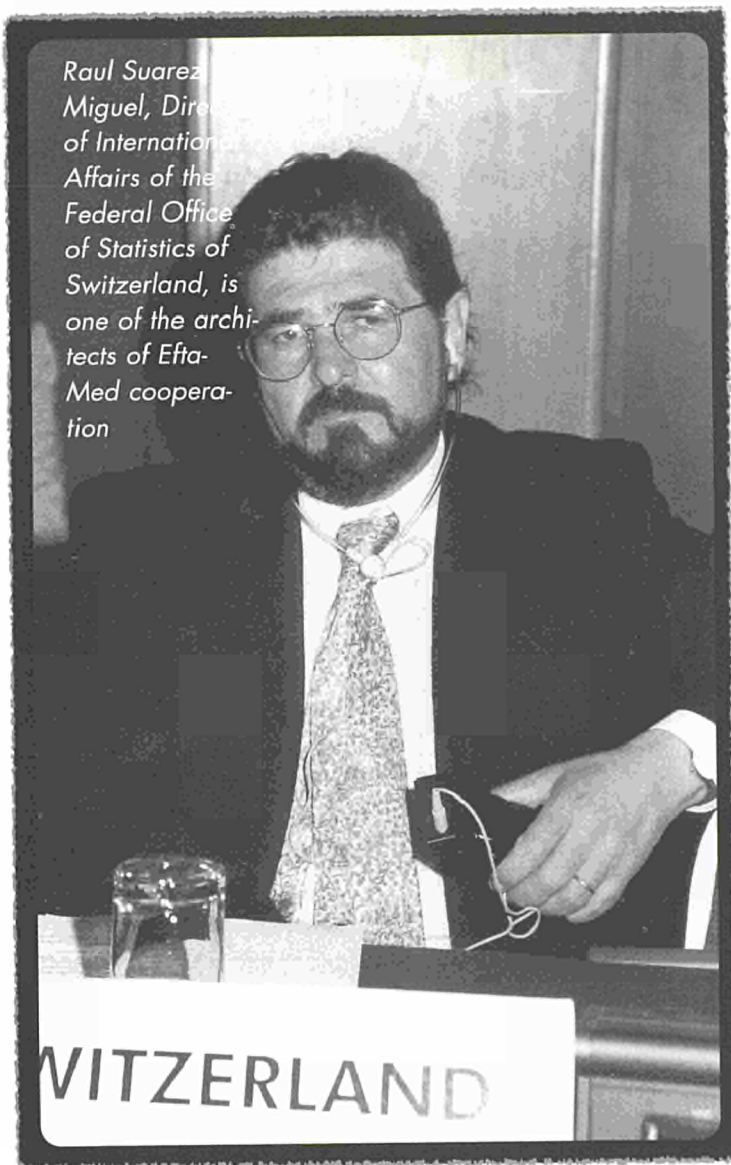
The working languages were English, French and Arabic.

Task force on national accounts

Within the framework of the Medstat regional programme, several 'identification missions' were launched in Med countries from November 1996 to March 1997. These highlighted the main weaknesses present in the production of statistical indicators required for monitoring economic and social developments linked to opening up Med countries' economies.

Seven priority areas were identified: external trade, training, the environment, tourism, transport, migration, and information systems. In addition, at the first meeting of the Medstat steering com-

Raul Suarez Miguel, Director of International Affairs of the Federal Office of Statistics of Switzerland, is one of the architects of Efta-Med cooperation



Follow-up of Cairo seminar

The Cairo Seminar was so successful among all participants – EU, EFTA, and Mediterranean countries – that the European Commission suggested three more seminars in the next two years.

This success was due mainly to the principle of informal dialogue between the European and Medstat DGs focusing on common concerns. Some representatives from Med countries currently encounter political barriers that impede the development of official statistics and cooperation with their neighbours, for instance Israel and Palestine, Turkey and Cyprus. They had the opportunity of strengthening personal relationships and anticipating opportunities for further informal bilateral cooperation. Such a seminar constitutes a new framework of cooperation that efficiently complements the structures and actions developed within Medstat.

EFTA decided to repeat this experience by organising another seminar in close cooperation with Eurostat. This took place in Lugano from 26-30 April 1999 and was devoted to the important subject of communication strategies. One objective of such events is to foster communication between Med and European NSI top management, as well as to promote specifically-adapted strategies for the management of an NSI.

Norway and Switzerland, as well as the EFTA Secretariat, were represented at the meeting of the Medstat management committee in October 1998 in Malta. ■

At end-April 1999 all EU Member States (and several non-members) were delivering national accounts data for the first time according to the new European System of Accounts (ESA 95). This is the culmination of several years' work. In this article, BRIAN NEWSON, head of the Eurostat unit responsible for national accounts methodology and statistics for own resources, explains some of the background to this key change. Articles on following pages develop particular aspects of the change.

One can observe occasional isolated attempts over the centuries by individual scholars to measure a country's income or wealth. But regular production of national accounts began in the second world war, with first international guidelines emerging in 1947.

These guidelines were picked up and expanded by OECD in 1952 as part of their work to foster post-war economic reconstruction... At world level these recommendations became the first UN System of National Accounts (SNA) in 1958.

A revised SNA incorporating detailed commodity and industrial analyses (input-out-

mittee in Malta in June 1997, a set of new initiatives was proposed and discussed. Economic accounts appear to be one of the main areas where most Med countries had requested European support.

A task force was established to consider cooperation with Med countries in the field of national accounts, with the aim of strengthening their statistical systems and improving their data.

The task force met in Luxembourg from 8-9 June 1998. It consisted of four experts representing Tunisia, Morocco, Jordan and Turkey. Participation was financially

supported by EFTA, and EFTA experts also attended.

In accordance with the decision taken at the second Directors' Committee meeting, the Medstat training task force, extended to include all Euro-Medstat training suppliers, met in December 1998 to define the 1999 vocational training programme. This task force's work was based mainly on the results of the double survey – of demand and offers of training programmes.

An important step was that Euro-Mediterranean training suppliers agreed to offer a programme of 20 training actions open to 12 Mediterranean partners.

New ESA 95 HAS ARRIVED!



put tables) and financial accounts was produced in 1968. In parallel, the newly-created European Economic Community found it needed a set of comparable national accounts to formulate and monitor economic policy in Europe. Result was the first European System of Accounts (ESA), published in 1970.

Economies continually evolve. Gradually it also became necessary for the

national accounts systems to evolve to track economic events properly. A number of studies were undertaken and interim recommendations made in working parties at EU, OECD and world level in the 1970s and 1980s. These fed into production of a new world-level SNA in 1993.

Meanwhile, European economic integration was proceeding and reinforcing the need for comparable data for

economic analysis. Some key national accounts aggregates began to be used for administrative purposes, such as calculating contributions to the EU budget, entitlement to regional and social funds and, of course, most recently, eligibility for Economic and Monetary Union.

Therefore it was decided to have a new EU ESA entirely consistent with SNA 93 but more specific in areas partic-

ularly relevant or important for the European economies. ESA 95 was the result.

Development of national accounts has always followed the needs of economic policy and users. The most recent ESA 95 arrives at the right time to provide an up-to-date, solid, analytical base for managing EMU.

Key changes

The new ESA can be seen best as an *evolution* and refinement of the old system rather than a *revolution*. The thorough review of the 1980s scrutinised every element of the system but many stood the test of time and returned to the new system unchanged. Biggest structural change is the system now includes balance sheets to record the stocks of wealth of the nation and its constituent sectors, and the way wealth is increased and redistributed by economic activity during the year.

Main changes in the more conventional flow accounts, which portray activity within the year, can be illustrated as follows:

- ▶ An expanded notion of investment to include intangible investments such as computer software and mineral exploration. Inclusion of military durables like buildings, schools, hospitals, lorries etc that formerly were – perhaps strangely – treated as current expenditure. Inclusion of entertainment, literary and artistic originals. Allocation of investment to the real user of the equipment rather than the

financial intermediary in the case of financial leasing.

- ▶ A more complete view of consumption distinguishing items we buy directly (consumption expenditure) from those we actually consume, including a range of services such as education and health received from government.
- ▶ Improved constant-price estimates that make better allowance for new products and changes in quality and productivity.
- ▶ More detail in the accounts to show how income is, first, generated in enterprises, then distributed as salaries, interest and dividends – and then how government also takes a share as taxes and redistributes it as social benefits to households, subsidies to enterprises and so on.
- ▶ Greater attention to financial transactions, financial services and income derived from them. Incorporation of new financial instruments that have sprung up in recent years. Recognition of the increased role in the economy of insurance and pension funds...

Impact on data

Many of these modifications to concepts lead to significant changes in the results and the picture they present of particular variables, sectors or industries. But, overall, they have only limited impact on total level of GDP... Provisional data already available from several countries show typical

increases in the level of GDP resulting from implementing ESA 95 of between one and two per cent.

This is partly because the general definition of GDP is only slightly modified, but also because of the enormous amount of work already undertaken to ensure comparability of national accounts data.

Ten years ago EU countries created an additional, fourth resource of funding in which Member States contribute to the EU budget on the basis of their GNP. Immediately there was a strong demand on Eurostat and NSIs to ensure data were sufficiently comparable to form a fair basis for such contributions. The GNP Committee was formed. This comprised Eurostat and Member States and over the next 10 years set about analysing and improving GNP comparability.

This work entails verifying in great detail that Member State national accounts conform to ESA rules and concepts. An early inventory was made of each country's sources and methods of compiling GNP and its components. From this improvements were identified. Commission reservations stated the data would not be adequate for fourth resource purposes until certain specified improvements were made.

Eurostat staff visiting the countries at least once a year throughout the period continuously monitored data, sources and methods. Regular reports were made to the GNP Committee on progress achieved.

A particular concern has always been to ensure the national accounts cover *all* economic activity – that there is no large hidden economy missed by the statisticians. This came to be called 'exhaustiveness'. Over the years there have been many tests of exhaustiveness of the accounts. These have included a number of standardised tests applied to the data and procedures of all Member States.

As a result of all this, the GNP of several countries rose substantially: 10% or even as much as 20% in some countries. We now feel confident that a high level of comparability and reliability of GNP data has been achieved.

Without precedent

It is worth stressing that such a thorough review of the real comparability of statistics is without precedent anywhere in the world.

Much of the investment in improving the data was under the old ESA, but the new ESA 95 data also benefits.

Of course, while Eurostat plays a key role in formulating the methodology, the burden of compiling the accounts falls on the national accountants of Member States, who have worked very hard in recent months.

Much of the focus in recent years has been on data at current prices. But actually, for many economic analyses, the growth rates of key variables are more important. Real GDP is also an important indicator of the Stability

and Growth Pact, designed to ensure smooth operation of the single currency.

A package of broad guidelines enshrining best practice in calculating national accounts at constant prices has been agreed with Member States. Application of these to specific areas is now being analysed, tested and implemented. This detailed work started with non-market services of education and health and other government services. It continues with computers, construction and large equipment. The whole research programme should finish by the end of 2000.

In addition to *comparability* and *reliability*, *timeliness* is an important aspect of quality. For regular daily management of EMU, the European Central Bank and European Commission are calling, quite reasonably, for development of more and more national accounts (including, of course, government deficit) on a quarterly and not just annual basis.

At the same time, other users with different concerns call for improved articulation of economic accounts to reflect environmental and social aspects of some form of sustainable development.

So ESA 95 is now in place... This, indeed, represents a significant milestone. Revisions of this magnitude occur only every 20 years. But developments continue. These are interesting and challenging times for national accounts!

MARCO DE MARCH, head of the Eurostat economic accounts unit, explains the implications of ESA 95 for data supply.

Quality demands on statistics

Statistical information provides a fundamental basis of decision-making in the various fields of economic and social policy, and in many other areas.

There are ever-increasing demands on statistics to meet 'quality criteria' in the broadest sense of the term. These criteria include use of clear and well-defined concepts, such as those in ESA 95 methodology, international comparability, coverage and detail of variables used, data timeliness, and dissemination.

A key step forward was taken in the economic accounts field with the ESA 1995 Regulation. This not only describes the methodology involved but also, in detail, the programme for transmitting national accounts data from Member States to Eurostat.

In the past, this was on the basis of an agreement in principle by which Member States transmitted data available at national level. Drawbacks to this arrangement were:

- ▶ information available was not the same for each country
- ▶ its quality varied considerably from country to country since it was not always compiled using the same concepts or classifications

- ▶ the very concepts used for ESA 79 were no longer suited to current conditions – or not always sufficiently clear
- ▶ the timescale of availability of information differed widely – with all the problems this caused when producing EU aggregates, and finally...
- ▶ data compiled traditionally for the economic accounts

could no longer fully meet new requirements for implementing and monitoring Community policies.

A big role to play

Macro-economic data in general and economic accounts in particular are of key impor-

tance to the EU. This is so whether it is...

- ▶ GNP, which plays a crucial role in the EU system of own resources
- ▶ GDP as an indicator of economic trends and an element to be taken into account for the stability and growth pact
- ▶ level of GDP used for international comparisons and requirements of the structural and cohesion funds
- ▶ GDP as a denominator for determining rates of general government debt and deficit
- ▶ use of GDP in the Commission's Opinions on enlargement, or
- ▶ any of the other elements in the economic accounts, which provide the basic material for monetary policy, short-term economic analysis in general and of the euro-zone in particular.

A data-transmission programme that is enshrined in legislation – and sets out deadlines, frequency of transmission and the date on which first data for the different tables, aggregates and



THE FOLLOWING TABLES WILL BE SUPPLIED IN ACCORDANCE WITH THE ESA REGULATION:

- Main annual and quarterly aggregates
- Main general government aggregates
- Tables by branch of activity
- Exports and imports for EU and non-EU countries
- Final consumption of households, expenditure by function
- Financial accounts by institutional sector (transactions)
- Financial balance sheets
- Non-financial accounts by institutional sector
- Taxes and social security contributions by type and sector
- Tables by branch of activity and region, NUTS II, A17
- General government expenditure by function
- Tables by branch of activity and region, NUTS III, A3
- Household accounts by region, NUTS II
- Fixed assets for the whole national economy by product (Pi3)
- Table of resources at base prices and conversion to purchase prices, A60XP60
- Table of uses at purchase prices, A60XP60
- Symmetrical input-output table at base prices, P60XP60, five-yearly
- Symmetrical input-output table for domestic production at base prices, P60XP60, five-yearly
- Symmetrical input-output table for imports at base prices, P60XP60, five-yearly
- Cross-tabulated table of fixed assets by branch of activity and by product, A31Xpi3, five-yearly
- Cross-tabulated table of the production account by branch of activity and sector, A60X5 sectors (S11, S12, S13, S14, S15)
- Cross-tabulated table of gross fixed capital formation by branch of activity and product, A31XP60, five-yearly

variables are to be sent – is obviously a very good point of departure for providing EU institutional users and citizens with high-quality information on the economic accounts.

However, over a transitional period up to 1 January 2005, some Member States have been granted derogations from the basic programme in respect of volume, detail, deadlines and transmission methods. This is because it was only recently that all the countries started to compile data in, for example, quarterly, sectoral and financial

accounts, input-output tables and capital stock. So implemented the new system posed initial challenges for countries with less well-developed statistical structures.

Nevertheless, in response to growing demand for data to implement and monitor EU policies, and particularly those on monetary union, Eurostat is now discussing with Member States the possibility of speeding up efforts to ensure full compliance with the data-supply programme – and even provide additional variables not set out in the Regulation.

Much easier

One key aspect of data supply is, without doubt, that this is an integrated programme involving other large international organisations such as the OECD, UN, IMF and World Bank. These have all agreed to join forces with the Eurostat programme.

Implications for Member States in particular – but also for other countries – are that only one questionnaire (the ESA 95 questionnaire) will be needed to collect the data; and these data will then be

passed to the other organisations. Compared with past practice, when Member States had to transmit data to each body using a separate questionnaire, this lightens the response burden considerably.

The process has also been made easier, more secure and faster thanks to introduction of tailor-made electronic data transmission systems.

All this should make it possible to make big improvements in the quality and timeliness of economic accounts' data – and respond more effectively to user needs. ■

The European System of Accounts (ESA) is known as the statistician's bible. By laying down accounting rules, it ensures a coherent, comparable description of Member States' economies. The new version affects various areas of statistics. In this article, DIETER GLATZEL, head of the Eurostat unit responsible for the excessive deficit procedure, describes what the change to ESA 95 means for the excessive deficit procedure.

GREATER clarity FOR EXCESSIVE deficit PROCEDURE

Article 104c of the Treaty on European Union stipulates that Member States must avoid excessive government deficits. It provides for the European Commission to monitor development of the budgetary situation and government debt in Member States with a view to identifying gross errors.

ESA is crucial to this task.

The sectors are defined by reference to ESA. The term *government* covers institutional units belonging to general government – central government, regional or local government and social security funds – but excludes commercial operations. *Deficit* means net borrowing and *investment* means gross fixed capital formation as defined in ESA. *Debt* is the only term that could not be defined by reference to ESA, since ESA 79 (second edition) contains no balance sheets.

To ensure more precise definitions, the Commission drew up a proposal in accordance with Article 104c (14) of the Treaty covering additional details and definitions for application of the Protocol on the excessive deficit procedure. This led ultimately to adoption of Council Regulation No 3605/93 of 22 November 1993.



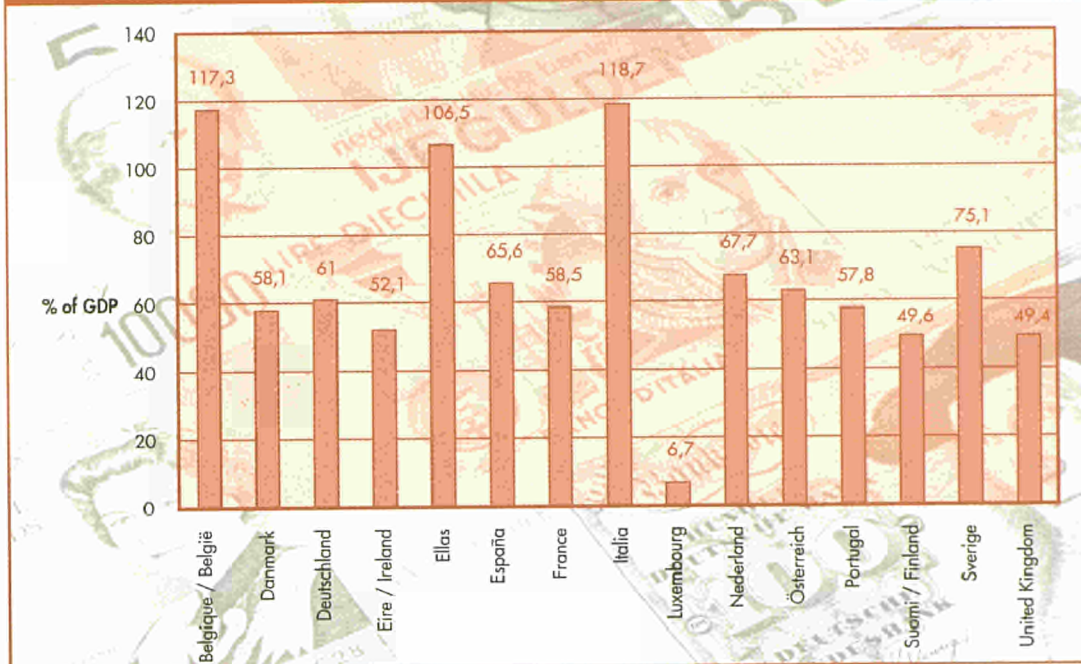
When this Regulation was being drafted, the only manual available was ESA 79 (second edition). So any additional definitions had to be produced in accordance with this manual. ESA 79 (second edition) had no legal basis and therefore in the eyes of some in the legal profession was only an internal Commission manual.

Unlike ESA 79 (second edition), the new ESA has been enshrined in a Council Regulation. This Regulation on implementation of ESA 95 states that until 2000 Member States must continue to report their deficits and debt levels to the Commission on the basis of ESA 79 (second edition). ESA 95 should be applied only to

the excessive debt procedure from March 2000.

Background to the delay in applying ESA 95 to the excessive deficit procedure was the economic situation in 1994-1995. At that time very few countries were able to achieve or improve on the reference values laid down in the

Debt of EU Member States in 1998, % of GDP



* These figures are on the basis of ESA 79 following a Council Regulation stating that ESA 95 should be applied only to the excessive deficit procedure from March 2000.

Protocol: 60% for ratio of government debt to GDP and 3% for ratio of government deficit to GDP.

Therefore the move to third stage of monetary union on 1 January 1999 seemed possible only for a small number of Member States. A guarantee was needed that the 'outs' would be assessed by the same criteria as the first wave of countries entering phase 3 of EMU.

No longer valid

The considerable effort at budgetary consolidation made by Member States in the last few years means this reason for delaying application of ESA 95 to the excessive deficit procedure is no longer valid. Nevertheless, Regulation No 3605/93, in conjunction with the ESA Regulation in place in 1995, remains in force. But it will have to be revised in view of the existence of ESA 95.

There are two ways of doing this. The first is a 'limited' solution whereby only a few formal

adjustments could be made by reference to the newly consolidated ESA and by defining the common denominator – gross domestic product – which would also be calculated in accordance with ESA 95.

Second would be to work towards a 'large-scale' solution, in particular by redefining the concept of government debt.

For a better understanding of this issue, it must be pointed out that in the current version of Regulation 3605/93, government debt is described as a sum of transactions, with all

trade credits and accounts receivable/payable removed from its definition. Sectoral balance sheets are now available under ESA 95. So, in the interests of aligning the presentation of data from the national accounts with data produced under the excessive deficit procedure, government debt should be calculated on the liabilities side of the government sectoral balance sheet to the greatest possible extent – the extent the Treaty and the Protocol permit.

However, there will always be discrepancy in practice: in principle assets and liabilities

are assessed at market prices under ESA, whereas, under the Protocol, nominal value is calculated. There is no question of amending the Protocol on the excessive debt procedure. So it must be assumed that this discrepancy between nominal and market value will remain in the government debt accounts.

In the end, Member States will have to decide whether to give precedence to the limited or large-scale solution when adapting Regulation No 3605/93 to the reality of ESA 95.

When national accounting concepts were applied to the fiscal convergence criteria, it soon emerged that ESA 79 rules frequently were not sufficiently well-defined to cope with the complexities of public finances or ensure uniform interpretation.

For this reason Eurostat and Member States together developed a procedure to ensure uniform interpretation of ESA rules. This has already proven its worth in the interpretation of ESA 79 (second edition). So there is no reason why it should not be applied to ESA 95 as well.

While the procedure has been lengthy in a few cases, it has

The consultation process

If a question of interpretation is raised by either a Member State or Eurostat, a task force is appointed to clarify the matter and examine the relevant documents.

Afterwards the working parties on national accounts and financial accounts are consulted, either at a meeting or by written procedure. Only then is the Committee on Monetary, Financial and Balance of Payment Statistics (CMFB) consulted. Although the outcome of this consultation is not binding on the Commission, it has a strong influence on the decision reached. Eurostat has never taken a decision at odds with CMFB's declared vote.

the advantage that all sides have an opportunity to express their points-of-view.

Decisions and resultant 'case-law' are entered in a set of methodological notes. These constitute the guiding principles for application of ESA 79 to the excessive debt procedure.

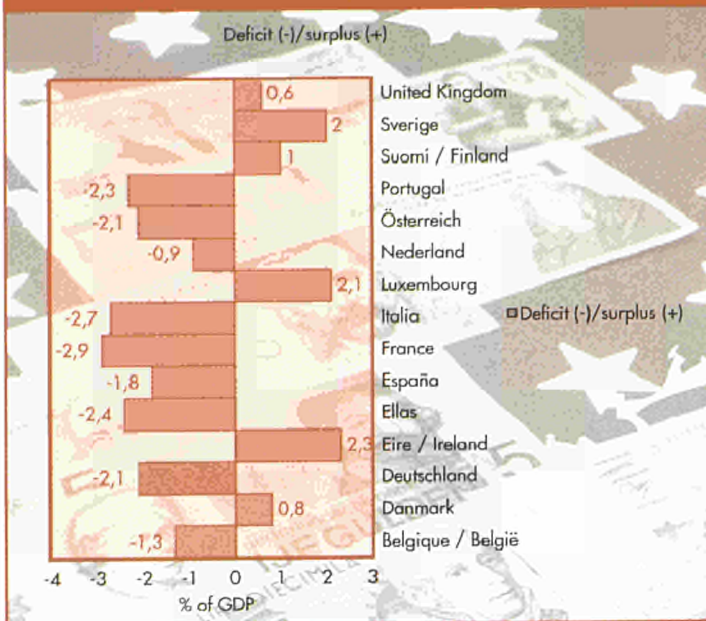
A rule of principle was also developed for interpretation of ESA 79. This was that if ESA 79 does not cover a particular problem that was unheard of or only just coming to light when the ESA 79 manual was being drafted, then ESA 95 is applied in cases where it contains the relevant rules. From this, one could take the view that in a roundabout way ESA 95 is already being applied at least in part to the excessive deficit procedure.

Ensuring uniform interpretation

While ESA 95 doubtless represents a major step forward compared to the 1979 manual, it is still necessary to ensure uniform interpretation of the rules by all Member States. Three task forces have been set up to this end. Their job is to draw up methodology for various aspects of the application of ESA 95 to the excessive deficit procedure. This methodology then becomes part of the ESA 95 application manual. Their work *does not* involve amending or making recommendations for amendments to ESA 95, but *does* involve interpreting the rules of the manual.

The three task forces work in the following areas:

Deficit/surplus of EU Member States in 1998, % of GDP*



* These figures are on the basis of ESA 79 following a Council Regulation stating that ESA 95 should be applied only to the excessive deficit procedure from March 2000.

- definition of the general government sector
- transactions between the general government sector and public enterprises, and
- definition of the rules for recording interest on an accruals basis.

In defining the government sector the question arises of how institutional units that obtain their revenue from two sources – market sales and government subsidies – should be classified in concrete cases. In particular, this problem affects hospitals, schools, universities etc.

Certain grey areas have also arisen in the context of privatisation because governments have withdrawn from many economic sectors and are withdrawing still further. But they are making the transition on a phased basis.

Thus privatisation of the rail sector has resulted in shrinkage of the government sector, according to ESA definition. However, problems have

arisen with transport infrastructure. ESA 79 (second edition) classifies this as a market activity that does not belong to the government sector; ESA 95 classifies it according to the breakdown of its resources (market sales or subsidies).

The task force charged with classifying transactions between the government sector and public enterprises has to determine when such transactions should be entered as financial transactions, with *no* effect on the deficit – or as non-financial transactions, *with* an effect on the deficit. Particular attention has to be paid to capital injections and assumptions of liability that have taken place in the context of privatisation policy in Member States over the past few years. Rules established for these cases, of course, also apply to future cases.

Finally, the task force on rules for recording interest on an accruals basis has the job of establishing appropriate rules for the use of a number of financing instruments. Such

instruments include early repayment bonds, where any accumulated premiums are attributed on an accruals basis; bonds that are sold separately from the interest coupon; or bonds issued in several tranches. The problem also includes index-linked bonds and variable-interest bonds.

The task forces' work is planned to continue until the end of the year. This will ensure that, at least for first notification of government debt and deficit to the Commission using ESA 95, in the year 2000, a number of uncertainties in interpreting ESA 95 will have been cleared up.

Accounting for a stable euro

In the context of EMU, not only the maintenance of strict budgetary discipline but also permanent coordination of decentralised fiscal policy is of overriding importance for the stability of the new currency. In this context the Economic and Financial Committee has proposed that government sector accounts drawn up in accordance with ESA 95 should be produced quarterly.

Only if quarterly statistics are available in good time can they be used effectively to monitor and coordinate fiscal policy in Member States. Therefore, production of quarterly accounts is a Eurostat priority in the immediate future. However, the fact that considerable demands will be placed on Member States' resources should not be overlooked, since local government units in particular either do not produce quarterly statistics or do so only after a considerable time-lag. ■

The Dutch CBS has embarked on the 'adventure' of integrating labour and energy statistics in the national accounts

Venturing into unknown territory

by Barbara Jakob

When we asked Dr Steven Keuning, head of CBS' National Accounts Department, to give us an interview we expected to learn something about one Member State's attitude to ESA 95 and the progress of the transition. And we found Mr Keuning had something even more interesting to report.

The CBS has regarded the transition of national accounts to ESA 95 as an opportunity to revise the system completely – a process that has involved integration of labour and energy statistics.

Says **Keuning**: "Increasingly, both nationally and in EMU, people realise that we have to concern ourselves about labour market issues such as unemployment, especially the high unemployment of lower-skilled people. But integration of the labour accounts into the national accounts is still a neglected area in the European System of Accounts.

"In the national accounts you had no breakdown, for instance, of wages by sex of the labour force; even more so by skill level. The labour market was completely absent in the national accounts. We in CBS,

and more importantly our users, felt this a matter of regret.

"At CBS we have had the very ambitious goal of completely harmonizing and integrating into the national accounts what we call a labour accounts system, and, in addition, an energy accounts system.

"All these pieces of data are usually available in NSIs but in completely different sets of statistics. We wanted to integrate them fully. The aim was to end up with a system of statistics with consistency between, for example, the government deficit or balance of payments surplus on the one hand, and unemployment or labour market issues on the other. So you have a much better analytical tool with which to address European and national problems.

"Same applies to energy accounts. If you have consistency between the national accounts and energy accounts it feeds into the environmental accounting system and you can address all kinds of pollution problems caused by economic activities.

"The big advantage", **Keuning** goes on, "is that we shall now be able to supply our users with an integrated system for energy and labour

accounts in which issues like economic growth, balance of payments or inflation are statistically integrated with unemployment, and even with environmental issues.

"In the Netherlands employment issues are very high on the political agenda. But if you don't integrate them statistically into the national accounts you can't analyse them together. With integration we shall be able to supply our users with an information system that allows them to analyse the interactions between different objectives. That will be very much appreciated – a major improvement."

But surely the workload of transition to ESA 95 alone was considerable, I say. So why the additional complication?

Keuning: "Once you've revised your system you're not going to change any more until the next revision. Only at revision time do you have the opportunity of really implementing new things, and this is our policy.

"Of course, it means that during revision you have a lot of things to do simultaneously, and have to keep an eye on everything."

Keuning stresses the need for good coordination of such an

exercise. "If you talk about integrating national and labour accounts you obviously need an equal involvement and commitment of labour statisticians."

He points out that national accountants are already used to coordinating many things – results from many economic surveys, dates where these source data must be available, publication dates – because they are used to obtaining data from a multitude of sources. But the more that is involved, the more difficult the coordination.

"But I still have high hopes that we shall have achieved complete consistency and I'm sure our users will appreciate that", he adds.

CBS was planning a press conference on 27 April to publish the main results. Deadline for supplying the figures to Eurostat was 1 May.

Keuning: "We have done all the methodological work and research on how in practice the new guidelines have to be implemented. ESA 95 is like a code of law, but once you have to implement it you still discover many problems to be solved. We started this work almost two years ago.

"The next stage is to make sure you have all the necessary data and to undertake the research, especially in the new areas like software or the accounts for private non-profit institutions.

"And finally it comes to putting all the new pieces of data together and seeing if they add up to consistent new national accounts. In the final stage we did the actual calculation and extensive checks and balances to ensure everything was consistent."

Obviously, the changes will have consequences for government policy, which may or may not be positive. **Keuning:** "Various important indicators change. These figures are used for various purposes: to assess, for instance, the tax level on enterprises or to estimate the share of national income going to wages. These are all important indicators used in policy and in addition we may have a different GDP, a different government deficit, and so on.

"On the other hand it's also an improvement. We now have various new elements that we did not have in the past."

Well prepared

Keuning is confident about achieving these ambitious goals. "The ESA 95 exercise is well organised at CBS. About two years ago a separate organisation was set up with a project coordinator whose task was to ensure the work went smoothly and to report to the head and management team of the NA department.

"Within the project a number of sub-groups worked on specific issues to solve certain difficulties connected with intro-



duction of the new ESA; for example, in creating a separate sector for private non-profit institutions or finding sufficient data for software or artistic originals.

"In the final stage, we saw problems mounting. The easy things had been solved but with several more difficult problems still to be resolved – for instance, how to incorporate foreign trade statistics, how to use Intrastat. And we had to take a decision on whether or not to allow a statistical discrepancy in the financial accounts by sub-sector.

"We had a very tight deadline. For about a year we had a day-to-day schedule so we knew exactly when things had to be ready. We always had D-day in mind and the schedule helped to keep the project under control. Without it would have become a mess – one had to coordinate so many

things and some parts could only start when others were completed.

Two GDPs

"What worries me", **Keuning** continues, "is we now have the unfortunate situation that basically we have to produce two GDPs. Until now we had one GDP or set of national accounts for all purposes. Now, hopefully temporarily, we're obliged to produce a second GDP for just a single purpose: for own-resources purposes within the EU which continue to be calculated on the basis of ESA 79."

But he admits there are, of course, several advantages to the change to ESA 95. "First of all, it's another enormous step towards European and even world-wide harmonization, which, I think, is becoming increasingly important to all users. Interestingly, national

users are using European harmonized data because they want to make comparisons with other countries.

"Within the Fourth Resource GNP Committee we had various so-called reservations for countries. In the Netherlands, for example, we did not take garden allotments into account. These form a very small portion of GDP, so we made a correction of around 0.005%. But that correction thus far has not been implemented in our own system.

"And there were more serious corrections: for instance, harmonization of the computation of the imputed rent for owner-occupied housing, which was done by different methods in Member States. The harmonized method had to be implemented for the Fourth Resource. But we did not directly implement that into our own accounts, simply because for the Fourth Resource you have to supply one number, GNP. For our own accounts we wanted to be consistent throughout the whole system, and we had neither the time nor the resources for a comprehensive revision of the whole time-series. But now we are going to implement this new method into our own accounts. I think it is an advantage for the results of GNP committee work to be incorporated into the new ESA.

"ESA 95 is a better system. ESA 79 was basically out-of-date, although it has functioned well. But just as you redesign cars you redesign accounting systems. ESA 95 is a better system and allows a better reflection of economic reality.

"Altogether, we shall be better placed to serve our users." ■

Visit any NSI and money matters usually top the agenda. INE is no different, although with some novel twists to the familiar story. But first an aside...

At the end of our interview I ask **Carlos Corrêa Gago** his age. He's 65 in June 1999 – "a typical Cancer: pretty terrible, supposedly very introverted people, somewhat inhibited and unpredictable". Now if he'd told me that at the *beginning* of our talk I might have wondered what I'd let myself in for!

But, in his case, it doesn't seem a very accurate description. Diplomatic, elegant and a touch philosophical might be nearer the mark, and very occasionally ever-so-slightly mischievous when our conversation offers the opportunity.

But back to those money matters...

The subject first comes up when I ask the President to what extent INE is an EU 'player', involved in the European Statistical System (ESS)?

Euro boosts self-esteem

I tell the President that my Lisbon hotel bill is designated in euro as well as escudos. Is this a sign that the Portuguese are reacting positively to the new currency?

"Typical Portuguese overreaction!" he replies, tongue in cheek.

"Speaking as a relatively well-informed citizen, I think that by-and-large the national self-esteem has been gratified. The euro has brought confi-

For *Sigma's* latest profile of an EU NSI, JOHN WRIGHT visited Lisbon and talked to CARLOS CORRÊA GAGO, President of the *Instituto Nacional de Estatística*. Unusual to find a trained mining engineer and former chairman of the national oil company in charge of a nation's statistics. But such is the background of the man who in the 1990s has made INE a force to be reckoned with – a process, he says, in which...

EU SUPPORT

for PORTUGUESE STATISTICS

has been 'decisive'

Gago: "To the fullest extent. We recognise and try to honour all our responsibilities, including participation in cooperation programmes with third countries – same as any other EU NSI. Such responsibilities have been enlarged with our entry into the euro.

"We do have specific and severe problems with resources. Nevertheless, these have been sufficient to cope with a modernisation effort much more intense than in other, more developed Member States.

dence to the man in the street. Perhaps it is seen as consecrating our union with the Union.

"The Portuguese are very open to innovation. They deal with innovation like a new toy – that's why your hotel bill is in euro.

"But seriously, I think that, statistically speaking, the Portuguese reaction to the euro is very positive."

"The EU's support in this field – mainly financial – has been decisive.

"Even so, the scarcity of resources leads us, more often than not, to try to moderate the ever-growing statistical requirements of Brussels and Luxembourg; or at least the speed of implementing the corresponding increases in statistical production when the Commission can't finance them.

"But", he observes, "we are not alone, although the problem is

more severe in a less-developed and poorer country like Portugal."

30% from EU

I ask what big challenges face INE as it approaches the new millennium. More money matters...

Gago: "A big challenge for us statisticians and the Portuguese Government is to make it clearly understood that EU financial support to the Portuguese statistical system has valid reasons to be extended beyond 1999. Otherwise there's a real risk of undermining a very successful effort of more than a decade.

"Portugal has a framework of EU financial support for statistical and other purposes. Allocation of structural funds is for four years and for us ends in '99. Another has to be negotiated. Whether or not statistics stay there remains to be seen. If not, the discontinuity imposed on the national budget for statistics will be significant. I really do think we deserve continuation of this understanding."

INE has received such support since 1990.

I ask if entry to the euro has given INE any particular headaches.

"I don't think so, apart from, of course, the sensitivity in reporting deficits. This procedure is complex since, by and large, the information required is produced by the Ministry of Finance. But the EU requires technical certification from the standpoint of national accounting, which has to be provided by the NSI. So we have entered in a new circuit of information, which is a great responsibility."

Gago on the Portuguese character...

"The Portuguese are somehow inhibited and escape from that by acting in a somewhat spectacular manner. But this is much more superficial than real and authentic. On the other hand the 'spectacular' behaviour of the Spanish and Italians may be the real thing."

I should have asked him if INE had the statistics to prove this assertion!

Gago continues: "It has been not only financial but technical support. What I can't tell – but perhaps what the EU would like to hear – is whether we at INE are completely ready to go on by ourselves. I think we could be almost there if the national budget could replace the 30% of our financial requirements that now comes from the EU."

"So for me this is the big issue: continuing financial support, preferably from the EU but if not from whom?"

Doesn't he feel that such EU support enables Eurostat or the Commission to apply undue pressure on INE?

"No – they have been elegant enough not to do so", he replies elegantly!

"And what's more, they appreciate our efforts. I think we are – allow me – a well-regard NSI within the EU."

"Other big challenges? Two major operations: one, starting this year, is the census of agri-

culture, the other the censuses of population and households in 2001.

"You ask what the future holds. My answer is that beyond that which I have mentioned I do not know." The implication is that the agenda he has outlined is more than enough, thank you very much.

Still on the subject of money, I ask if INE has any commercial activities. The answer takes an unexpected turn...

"Yes. Cooperation and partnership contracts, national and international; services rendered, namely specific data processing; and sales of publications and other forms of dissemination – these represent 10 to 15% of INE's total income."

"We're absolutely free to negotiate and contract. Our limitation is capacity and our capacity is designed for the requirements of legally compulsory statistical production. Our partnerships and contracts are at the limits of our capacity. We have reached the ceiling."

I remark that the Government is actually getting quite a good deal: 30% from the EU, 10-15% from commercial activities – 'half-price' statistics?

"It's a good calculation!" **Gago** says, meaning the opposite!

"This is perhaps an opportunity to let you know that I and my team are trying to change the nature of INE's relationship with the Government, because your sort of reasoning is possible and apparently legitimate."

"Despite having a legal status very close to that of the so-

called public companies in Portugal, we're not seen as a public company because allegedly we depend too much on the national budget. We're trying to convince the Government that what we receive from the budget is not an allocation, as given to other parts of the public sector, but rather 'payment' for a public service rendered 'under command'; because every annual activity programme the Government approves is a 'command' that must be obeyed."

"This is not a civil servant speaking!" he laughs.

"I hope – I have to hope – and if not I would not try – that this idea will be accepted. If it is I shall be able to tell the Government the cost of the statistics it expects us to produce."

"This would give rise to another kind of dialogue altogether. If the service was paid for in this way it could put EU support in a different light: still welcome but perhaps diverted to investment."

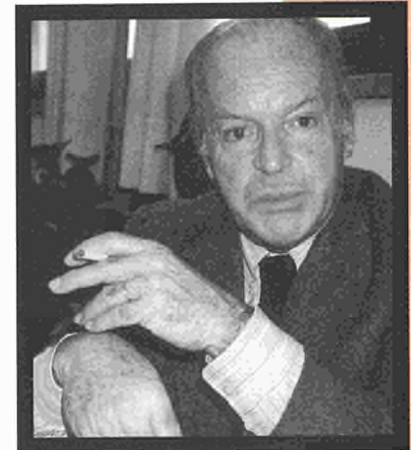
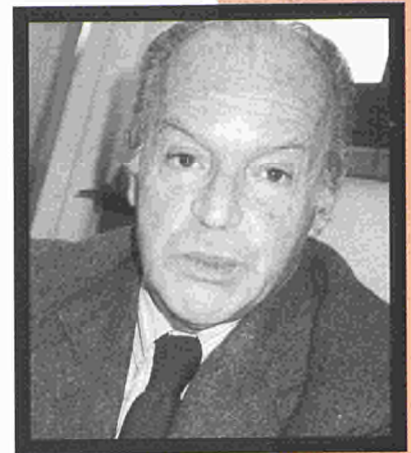
"I think we deserve EU support, but not the confused assumption, which you understandably make, that the Union is paying part of the cost of national statistical production."

"The arrangement I am trying to introduce would be far healthier."

How long at the helm?

I ask how much longer he'll remain at INE's helm.

"If things go normally, roughly three years. Our mandates are three years. I initiated my third in September 1998."



"But you never know what the future holds. There are legislative elections by the end of this year – a new Government, with political decisions and appointments to be made. Many things may happen."

This prompts me to ask to what extent his position depends on the Government of the day? Is it a political appointment?

Gago: "To answer with a question: how would you

describe an appointment that has to be made jointly by the Prime Minister and Minister in charge of statistics? Is this not necessarily a political appointment?"

I suppose the key question is: would you stay if there was a change of Government?

Gago: "This is a personal answer: I think the Government is entitled to replace me. But I have survived one of those situations in '95 when the political colour of the Government changed. In the forthcoming elections it's less probable that the political complexion will change again. Nevertheless I insist that the Government has the right to replace me.

"But there would have to be strong reasons.

"I am a civil servant and was so long before I came here. From the very beginning of my professional life I have served successive service commissions of Government.

"For six years I chaired the board of the national oil company – not typically the role of a civil servant."

So you're not by training and background a statistician?

"No. I was nominated to come here much more as a manager, which is where my experience lies. And by training I am a mining engineer."

From his standpoint as a professional manager how does he compare INE as it is now with what it was like when he first arrived as President?

"This institution has a long history. In '95 it celebrated its 60th anniversary. What I am sure

FROM EUROSTAT TO INE

In a fascinating development a Eurostat Director has become one of the three members of the executive board that runs INE.

Lidia Barreiros moved to Lisbon in October 1998 from her position as head of Eurostat's social and regional statistics and geographical information system directorate.

She served with Eurostat for 11 years. Her earlier career included a spell with the Portuguese civil service.

Some quotes from an article she wrote in *Sigma* in 1998 may offer some pointers to the direction she may take in her new role:

▶ "Economic and social aspects are two faces of development. What purpose monetary union if unaccompanied by progress in social cohesion between Member States and, within them, among different groups of society."

▶ "For social policies to be effective they should be based on facts – many of which should be supplied by social statistics. But to be relevant, social statistics must derive from the social policies they are designed to illuminate."



▶ "Statistics don't speak unaided; we have to help them by selecting data to illustrate a message, providing useful orders of magnitude, presenting figures to raise questions, put responses in context etc..."

UNUSUAL?

I ask Mr Gago if it's unusual in Portugal nowadays to have women in such senior positions? "More and more usual. Of course, in some political bodies

– Parliament, for example – the predominance of men is clear, but less and less so in public administration.

"There is now a project – very strongly criticised, above all by intelligent women – to put a minimum of 25% of women into Parliament. Intelligent women don't like that. They believe – and I agree – that people might suspect that women are in Parliament because there's a quota, not because they're

about is that its image and public credibility, both nationally and internationally, is now clearly stronger than when I came."

'We are adults'

So how, I ask, does INE fit into the Government structure? Can you claim to be truly independent?

"INE's statutes say that the Minister in charge of the national statistical system is the one

with 'planning' in his or her portfolio, although there is no longer strictly economic planning in Portugal these days – it's much more territorial planning: infrastructure, transport, communication, urban planning etc.

"There is", he emphasises, "no political control or influence over the content of our output whatsoever. We are an adult democracy!

"Of course, the quantity of the output depends on the

resources available. They give us more money, we produce more – but let us not go back to that!

"We are legally independent and also in actual practice, beyond the fact, of course, that we depend financially on the national budget to the extent of 60%."

Always my favourite question at this juncture: how much notice do you give your Minister of statistics you're about to release?

"Despite what I said about being fully independent, we do follow a procedure of courtesy and politeness that I think is echoed by most colleagues in the ESS. I inform my Minister in advance, usually the day before. This is so he's not taken by surprise when reading the newspapers."

I press on... If the Minister said, "I'm not sure I'm very happy with these figures. Could you delay their release for three or four days?" what would happen?

Gago: "I can't answer that question – it's never happened. I wouldn't like it to happen, of course. It would be absolutely unusual."

"Now, speaking again as a citizen, any sensible person in my position has to understand that there are circumstances in which this might happen. For example, when some very delicate international negotiations are taking place... But, I repeat, it never does happen."

How vigilant are the press about this?

"I think they're quite relaxed. They know how things work, so there's no longer any mistrust in the data. We currently have a good press."

So is there a history of statistical manipulation in Portugal?

"Manipulated is a very strong word. To be quite frank, in my memory, the answer would be 'no', even in pre-democratic times. What certainly happened in the old days – before the revolution – is that some information could not be disseminated. But to issue manipulated figures, I think, was never the case, except at the time of



elections, and this didn't involve INE.

"After 1976 there was no question of this. Perhaps before, transparency was controlled, which is different from manipulating the figures. The Government was interested in learning the truth but not necessarily publicising it."

Given Portugal's colonial history, I imagine there was always an interest in collecting facts and figures, that it's ingrained in the culture?

True, he says, adding: "One thing I regret, not merely in statistics but in scientific matters, for instance, is that we had a great deal of information about Africa that could have been of considerable value to the five recently-independent Portuguese-speaking countries – on oil exploration, for exam-

ple. But it was little used while still fresh.

"However, the statistical profession was installed by the Portuguese during colonial times, and within the scope and framework of our cooperation with the five African ex-colonies they are extremely open to the global architecture of our national statistical system. So the statistical legislation



gradually being introduced in these countries has been, with some adaptations, very much inspired by us. This has given me and my INE colleagues the opportunity of contact at very high political levels with these countries."

Crisis in agriculture

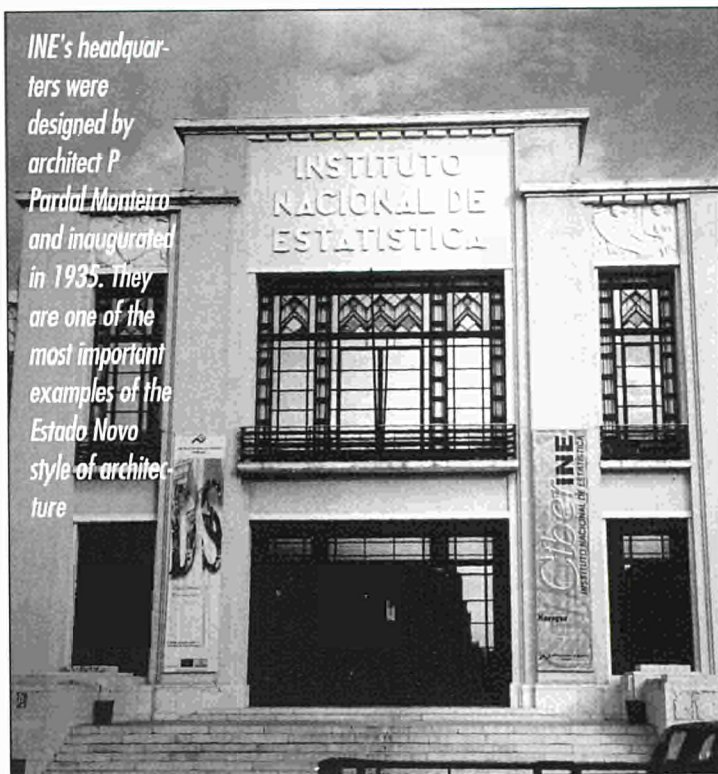
OK, I say, changing the subject, can you highlight any particular trends in how Portugal is changing, as seen through the eyes of your statistics?

"Something very specific to Portugal is the crisis in agriculture. This is very deep and came directly, although gradually, from EU agricultural policy. The competitiveness of domestic production of some agricultural items decreased dramatically. With the internal market, we became uncompetitive in many products in which we had been self-sufficient or almost so. The scale of this crisis and the associated population migration to the coast is very severe, indeed."

Gago continues: "I am beginning to wonder if a similar phenomenon will occur in manufacturing industry. We rely very significantly indeed on very small and medium sized companies. With the growing transparency of the market will they suffer as well?"

"What is encouraging in the last few years, although starting from a weak level, is the positive behaviour of the service sector. Tourism is one of the cornerstones of our economy."

◀ *Emigration statistics published by the Portuguese 100 years ago*



INE's headquarters were designed by architect P Pardal Monteiro and inaugurated in 1935. They are one of the most important examples of the Estado Novo style of architecture

"And another trend: emigration has been an issue in this country for many decades – the last wave to other European countries, the earlier one to America, mostly south, to Brazil. But now no more; it's tending to stabilise.

"Then there's immigration from Africa: a growing population – partly illegal – that competes in the labour market. This has manifold consequences: not only economic but social – mostly problems of marginalisation in some urban areas.

"The total percentage is not relevant but within Greater Lisbon is considerable – around 400,000, legal and illegal. Many have two passports or a Portuguese passport but keep their families in Cape Verde. Many are employed in civil works, so have become very visible in urban areas, mostly Lisbon."

How tolerant are the Portuguese of this situation?

"Fairly. They tend to think they are. In actual truth

they're less than they think." He turns to another Portuguese problem shown up by the statistics...

"Strictly speaking this is not from my official position, but we do have a big problem with quality of life due to lack of urban planning. Greater Lisbon now has perhaps close to two million inhabitants – not terribly high compared to other big metropolises – and the quality of life is unnecessarily poor from the standpoint, for example, of time spent in transportation from home to work.

"Life is not easy for the urbanised Portuguese. There have been decades of poor or non-existent territorial planning. This is unfortunate. And unnecessary. It has taken place on a scale I don't recognise in any other EU country – Spain, for example: they have controlled the growth of urban areas far better.

"Then there's the problem of demography: people marry later and later, women have

fewer children. Nevertheless, up to now, the natural balance is still positive, albeit by a negligible amount.

"Ageing is the big problem. But the spectre of bankruptcy in the national security system is not there yet, and it's maybe safe at the level of social security we have now.

Things INE does particularly well, in his view?

"Regional coverage. Although it needs constant tuning, and not merely fine-tuning, I am happy with the solution we have for the regional coverage of our territory. It's a well-balanced compromise between central coordination and decentralisation, which enhances closer contact with data suppliers and users and the expression of regional, specific, statistical requirements.

'Different animals'

As a professional manager, does he find INE and its 780 staff easy to manage?

"Definitely manageable, yes. One initial headache was that the financial situation in '92 when I came was very weak. The previous population census cost significantly more than budgeted. The situation was very bad. But what had to be done was done. You need the courage to cut when there's no other possibility of balancing things.

"We have now a system that allows us to know the cost of operations one by one. We've improved our control systems with the best available technologies for internal management. So, technically speaking, I don't see any

Gago on the way ahead for official statistics in the EU...

"Fundamental is the need to be selective and realistic, to resist the temptation to think statistics must have adequate answers for all kinds of political decision-making at EU level. This is not the case, and much less the case as the deepening of economic and political union systematically erodes controls, and thus administrative sources of statistical information – seen by some as obstacles to the free functioning of the internal market."

"One issue is the paradox of privacy versus better statistical knowledge, both highly-rated values these days. As I recall, you can't have your cake and eat it. You have to choose, or at least arrive at a reasonable compromise, between freedom and detailed information, between privacy and statistical knowledge, between accuracy and burden.

"And, let's face it, there's much progress to be made in the harmonization of existing economic and social statistics between Member States and improving their quality. Let's concentrate on that."

particular difficulties with the management of INE, apart from having a very peculiar shareholder – the Government!”

Any particular qualities you look for in your managers?

“Oh, yes. Sorry for playing with words...but it's not easy for statisticians to behave as managers. So training them gradually in management techniques is certainly something we have to improve and increase.

“Managers and statisticians are different animals.”

And, I add, they're not always natural communicators either, are they?

A very, very long pause, then, “I think I have to agree...”

“It's difficult to obtain from a statistician a clearly written report or communication to the press. But this is no different from any other NSI.”

A favourite question this...is there anything you don't tolerate in your staff?

“Oh, that's a heavy one. I am a tolerant person, you know. So it's not easy to identify anything.

“But there is a peculiar feature of this institution which, of course, I tolerate but very reluctantly. It is that some issues that come to the top could very easily be solved at the second level of the hierarchy. This happens too often. There is a lack of horizontal communication that I fight with limited success.”

But it is clear, as our conversation ends, that 'limited success' is not a phrase that figures often in INE's vocabulary. As the institute's official history states:

“Having successfully undergone in recent years the most thorough reorganisation in its history, INE can now be considered one of the main factors in the inevitable and vital process of development and modernisation of Portugal.” ■

2,000 YEARS OF STATISTICS

Some milestones in Portuguese statistical history ...

In the beginning... first known population census of what is today Portugal undertaken by the Romans in the year of Christ's birth. The Bible refers to it in Luke 2.

Middle Ages... the Arabs conduct various population censuses in the Iberian Peninsula.

1732... 'The list of houses and souls within the lands of Portugal' drawn up.

1857... Creation of the Central Statistics Commission of the Kingdom, later a Directorate-General.

1929... Number of laws passed to exercise 'statistical authority' more effectively.

1935... First great change in the system of producing national statistics with creation of the National Statistical Institute. It is established that "the NSI enjoys complete technical independence in performing its respective duties".

1986... Portugal joins the EEC, presenting big challenges for INE.

1989... Complete restructuring of the national statistical system (NSS).

1995... INE's 60th anniversary.



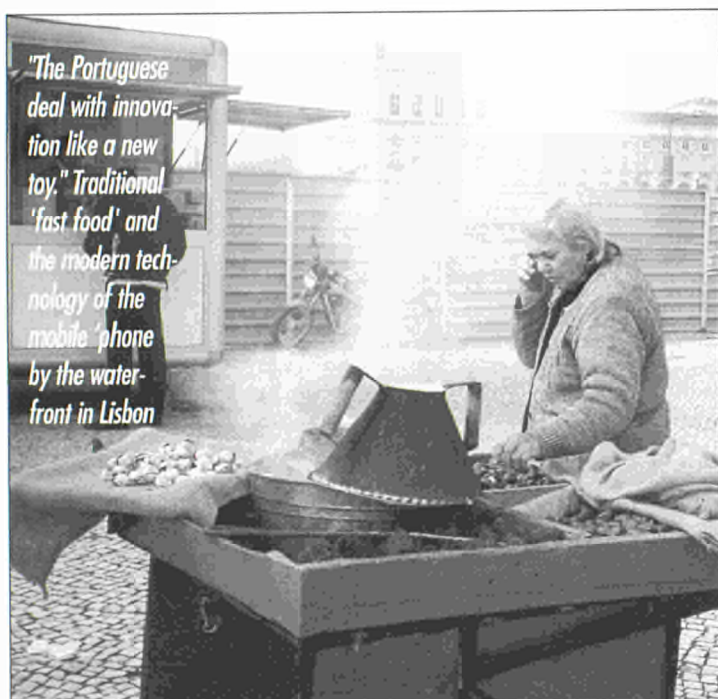
1989 A LANDMARK

Since 1989 the NSS has been made up of the High Council for Statistics (CSE) and INE.

Following Portugal's accession to the EEC it became imperative to modernise the NSS. The new management philosophy stimulated the production of statistics from the user's viewpoint.

INE was given the status of an autonomous public institution with its own corporate identity.

The CSE orientates and coordinates the NSS. It includes representatives from all walks of life. A key part of its remit is to safeguard the privacy of citizens and the confidentiality of statistical information, and to foster the trust of data suppliers.



Entry into third phase of EMU and introduction of the euro for transfer operations on 1 January 1999 has an impact on statistics, described here...

The ECU, the euro and statistics

Until 31 December 1998 all Member States communicated statistical data to Eurostat and other Commission services expressed in national currency. For purposes of aggregation and publication, these data were converted into ECU on the basis of market exchange rates. Both series – in national currency and ECU – were stored in the databases of Eurostat and other Directorates-General of the Commission.

After the introduction of the euro, most Member States are continuing to publish statistical series in national currency units (as sub-divisions of the euro) until the end of 2001. Nevertheless, some Member States will start publishing statistical series in euro, often alongside national currency units, some time in the period up to 31 December 2001.

To avoid misunderstanding and ensure uniform treatment at EU level, Eurostat has proposed that, as far as conversion of historical series is concerned, the following rules should be observed:

Series in national currencies

Series stored in the databases of Eurostat and other Directorates-General of the Commission expressed in national currencies will continue in the same denomination, at least until 31 December 2001. They will not be converted into euro with the irrevocably fixed conversion rates.

Series in ECU

Series stored in ECU in the databases of the Commission in general and Eurostat in particular will be left unchanged. Series established after 1 January 1999 will be denominated in euro. The euro series will be the statistical continuation of the ECU series. This will be highlighted by:

- ▶ a new title for denomination for all euro series/tables where the label is ECU up to 31 December 1998 and euro from 1 January 1999, and
- ▶ brief footnotes for users and more comprehensive methodological notes for expert users.

Series converted with the irrevocably fixed conversion rate

It is necessary to introduce a labelling convention for converted series with the irrevocably fixed conversion rate. This will avoid misunderstandings that might arise when Member States publish back data converted into euro, using the fixed conversion rate, while the same data are appearing in Eurostat and Commission series in ECU. Obviously, the statistical

nature of the two series will not be the same: for example, converted series cannot be used for comparisons of levels or aggregations among countries. To solve this problem Eurostat has proposed the following convention on the labelling of all series in national currency converted in euro at the constant euro exchange rate of 1 January 1999:

All data before 1 January 1999 expressed in the currency of one of the countries that has introduced the euro and converted into euro using the conversion rate will be labelled *euroXXX* (eg Germany: *euroDEM*). XXX refers to the ISO code of the national currencies of the different countries. The official list of acronyms is:

Belgium	BEF
Denmark	DKK
Germany	DEM
Greece	GRD
Spain	ESP
France	FRF
Ireland	IEP
Italy	ITL
Luxembourg	LUF
The Netherlands	NLG
Austria	ATS
Portugal	PTE
Finland	FIM
Sweden	SEK
United Kingdom	GBP

EU moves to help Chinese statistics

A three-year 4.56 million ECU European Statistical Cooperation Programme aimed at helping the People's Republic of China to improve its data quality was launched last autumn by the European Commission as part of developing a closer relationship with one of the world's biggest nations (see panel).

The programme emphasises the advantages to both the Chinese Government and the EU of producing accurate, comparable and timely statistics to reflect China's growing role as a leading economic power.

In mid-November 1998, an initial meeting was held in Beijing to discuss implementation of the programme and prepare the first steering committee meeting. China was represented by high-level officials of the Ministry of Foreign Trade and Economic Cooperation (MOFTEC), the China General Customs Authorities (GCA), and the National Bureau of Statistics (NBS), previously known as the State Statistical Bureau (SSB). On the Commission side were officials from Eurostat and the EU delegation in China, as well as a representative of CESD Communautaire, appointed by the Commission to manage this programme.

The programme will focus on three main fields: external trade, labour force statistics

and the informal sector, and nomenclatures.

EU-China trade statistics

The aim here is to continue a methodological study of EU-

China external trade statistics' reconciliation, the first stage of which was successfully concluded and implemented in 1998. This methodology has already enabled adjustment of global import/export data by diminishing discrepancies to between 1% and 2% – even if improvements are still required at the basic reconciliation level.

It will provide useful support to policymakers negotiating China's entry to the World Trade Organisation, and be a major contribution to the debate on the EU-China trade balance. In the medium term a new EU-China trade database of adjusted figures will be established. This will be accessible to worldwide commercial interests as well as the general public.

Labour market statistics

The goal here is to create a suitable approach to collecting data on employment conditions in China, including a regular labour force survey. The new methodology will be tested initially by a pilot project in selected regions, with results extended eventually to cover the entire country.

Informal sector statistics

This project will focus on measuring the burgeoning informal sector – such as street traders

and other small businesses undetected by normal approaches – and its contribution to China's GDP. The new methodology will be linked closely to the labour force survey and tested in the same way, with estimates eventually for the whole country.

Nomenclatures

The activities envisaged will cover training in classifications theory as well as their practical application in preparation for a Chinese version of the CPC (Central Product Classification) and NACE Rev 1.

Training the trainer

NSIs in France, Germany, Italy, Spain and the UK will work closely with Chinese partners in the customs authority and SSB. The agreement will be implemented through technical assistance and training courses in China as well as short stays in European NSIs. The 'train the trainer' principle is seen as the means of disseminating techniques to the entire Chinese statistical system.

European experts will introduce basic concepts, followed by technical assistance tailored to Chinese requirements. Manuals will be produced for future reference. Pilot projects should ensure the smooth operation of the system in the medium term. ■

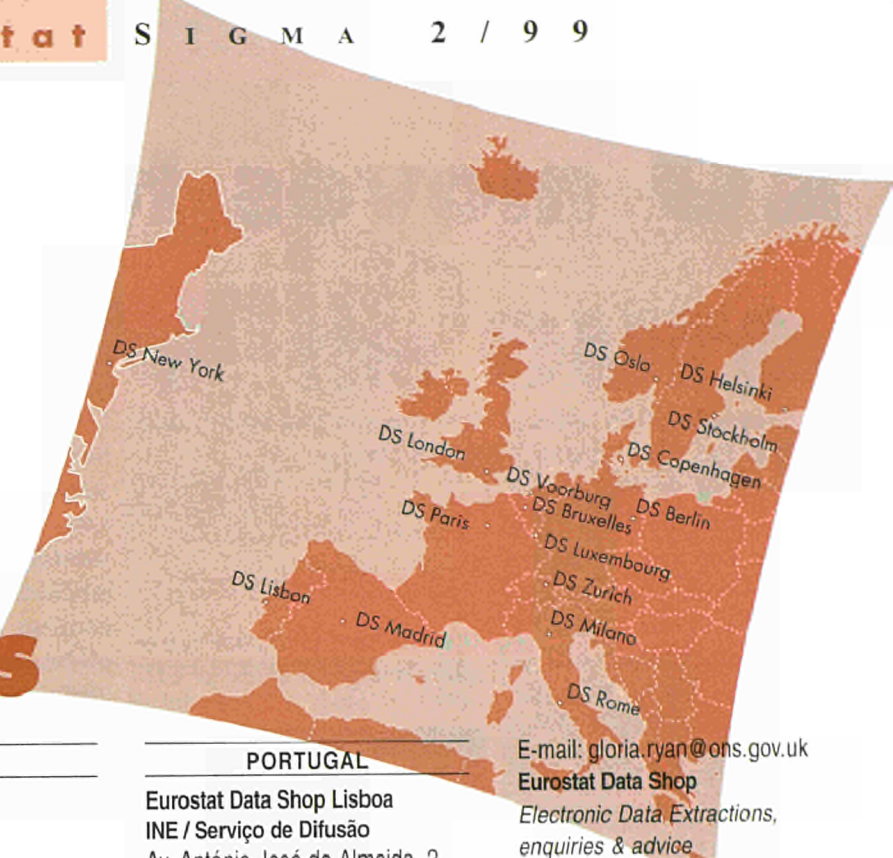
New approach to China

The European Commission is proposing that the EU should hold annual Summits with China as part of a wide-ranging reappraisal of EU-China relations in view of the country's growing economic and political importance on the world stage. This is one of the key proposals outlined in a major new Communication approved by the Commission today.

The Communication... aims to engage China fully as a world partner, smoothing its integration into the global economy, underpinning its economic and social reforms and supporting the creation of an open society built on the rule of law... This Communication will give rise to a wide range of specific and concrete initiatives in all areas of the EU's policy towards China.

Commission press release, 25 March 1998.

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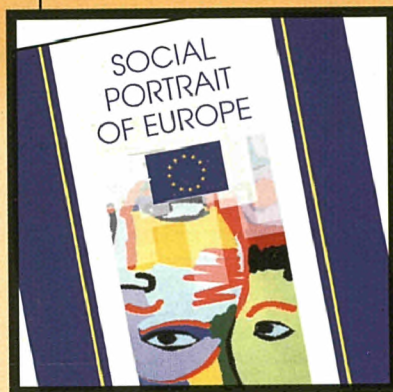
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ISSN 1018-5739