

Towards a Global System of Monitoring the Implementation of UN Fundamental Principles in National Official Statistics

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Towards a Global System of Monitoring the Implementation of UNFP

Aim of the paper: *Advance the discussion on the need for an international-global system of review and assessment of the implementation of the UN Fundamental Principles on Official Statistics (UNFP).*

Analytically official statistics and their quality is a “global public good” → needs to be managed appropriately at the global level so as to achieve a socially optimal outcome for the world community

Current system of monitoring the implementation of the UNFP is a system of voluntary self-assessment and self-monitoring → limited reliability and usefulness

Peer reviews do not constitute the appropriate long term solution

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Thesis of the paper:

Effective compliance monitoring of the implementation of the UNFP, through regular evaluation, verification, follow-up and published reports in the form of audits by an independent international institution at the global level is essential for rigorous, timely and harmonized implementation of the UNFP in the long run

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The current system of monitoring

- Survey conducted every 10 years by UNSD
- NSOs are asked to assess the implementation of the principles by themselves and by the political authorities
- Results of this self-assessment are processed and presented in a document (Global Review) presented at STATCOM
- This evidence provided by countries is used to assess progress in the implementation of the UNFP

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Global Review: the tools for the further effective advancement of the implementation of the UNFP are advocacy at the political level, training of statisticians, the compilation of best practices and technical assistance

UNFP Implementation Guidelines: a communication tool, a training tool, a reference point for the daily work of official statisticians and generally advice for statistical agencies

Therefore only tools for self-monitoring and self-assessment are currently envisaged

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The current system of monitoring the implementation of the UNFP

Based on potentially incomplete or potentially biased evidence provided through self-assessment

Can easily overstate the degree of implementation of the statistical principles

UNFP has probably been helpful in the implementation of statistical principles **but**

- Very serious problems in the production of official statistics have continued
- No reliable confirmation available that all the serious problems are known
- Even more minor difficulties or weaknesses not objectively monitored

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Self-assessment and self-regulation are bound not to work adequately for a number of reasons:

- Political influence and pressure on the production of official statistics

But also

- Because **official statistics is a global public good** — **externalities** both on the production and the consumption side of official statistics
- ➔ the level of quality of statistics produced, if left to individual countries' self-regulation, will tend to be **lower than the level of quality that is optimal from a global point of view**

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Criteria for official statistics being a global public good:

Non-excludability

Official statistics is available to all users, irrespective of whether they have paid for it or not. Improvements in the scope of official statistics or its quality are available to all users

Non-rivalness

The use of the statistics by one user does not prevent other users from using it

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Official statistics is a public good for a certain geographic region or for a nation state

But also

Official statistics is a **global public good** in the sense that it is a good which is non-rivalrous and non-excludable throughout the whole world

Examples of other global public goods:

- International financial stability
- climate change mitigation
- elimination of infectious diseases
- curtailing the proliferation of weapons of mass destruction

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The demand for official statistics arises from the different types of users, e.g.:

- the government and state administration of the country producing the specific statistics
- the governments and state administrations of partner countries in the region
- Those of countries in other parts of the world (directly or through international organizations),
- the research/scientific community inside and outside the country,
- the domestic and international markets,
- the domestic public and the public of other countries.

So for an increment of quality in official statistics,

Marginal Social Benefit = Vertical Σ Marginal Private Benefit of User i (for $i = 1, \dots, n$)

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The supply side of official statistics

Provided by the Marginal Social Cost

A positive externality of an extra increment of quality in such statistics reduces the cost of producing other goods/services

Other producers affected:

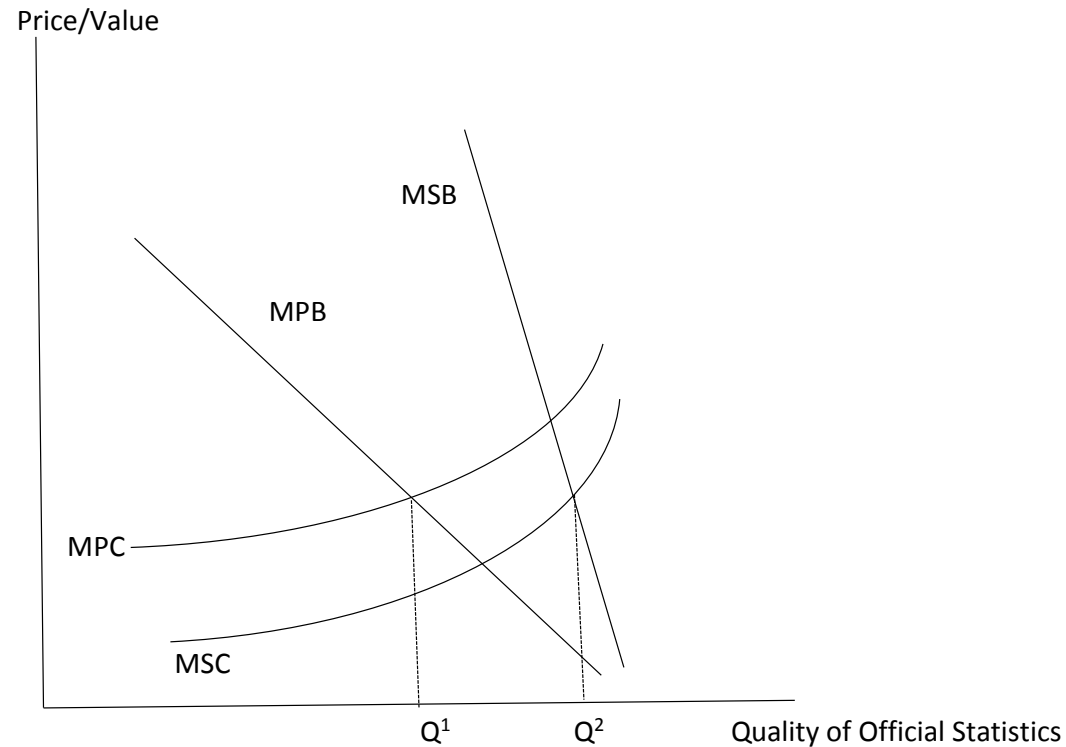
- Producers of official statistics in other countries in the region
- Producers in regional institutions, especially if there is a degree of partnership and integration
- Producers of official statistics in countries around the world and in international institutions

Thus for an increment of quality in official statistics,

Marginal Social Cost = Marginal Private Cost + \sum_j Marginal External Cost of other producer j (for $j = 1, \dots, m$)

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Graph 1



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Optimal quality of official statistics: Q^2 - The intersection of the Marginal Social Cost (MSC) line and the Marginal Social Benefit (MSB) line

Higher quality than provided by the intersection of the Marginal Private Benefit (MPB) and Marginal Private Cost (MPC), Q^1 , which would likely be produced voluntarily

Also higher quality than provided by intersections of MSB and MPC or of MPB and MSC

Net social benefit (area between MSB and MSC up to their intersection) is maximized

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- Different types of global public goods require different types of international entities and legal frames to manage them
- Therefore the management of official statistics as a global public good would require some international entity to manage it
- It would not normally be expected to fit into the mandate of existing international entities

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Peer Reviews and the monitoring of the UNFP

Proposals to use regional institutions and initiatives

Peer reviews have been proposed to be carried out

Peer reviews, of varying intensities and focus, have taken place

- EU plus EFTA countries Iceland, Liechtenstein, Norway and Switzerland (within the European Statistical System)
- in a number of African countries (African National Statistical Systems)
- in a few other countries around the world

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Thoughts on Peer Reviews

Peer reviews introduce the possibility for improvement in the monitoring of the UNFP as, in principle, such peer reviews should go beyond the self-monitoring and self-assessment of the current system

But

Peer reviews may not be available as an option for monitoring the UNFP around the world

Peer reviews are criticized for exactly what they are—reviews by peers

A national official statistics producer should be able to request a review by an international entity that will not be easily dismissed

Peer reviews can be subject to criticism that they are not harmonized enough within the same regional peer review initiative. More variability expected with different regional peer reviews

Practices of entire regions, or of regional institutions, might need to be reviewed and assessed by someone outside the region to avoid the risk of conflict of interest or the perception of such a risk

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In conclusion:

1. Need to go beyond the voluntary self-assessment questionnaire on the implementation of the UNFP. The self-monitoring and self-regulation approach would lead to a level of quality in official statistics that is not socially optimal from the perspective of the world community
2. While peer reviews are positive for the implementation of the UNFP, it is not the appropriate long-term solution to the issue of monitoring the implementation of the UNFP from a global point of view
3. Need to manage the global public good of official statistics through an international institution, which would be tasked with reviewing the adherence to all statistical principles

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A vision of a global system of monitoring the implementation of the UNFP

Need for an institution—rather than just a process—that will be the central operating vehicle of a system of monitoring the implementation of the UNFP

There are obviously various options regarding the institutional set up for that institution

Below are some broad proposals for consideration

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A vision of a global system of monitoring the implementation of the UNFP

Have to be an international institution covering in principle the implementation of the UNFP in all countries and regions of the world

Potentially under umbrella of the United Nations; separate from political/policy UN organizations and from their administrative hierarchies

Governance of the institution would be a critical issue. Use of experience in setting up audit institutions

Accountability mechanisms are essential

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A vision of a global system of monitoring the implementation of the UNFP

Funding would need to take into account the broad array of beneficiaries. Need to avoid any risk of influence on the decisions and the effectiveness of the institution

Main function of the envisaged institution would be the regular review of all countries' official statistics with a view to assessing implementation of the UNFP

Annual or biennial review so as to preempt the emergence of pressures to not apply the UNFP and to address as early as possible emerging problems in the implementation of UNFP

Adequate number of well qualified professional staff chosen solely on the basis of professional criteria.

Staff experience in official statistics or of statistics more broadly, auditing, rating, certification, and quality assurance, as well as experience on the user side of official statistics

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A vision of a global system of monitoring the implementation of the UNFP

The experience of the IMF ROSCs, as well as the experience of national setups, such as the work of the UK Statistics Authority, provide models certain elements of which could be used

Regularly renewed review teams would review the countries' official statistics and produce regular reports

A robust internal review structure for harmonization of application of the relevant criteria across reviewing teams and countries, with clarity on decision making roles and processes regarding final assessments

Review operations to be based in the institution and the majority of the work of the reviews carried out by the permanent staff. Could also engage external professionals in supplementary fashion

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A vision of a global system of monitoring the implementation of the UNFP

Review of a country's official statistics production on the basis not only of self-assessment questionnaires filled out by the country's national statistics office and policy authorities, but also

- verification procedures via on site visits at the seat of the reviewed statistical authorities,
- detailed discussions with statistical producers,
- surveys of and discussions with the various types of users of statistics (nationally and internationally) and data providers,
- discussions with representatives of the various branches of the national government,
- consultations with national-level statistical bodies, regional statistical authorities and bodies,
- consideration of the results of peer reviews and any other supranational monitoring → complementarity

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A vision of a global system of monitoring the implementation of the UNFP

Reviews by the international institution would be rigorous and akin to auditing. Use of experience of audits and credit rating

Essential aspects of the work of the institution would be meticulous examination with verification and methodical follow-up monitoring. Rating would have to be part of the review output

The reference point of the reviews would be the UNFP. Tools: Implementation Guidelines of the UNFP, appropriately adapted, and other fitted for the purpose quality assessment frameworks

Countries could opt out. Countries would be encouraged in various ways to opt in:

- a requirement of international governmental entities and regional supranational bodies
- markets would exert in their way significant pressure on countries to participate in the review process

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A vision of a global system of monitoring the implementation of the UNFP

Appropriate reaction would be carried out by other international and regional institutions on the policy side, and by the markets → appropriate reaction and enforcement passes through the publication of the reviews and the transparency

Available to conduct reviews of specific statistical issues/products. It should be possible for official statistics producers to be reviewed for specific issues on an ad hoc basis

Review also Other National Authorities (ONAs) as well as supranational statistical producers, Regional Statistical Authorities

Provide advice. The institution would also cooperate with regional and other supranational institutions monitoring the implementation of statistical principles

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The quality of official statistics as a “weakest link public good”, akin to the global public good of eradication of infectious diseases, would still require international institutions and legal frameworks to effectively manage it

An international institution that might be set up would not find itself in a situation where there are no or very few cases of weakness it could help address.

A standing international institution with a rigorous mandate would enable the maintenance of a high degree of compliance in current strong performers and deter damage to the latter over time, as well as encourage adaptation to new circumstances

Countries with a high degree of compliance benefit also indirectly through the various externalities of other countries’ official statistics.

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Countries may see the international institution as an interference in their national affairs. If such perceptions exist and are put forward then obviously there is a need for an international institution

The cost to the international community (governments, markets and populations) arising from unreliable and generally low quality official statistics, exceeds the cost of the international institution

Demands for dilution of the UNFP in their implementation, on account of political and cultural constraints on official statistics in many parts of the world, should serve as proof of the urgent need to set up the proposed institution with the proper robust mandate and rigorous operations

Peer reviews organized on a regional basis, potentially reflecting different political and cultural approaches to the production of official statistics would run the risk of providing to users globally a false sense of implementation of the UNFP in some regions

Official statistical production outside the national executive branch of government needs structures of accountability in the international area such as the proposed international institution

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Thank you