

## INTRODUCTION

1. **The policy framework for data provision to the Fund is anchored in the Articles of Agreement but relies largely on a cooperative approach with member countries.** Article VIII Section 5, together with Annex A to the 2004 Decision, defines the minimum set of data that members are required to provide to the Fund for surveillance purposes. The adequacy of data provided, implications of data inadequacies for surveillance, and the scope for improvement are assessed by the Fund on a regular basis.<sup>2</sup> However, most members provide extensive data to the Fund that far exceed those that are legally required.
  
2. **The IMF keeps data provision by members under periodic review since timely, accurate, and comprehensive data are essential for fulfilling its surveillance mandate.** The previous Review of Data Provision to the Fund for Surveillance Purposes was discussed by the Executive Board in March 2008 ([the 2008 Review](#)). The 2008 Review introduced a new classification system for rating the adequacy of data provision by a member to help with this assessment. The present review was expected to be conducted in 2013, but was brought forward to 2012 in the context of the ongoing global crisis. In particular, the Managing Director's (MD) statement on the 2011 Triennial Surveillance Review (TSR) announced that the Review of Data Provision to the Fund for Surveillance Purposes would be brought forward to 2012 to allow the Board to consider where more and better data could be leveraged to enhance surveillance.
  
3. **The 2012 Review assesses the framework as updated in 2008, building on recommendations by the 2011 Triennial Surveillance Review (TSR).**
  - This report reviews ways in which data provision can be improved and how surveillance can take account of data shortcomings. No further changes to the data provision framework are recommended.
  - This report also addresses the issues regarding the data needed to enhance analyses on global interconnectedness and spillovers, as reflected in the 2011 TSR and the MD's work program. These needs are assessed in the context of the G-20/IMFC Data Gaps Initiative (DGI) coordinated with other stakeholders (such as the Financial Stability Board (FSB), the G-20 economies, and the international institutions that are members of the Inter-Agency Group on Economic and Financial Statistics—IAG<sup>3</sup>).
  - The 2012 Review also outlines the Fund's efforts to strengthen data quality for surveillance.

<sup>2</sup> Data provision is monitored in the Table of Common Indicators Required for Surveillance (TCIRS) in Article IV Staff Reports. The Statistical Issues Appendix (SIA) discusses data issues, shortcomings and implications for surveillance.

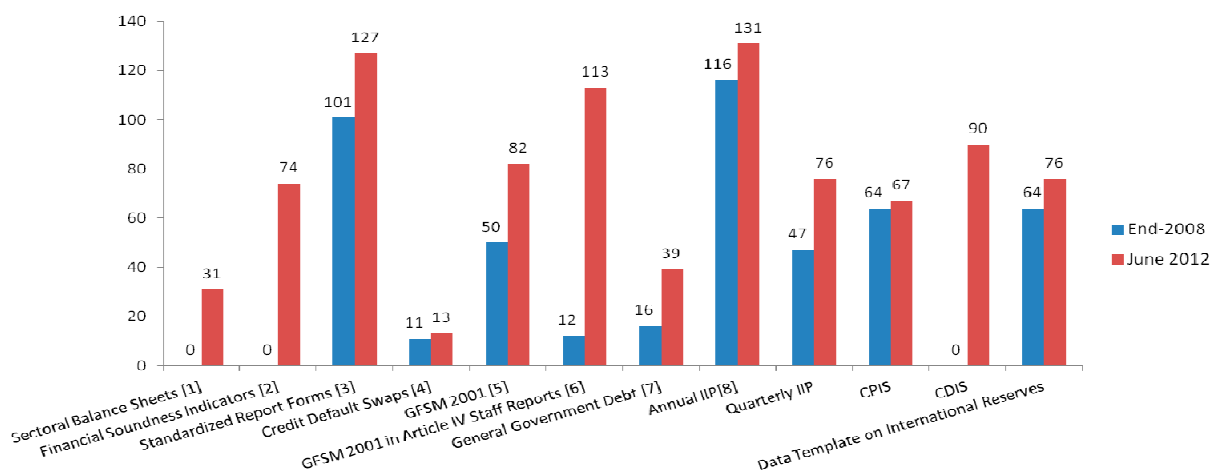
<sup>3</sup> The members of the IAG are the Bank for International Settlements (BIS), the European Central Bank (ECB), Eurostat, the IMF (chair), the Organization for Economic Co-operation and Development (OECD), the United Nations, and the World Bank.

4. **The proposals in this paper fit within the existing resource envelope.** As envisaged by the TSR, most actions are focused on strengthening the implementation of data provision requirements in staff reports, including in the areas of financial sector surveillance and external stability assessments. Staff would update the data provision guidelines, where relevant, reflecting the Board's discussion of this 2012 Review, and implement updated data provision guidelines in bilateral and multilateral surveillance work.

## DATA ISSUES IN SURVEILLANCE

5. **More and better macroeconomic statistics have been compiled and disseminated since the 2008 Review, in particular on external sector and inter-sectoral issues.** Figure 1 shows the increase in availability of inter-sectoral balance sheets, standardized monetary data, financial soundness indicators, and IIP reporting. Many countries have begun to report the IMF's Coordinated Direct Investment Survey (CDIS), and fiscal data are being presented increasingly using the Fund's *Government Finance Statistics Manual 2001* framework, including information on government balance sheets.<sup>4</sup>

**Figure 1. Increased Selected Macroeconomic Data Availability, 2008–12  
(Number of countries reporting)**



Sources: IMF STA as of June 2012, except as described in the footnotes

[1] Source: OECD.Stat. Some balance sheet data are only partial. The chart reflects that none were reported to the OECD at end-2008. [2] Dissemination of financial soundness indicators (FSIs) began in mid-2009. [3] 2008 data from *IFS MFS Supplement*, December 2008. The most recent data are from the *International Financial Statistics (IFS)*, August 2012. [4] Source: *BIS*. [5] High frequency (monthly and quarterly) data compiled in the *GFSM 2001* format submitted to the *IFS*. [6] Earliest data from July 2011. [7] World Bank Public Sector Debt Statistics Database, [www.worldbank.org/qpsd](http://www.worldbank.org/qpsd). [8] Release of the CDIS results began in 2010 with data at end-2009.

<sup>4</sup> The Executive Board approved key elements of the *GFSM 2001* to be used in staff reports by May 2011 and requested continued assistance to member countries in developing capacity to produce comprehensive *GFSM 2001* data. See *Government Finance Statistics to Strengthen Fiscal Analysis*; IMF Policy Paper; February 26, 2010 (<http://www.imf.org/external/np/pp/eng/2010/022610.pdf>).

6. **Where shortcomings in data provision exist, the assessment process introduced by the 2008 Review has resulted in greater candor in staff reports** (Box 1). Although over two-thirds of member countries have data shortcomings (110 “B” countries and 22 “C” countries, according to the classification as of May 2012), most of these are not rated to have serious shortcomings that significantly hamper surveillance. As of May 2012, the number of countries rated “C” was 12 percent, of the Fund membership, three times higher than the 4 percent of cases where data provision was considered “inadequate” back in 2007. Countries rated “C” are concentrated in Africa, Asia, and the Middle East and Central Asia regions (Figure 2).

### Box 1. Changes to Data Provision Introduced Following the 2008 Review

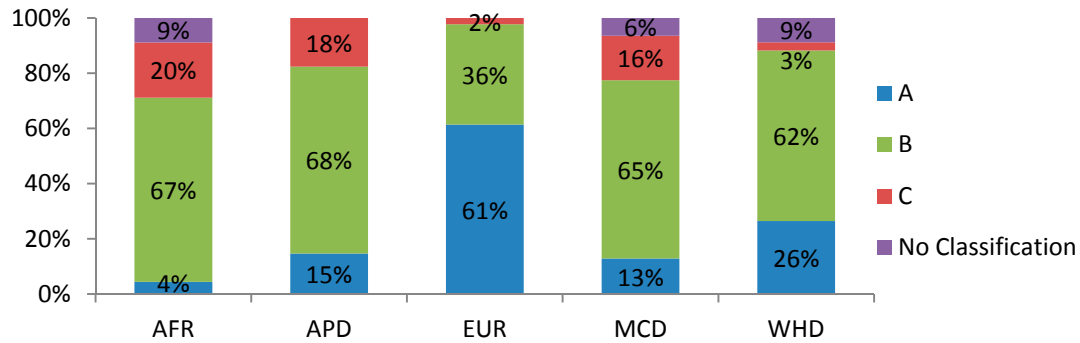
The Board approved the following changes to the data provision framework following discussion of the 2008 Review with a view to both streamlining staff reviews of data adequacy and more effectively addressing those data provision issues that hamper staff’s ability to analyze key economic issues and draw appropriate policy conclusions.

- The classification of data adequacy was simplified to facilitate assessments that are clear, candid, and consistent across countries, and to ensure that resources are focused on identifying the most critical data deficiencies. The classification of data adequacy became:
  - (A) Data provision is adequate for surveillance
  - (B) Data provision is broadly adequate for surveillance
  - (C) Data provision has serious shortcomings that significantly hamper surveillance.
- SIAs were to be more focused on significant data deficiencies, but expanded to include financial sector data issues where warranted.
- The coverage of reserve liabilities and derivatives in Annex A of the 2004 Decision was expanded to include (as of January 1, 2009) those linked to foreign currency but settled in domestic currencies, for closer alignment with international best practice on reserves reporting.
- International investment position (IIP) data, the provision of which has always been required under Article VIII, Section 5, was added to the Table of Common Indicators Required for Surveillance (TCIRS).

Steps for staff to follow when there is concern that a member may not be complying with its obligations to provide data for surveillance under Article VIII, Section 5 were clarified, to support consistent and even-handed treatment.

7. **Overall, the data provision procedures implemented after the 2008 Review have been effective.** Staff’s analysis has been clearer and more candid on the existence of data inadequacies, which makes it easier to identify remedial actions. The staff report review process has led to more uniform application of the A, B, and C classifications. Implementation of the new classification by area departments has been almost complete and feedback from mission chiefs suggests that most find the classification to be useful. However, about 40 percent of respondents to the mission chiefs survey had some difficulties drawing a sharp distinction between cases (either between A and B, or B and C). Staff could benefit from improved guidance on how to draw those distinctions.<sup>5</sup>

<sup>5</sup> The shift in classifications among “A”, “B”, and “C” has been small during 2009–12; as part of improved staff guidance, area departments would be asked to report on any modifications to these classifications relative to the previous Article IV staff report in the SIA section.

**Figure 2. Data Provision Classification, by Region**

8. **There remains scope for improving the treatment of data issues in surveillance:**

- Candor.** Two thirds of mission chiefs who responded to the survey felt that the discussion of data issues in the Article IV report was candid. However, 41 of the 70 respondents to the mission chiefs survey (mainly covering developing economies) indicated that important data deficiencies hampered surveillance to some extent (compared to 22 countries rated “C” Fund-wide, comprising 16 percent of developing economies), and about three-quarters of these respondents indicated that the SIAs cited major data deficiencies.<sup>6</sup> This suggests there may be some hesitancy by teams to use the “C” classification.
- Discussion in staff reports.** Explicit recognition of the effects of data deficiencies on surveillance and proposals for remedial measures in the main text of staff reports are relatively rare. Among the 50 Article IV staff reports reviewed for this paper, 15 cases had data shortcomings indicated in the main text or SIA, of which six reports did not mention remedial measures. In the mission chief survey, 11 percent responded that the discussion of data issues in the staff report was either moderately candid or not candid, due to considerations related to maintaining a harmonious relationship with the authorities.
- Macro-financial data.** The 2011 TSR highlighted that mission chiefs found data limitations for financial sector surveillance to be a key impediment to their work: 73 percent of the respondents to the mission chiefs’ survey conducted for the 2011 TSR saw data limitations as an impediment to macro-financial analysis at least to some extent. However, only a third of the 50 staff reports reviewed for this paper mentioned financial sector data deficiencies (either for surveillance purposes or for supervisory purposes), and around 40 percent made no mention of financial sector data inadequacies at all.<sup>7</sup> In part, this may reflect the lack of guidance provided since the 2008 Review on what to report for category A and B countries with respect to financial sector data.

<sup>6</sup> In part this may reflect a higher than representative sample of mission chiefs working with low income countries among the respondents (see Appendix I for survey details).

<sup>7</sup> The illustrative SIA example in the current version of the Guidance Note may have misled the country teams: in the case “A” example the coverage of financial data was rather thin while the case “B” example did not include financial sector data.

- **Timeliness.** In most countries that were reviewed for this report, the timeliness of data provision for surveillance remained unchanged between 2009 and the most recent staff report.
- **Remedial Actions.** Most “C” countries are participants in the Fund’s General Data Dissemination System (GDSS), but the GDSS statistical plans for improvement are often not consistent with the data deficiencies identified in staff reports. Greater attention could be given to ensure that the data issues affecting surveillance are reflected in a consistent manner in the GDSS plans for improvement and are addressed through technical assistance.
- **Staff estimates.** The use of staff estimates to compensate for historical data shortcomings is not sufficiently documented or clearly distinguished in staff reports. Almost all (48 out of 50) staff reports reviewed did not clearly distinguish official statistics from other sources of data or staff estimates of historical data. When staff estimates were made, usually in the absence of adequate data quality, resulting modifications to official statistics (causing discrepancies with official data) were not well documented.<sup>8</sup>
- **Data quality.** A key judgment that staff has to make is whether the macroeconomic statistics are of sufficient quality to conduct effective surveillance. This includes assessing the accuracy and timeliness of data, data consistency, and international comparability of data. While over 100 Data ROSCs have been disseminated, only a limited number of reports (one to two) are updated each year, given resource constraints. Therefore, most Data ROSCs may not be sufficiently up-to-date to assist mission teams in reaching a conclusion on the adequacy of data provision for surveillance purposes. Moreover, while these reports assess macroeconomic data disseminated to the public, they do not necessarily cover all the data that may be needed for Fund surveillance, nor do they cover data that may be submitted to the Fund for that purpose but are not made accessible to the public.

### **Recommendations**

#### **9. Overall, the 2008 data provision framework is working well and there is no need to change it. However, operational improvements can be made within this framework:**

- *Clearer instructions.* Clearer instructions will be provided to staff on the distinction among data provision classifications and candor will continue to be encouraged.
- *Identify data deficiency.* The main text of staff reports should continue to identify the main data deficiencies that affect surveillance, whether these reflect a lack of capacity, how surveillance was affected, and remedial measures. In particular, data deficiencies that affect financial sector surveillance should be clearly spelled out in staff reports. To this end, STA has developed a modified SIA template with a section to focus on financial sector

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<sup>8</sup> The Economic Data Management Initiative (EDMI, Appendix IV) aims to manage this risk, but staff reports could also better distinguish and document source data and estimates.

aggregates covering provision of CDIS and Coordinated Portfolio Investment Survey (CPIS) data, International Banking Statistics (IBS) data, Financial Soundness Indicators (FSIs) and aggregate cross border exposures (Appendix VI). This will also allow teams to report progress regarding the DGI (Box 2) and Special Data Dissemination Standard Plus (SDDS Plus) adherence (for systemically important financial sectors) where relevant (Box 3). Moreover, staff reports should follow-up on the recommendations on data provision issues raised in the previous Article IV report.

- *Consistency with GDDS.* In collaboration with area departments, STA will follow up to ensure consistency between the GDDS data plans for improvement and the data deficiencies identified in Article IV consultations. For “C” countries, GDDS plans for improvement, staff reports, and technical assistance (TA) provision should be consistent.<sup>9</sup>
- *Timeliness.* STA would support the authorities in enhancing the timeliness of provision and dissemination of key statistics, through TA and data standard (SDDS, GDDS) exercises.
- *Clarity of data sources.* Staff reports should explicitly distinguish among official statistics, other sources of data, and staff estimates on historical data, especially if these sources are mixed within the same table. Staff reports could briefly document how staff estimates were produced.
- *Tools.* To support mission teams, STA intends to enhance the tools and information on aspects of data quality (Appendix V), for example, by updating the Guidance Note on Data Provision and giving consideration to the development of a data quality index by country, incorporating information from the Fund’s Data Standards Initiatives, and other sources. Data quality will continue to be assessed in the context of topical data ROSCs.
- *Data Quality.* To further promote data quality, staff will continue to collaborate with other international agencies to improve data sharing, common content and technical standards,<sup>10</sup> and develop common templates and coding to facilitate common sourcing of data and improve consistency of reporting. Such international coordination should also reduce the reporting burden for countries.

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<sup>9</sup> In the unlikely instance that an SDDS subscriber is classified as a “C” case, the SIA should indicate the measures being taken to address the data deficiencies that are hampering surveillance. There are no such cases at present. IMF technical assistance could support those measures in certain cases. There are no “plans for improvement” as part of the SDDS.

<sup>10</sup> Such as the Statistical Data and Metadata eXchange (SDMX).

## HANDLING POTENTIAL BREACHES OF OBLIGATIONS UNDER ARTICLE VIII, SECTION 5

10. **Between March 2008 and April 2012, sustained concerns were raised with eight members about their willingness to share data required for Fund surveillance to the best of their ability.**<sup>11</sup> These cases involved concerns related to inaccurate reporting or incomplete reporting of a variety of data specifically required under Article VIII, Section 5, as further elaborated in the Decision on Strengthening the Effectiveness of Article VIII, Section 5 (Decision No. 14107-(08/38)). All of those eight cases were the subject of inter-departmental discussions. In six cases, the Board discussed the MD's reports under Rule K-1 (K-1 reports). The Board agreed there was a breach in these six cases. Remedial actions were already in place in five cases, and in one case further remedial actions were recommended.

11. **Around half of these cases have been resolved with a prompt process, although the rest have been protracted.** Four cases were resolved within a year from the initial awareness by the staff of the data issue. The other cases have taken more time. One was resolved after six years; the three other unresolved cases have been ongoing in excess of two years (Appendix II). In these cases: (i) substantial progress is being made toward fully adequate provision of data for one case; (ii) staff has not been able to reach a view for another case whether it is a breach because difficulties in engaging with the authorities have hampered staff's efforts to understand the nature of the problem; and (iii) the Board has issued a decision calling on the relevant member to take remedial measures in a third case. The member has, until now, yet to implement these measures.

12. **Staff's efforts to address potential breaches generally followed the practices set out in the Decision on strengthening the effectiveness of Article VIII Section 5 and elaborated in the guidance** (*Guidance Note on Data Provision to the Fund for Surveillance Purposes*),).

- Concerns in all cases were shared among departments quickly, staff engaged with the authorities promptly after reaching inter-departmental agreements, and with reasonably quick follow-up.<sup>12</sup> Staff actions were taken irrespective of the need to conduct the Article IV consultations as required under the legal framework.
- Staff kept management and the respective Executive Director's office informed during the course of interactions with the authorities. In a few cases, management directly engaged with the authorities prior to the letter stage.

<sup>11</sup> This review does not cover misreporting cases under Fund arrangements. However, it covers cases which came up in the context of Fund arrangements, but the issue was about data specifically required under Article VIII, Section 5 or in the Decision on Strengthening the Effectiveness of Article VIII, Section 5 (Decision No. 14107-(08/38)).

<sup>12</sup> Indeed, during the period under review there were six other cases—not included in the discussion above—where staff became concerned about a potential breach of Article VIII, Section 5, but determined quickly, sometimes in consultation with the authorities, that they were not a breach.

- In cases where management formed a view that there was a breach, a letter was sent by management in a timeframe consistent with the expected limits articulated in the staff's Guidance Note, except for one case where the issue was highly complex.
- The "staff due diligence" and "pre-letter" stages of procedures for handling concerns of potential breaches of Article VIII, Section 5 which were more fully articulated in the 2008 Data Provision Review and Guidance Note have been followed and these procedures appear to have helped improve staff's handling of potential breaches (see Appendix II).

13. **The Board was informed of the staff's concerns in all cases where inter-departmental agreements were reached on a course of action.** In all six cases where a letter was sent by management to the member (in one case exceptionally a mission chief's letter was sent), the MD issued a K-1 Report. The Board found breaches of data provision obligations for surveillance in all of these six cases. The Board decided not to take further action in five cases where a K-1 Report was issued, given that accurate data had already been provided or remedial actions had been agreed between the staff and members at the time of the Board discussion of the K-1 Report. As of August 2012, the sixth case is pending.

14. **Overall, the review suggests that, in most cases, the staff has followed good practices handling concerns of potential breaches of data provision obligations.** The clarification of the steps to be taken following the 2008 Data Provision Review has helped staff follow up in a timely manner in a number of cases, although in some others the process to resolution has been lengthy due to complexity or difficulty in engaging the authorities.

### **Recommendation**

15. **The procedures for following up on potential breaches of Article VIII, Section 5 are working well and staff does not propose further modification of the Guidance Note.** However, staff could review prolonged open cases to see what lessons could be learned.

## **DATA GAPS**

16. **The ongoing crisis has starkly identified the need for a more complete description of systemic risks arising from positions and exposures across sectors and borders.** This theme is at the core of initiatives to fill data gaps, for example, in the context of the G20/IMFC DGI (see Box 2). Emphasis on filling data gaps was also reflected in the MD's action plan to take forward the findings of the TSR, which highlighted five priority areas: interconnectedness, risk assessments, financial stability, external stability, and traction.<sup>13</sup>

<sup>13</sup> <http://www.imf.org/external/np/pp/eng/2012/041812.pdf>



## Box 2. G-20/IMFC Data Gaps Initiative

**The global crisis highlighted the need to improve existing economic and financial datasets and give greater attention to the data needed for financial stability analysis in order to support evidence-based policy decisions and strengthen the functioning of markets.**

**The Group of 20 economies (G-20) asked the IMF and FSB to look into data gaps revealed by the global crisis and report back to G-20 Finance Ministers and Central Bank Governors.** Arising from this request was the G-20 DGI with 20 recommendations, which has been endorsed by the IMFC, as well as the G-20 Finance Ministers and Central Bank Governors. The recommendations address key data gaps that are seen as major impediments to proper analysis of cross-border financial interconnectedness, financial sector soundness, and domestic financial stability.

**From an implementation standpoint, the 20 recommendations under the DGI can be divided into two categories:** i) those recommendations for which the conceptual statistical framework needs development, and ii) those recommendations for which conceptual statistical frameworks exist and ongoing data collection and dissemination needs enhancement. Broadly, addressing the first group of recommendations has a more medium- to longer-term horizon.

**The DGI is making significant progress in all areas.** Fund staff is leading the work, in consultation with the FSB, and with a collaborative and cooperative approach with national authorities and the international institutions members of the IAG. Work on developing templates and agreement on data access with regard to the recommendations on Global Systemically Important Financial Institutions (G-SIFIs) is progressing with the FSB, with Fund staff closely engaged. Important decisions on G-SIFIs issues are expected in early 2013.

**Establishment of the Principal Global Indicators (PGI) website has been one of the first tangible results of this work** (<http://www.principalglobalindicators.org/default.aspx>). The PGI dataset draws on data from all members of the IAG and disseminates the data swiftly. It provides internationally comparable data for the G-20 and the five members of the FSB that are not part of the G-20 to facilitate the monitoring of economic and financial developments for these economies. The PGI covers financial, governmental, external, and real sector data, with links to data available at websites of international and national agencies.

**Implementation is in progress regarding enhancements to the IMF's IIP and CPIS, and the BIS' IBS.** In addition, substantive development work is on-going in other areas (sectoral accounts, securities statistics, and real estate prices). Looking forward, the development and implementation of new conceptual frameworks, such as for G-SIFIs, would greatly enhance the availability of key data to monitor economic vulnerabilities to external and domestic shocks more effectively. Following the initial report on the DGI presented to the November 2009 G-20 Finance Ministers and Central Bank Governors meeting, two progress reports on DGI implementation were submitted (May 2010, and June 2011).<sup>14</sup> The third report is scheduled to be produced by September 2012.

<sup>14</sup> Reports on the G-20 Data Gap Initiative can be found at <http://www.imf.org/external/np/g20/pdf/102909.pdf>, <http://www.imf.org/external/np/g20/pdf/053110.pdf>, and <http://www.imf.org/external/np/g20/pdf/063011.pdf>.

17. **The work of the DGI would help address the priority areas identified in the 2011 TSR.** It encourages the compilation of sectoral accounts, including sectoral balance sheets, and the IMF's CPIS and IIP, aims at enhancing the BIS' IBS,<sup>15</sup> and improves the availability of government finance and debt data, as well as real estate prices. Further in February 2012, the Board broadly endorsed the establishment of the SDDS Plus to further strengthen data provision by economies with systemic financial sectors (Box 3), especially with regard to nine data categories that are of focus in the DGI. There are other data sets (e.g., balance of payments (BOP) and direction of trade (DOT)) covered neither by the DGI nor the SDDS Plus, on which the international community is working, and which support the new emphasis in the TSR. This statistical work will need adequate resourcing at the national level.

### Box 3. Data Standards Initiatives: The SDDS Plus

**The IMF introduced the Data Standards Initiatives in the mid 1990s following the Mexican financial crisis to promote the transparency of economic and financial statistics.** The data standards initiatives initially consisted of two tiers: (1) the SDDS, a monitored standard designed to guide countries that have or might seek access to international capital markets in the dissemination of economic and financial data to the public; and (2) the GDDS, a statistical development framework designed to guide countries in the provision of economic, financial, and socio-demographic data to the public.

**During the Eighth Review of the Data Standards Initiatives in February 2012, the Board broadly endorsed the SDDS Plus with a view to addressing the data gaps revealed during the global crisis.** The SDDS Plus aims at countries that have systemically important financial sectors. The SDDS Plus draws on the on-going work on the DGI, requiring adhering countries to disseminate a broader range of data with shorter periodicity and faster timeliness.

**To adhere to the SDDS Plus, countries need to be in full observance of the SDDS and meet nine additional or more stringent data categories, based in large part on the DGI work.** The nine data categories cover: sectoral balance sheets; general government operations; general government gross debt; other financial corporations survey; seven FSIs; debt securities; participation in the CPIS, and the CDIS; and public disclosure of participation in the quarterly COFER database. There are no flexibility options for these data categories; however the SDDS Plus would initially allow transition periods for up to four of these data categories through the end of 2019.

**Adhering to the SDDS Plus would be voluntary, but once a country adheres, it undertakes to meet the most rigorous data dissemination and data quality standards.**

<sup>15</sup> Staff is working with the BIS and their reporting central banks to streamline IMF access to the international banking statistics.

18. **For surveillance purposes, data availability in some of these areas is still patchy and insufficient to conduct thorough analysis.** For example, FSIs are helpful to identify the buildup of risk, although some of the indicators are backward looking and only identify potential problems with a lag. Reporting of granular information on inter-sectoral positions and exposures (e.g., sectoral balance sheets) is necessary for a basic quantitative analysis of macro-financial risks. But in this area, data are still in short supply and enhancements to data collection are in progress (Table 1, column 2).

**Table 1. Overview of the G-20/IMFC DGI Recommendations<sup>16</sup>**

	<b>Conceptual statistical framework needs development: Available in the Medium Term</b>	<b>Conceptual statistical frameworks exist and ongoing collection needs enhancement</b>
<b>Build-up of risk in the financial sector</b>	# 3 (Tail risk in the financial system and variations in distributions of, and concentrations in, activity) # 4 (Aggregate Leverage and Maturity Mismatches) # 6 (Structured products)	# 2 (Financial Soundness Indicators) # 5 (Credit Default Swaps) # 7 (Securities data)
<b>Cross-border financial linkages</b>	# 8 and # 9 (Global network connections and Systemically important global financial institutions, G-SIFIs) # 13 and # 14 (Financial and Nonfinancial Corporations cross-border exposures)	# 10 and # 11 (International Banking Statistics (IBS) and the Coordinated Portfolio Investment Survey (CPIS)) # 12 (International Investment Position)
<b>Vulnerability of domestic economies to shocks</b>	# 16 (Distributional Information)	# 15 (Sectoral Accounts) # 17 (Government Finance Statistics) # 18 (Public Sector Debt) # 19 (Real Estate Prices)
<b>Improving communication of official statistics</b>		# 20 (Principal Global Indicators)

<sup>16</sup> Recommendation 1 referred to delivery of the ongoing reports.

## KEY DATA SETS

19. **The Fund has followed up on recommendations of the 2008 Review.** This section reviews the progress on a number of key data sets maintained by the Fund, which cover positions and exposures vis-à-vis the rest of the world as well as inter-sectoral positions and financial exposures.

### A. International Investment Position (IIP)

20. **Assessing developments in countries' IIP** is important for Fund surveillance, in particular for external stability, and good progress has been made on coverage, periodicity, timeliness, and other aspects of data quality.

- The number of countries regularly reporting quarterly and annual IIP data has increased (Figure 1) and STA technical assistance on IIP has been stepped up, including through informal bilateral contacts and the publication of the *Quarterly International Investment Position Statistics: Data Sources and Compilation Techniques* in March 2011.
- The measurement of IIP data also has been clarified. First, the *Balance of Payments and International Investment Position Manual, Sixth Edition (BPM6)*<sup>17</sup> provides detailed guidance on measuring IIP statistics, for example through memorandum tables capturing the currency breakdown of the IIPs. Second, to better understand changes in countries' IIPs, foreign direct investment (FDI) data are being improved through the CDIS. Similarly, portfolio investment measurement is also being improved through the Coordinated Portfolio Investment Survey (CPIS), which will begin to be conducted semi-annually beginning with the reference date of end-June 2013.
- Following the proposal at the 2008 Review, IIP is now included in TCIRS as part of Article IV staff reports, in accordance with the *Guidance Note on Data Provision to the Fund for Surveillance Purposes*.
- *BPM6* incorporates statistical improvements to capture Sovereign Wealth Funds (SWFs). The *BPM6* now provides a coherent framework for classifying the external assets of SWFs, provides guidance on the sectoral breakdown and functional allocation of SWFs, and allows for a voluntary disclosure of SWF assets not included in official reserves. Countries that have SWFs are strongly encouraged to compile IIP data in accordance with *BPM6* and report the IIP data to the IMF, if they have not done so yet.<sup>18</sup>

<sup>17</sup> <http://www.imf.org/external/pubs/ft/bop/2007/bopman6.htm>

<sup>18</sup> A survey of the members of the International Forum of SWFs (IFSWF) regarding their experiences in the application of the Santiago Principles, including data issues, conducted in collaboration with the IMF (<http://www.ifswf.org/pst.htm>), stated that: i) all respondents have fully or partially implemented one of the principles on data reporting; and ii) most members provide data about their financial status regularly to their owners through annual, quarterly or monthly reports.

**Recommendation**

21. **The Fund should continue its work on helping members to improve IIP reporting and in particular to encourage more timely reporting through the quarterly provision of data.**

Under the SDDS,<sup>19</sup> subscribers will be required to disseminate quarterly IIP data with a maximum lag of one quarter starting from September 2014 (beginning with data for 2014 quarters I and II), which should further help promote quarterly data dissemination.

**B. Reserves Data Template**

22. **Since 2008, the number of countries reporting the International Reserves and Foreign Currency Liquidity (the Reserves Data Template) has increased.** As of June 2012, 76 countries report Reserves Template data (from 64 at end-2008).<sup>20</sup> Moreover, Annex A of the Decision on Strengthening the Effectiveness of Article VIII, Section 5 was amended following the 2008 Review, with the Reserve Template now including exchange-traded futures denominated in foreign currency and settled in domestic currency.<sup>21</sup>

23. **To assist compilers in reporting the required data, STA has updated the *International Reserves and Foreign Currency Liquidity: Guidelines for a Data Template (Guidelines)* in line with the *BPM6* and revisions to the Reserves Template.** The updated Guidelines contain clarifications based on countries' experiences. A pre-publication draft was posted in January 2012 and is undergoing final edits for publication (<http://www.imf.org/external/np/sta/ir/IRProcessWeb/pdf/guide.pdf>).

**Recommendation**

24. STA will provide members with TA, as needed, to implement the Guidelines.

**C. Currency Composition of Foreign Exchange Reserves (COFER)**

25. **Reporting the currency composition of reserves is important for global surveillance, but progress on reporting has been mixed.**<sup>22</sup> As of end-Q1 2012, there were 145 COFER reporting

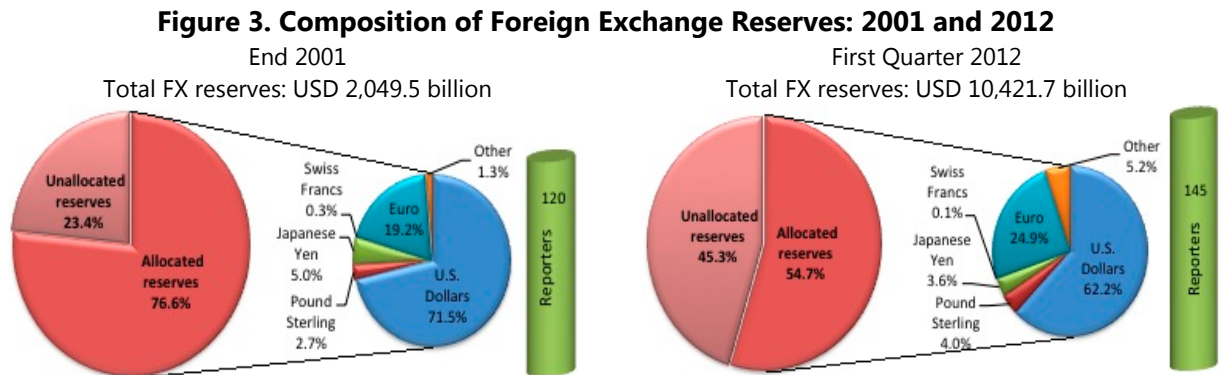
<sup>19</sup> [Eighth Review of the Fund's Data Standards Initiatives](#). The PIN is published here: [Eighth Review PIN](#).

<sup>20</sup> Including the ECB and Eurosystem (<http://www.imf.org/external/np/sta/ir/IRProcessWeb/colist.aspx>).

<sup>21</sup> Decision on Strengthening the Effectiveness of Article VIII, Section 5 (Decision No. 13183-(04/10) as amended), paragraph viii of Annex A. The SDDS requirements were modified accordingly.

<sup>22</sup> Since the COFER survey was designed to collect information specifically on currency composition of foreign exchange reserves, the COFER data are limited. However, other datasets that STA collects provide additional information on reserves assets. Specifically, the Instrument Composition of Transactions in Foreign Exchange Reserves (INFER) and the Survey of Securities Held as Foreign Exchange Reserves (SEFER) provide information on the instrument classification and the geographical holdings of securities within reserves assets. In addition, the balance of payments data (BPM6 version) contain reserve-related liabilities and the Reserves Template also contains data on exposure of possible drain on foreign exchanges arising from options.

countries, accounting for less than 55 percent of total world foreign exchange reserves, down from 77 percent in 2001 (Figure 3).<sup>23</sup> Even though the number of reporting economies has increased over the past decade, the proportion of global reserves accounted for by the COFER has declined as the reserves of non-COFER reporting countries have grown substantially.



Source: IMF. Currency Composition of Official Foreign Exchange Reserves (COFER).

### Recommendations

26. **Following consultation with the Board, the Fund developed an Action Plan to expand COFER data and encourage countries with large reserves to participate** (Appendix III).<sup>24</sup> The action plan comprises:

- **Expansion of country coverage.** A COFER outreach seminar is being contemplated to further explain the COFER initiative, assuage possible concerns, and encourage reporting.
- **Expansion of currency coverage.** Two additional currencies—the Australian dollar (AUD) and the Canadian dollar (CAD)—have a relatively high number of country reporters and are to be considered for separate identification in COFER reporting.
- **Greater transparency on reporting.** Releasing the names of COFER reporting countries or economies that are willing to do so would support the transparency of COFER (country data would be kept strictly confidential as is currently the case). Such a release could be timed in early 2013, following the launch of the SDDS Plus—adherence to the SDDS Plus requires a country to make public its participation in the COFER database.<sup>25</sup>

<sup>23</sup> The COFER database contains end-of-period quarterly data on the currency composition of official foreign exchange reserves identifying separately the following currencies: U.S. dollar, Euro, Pound sterling, Japanese yen, and Swiss franc. All other currencies are included indistinguishably in a category called “other currencies.”

See <http://www.imf.org/external/np/sta/cofer/eng/index.htm>.

<sup>24</sup> Monitoring Financial Interconnectedness, Including the Data Template for Global Systemically Important Financial Institutions, PIN No. 11/61.

<sup>25</sup> Staff would confirm the willingness of each economy that does not adhere to the SDDS Plus to disclose their participation in the COFER database ahead of the first release.

## D. Global Systemically Important Financial Institutions (G-SIFIs)

27. **The crisis has demonstrated that distress in a G-SIFI can have considerable impacts on economic and financial stability across borders.** A lack of timely and accurate information on the interconnectedness of G-SIFIs and their common exposures to different financial sectors and economies is a key blind spot and vulnerability facing policy makers across the world. Under the G-20 DGI, Fund staff has been working closely with the FSB secretariat and FSB member economies in an FSB working group to develop a common reporting template. In early 2013, key decisions are expected to be taken by the FSB Plenary on the establishment of the final form of the common data template for G-SIFIs and on data access. Although the IMF's Articles of Agreement require members to provide information for the Fund to fulfill its surveillance mandate, members are not obliged to furnish information "in such detail that the affairs of individuals or corporations are disclosed."<sup>26</sup> However, confidential information is often shared with the Fund in the context of Financial Sector Assessment Programs (FSAPs) on a voluntary basis and where there are established modalities for ensuring confidentiality.

28. **Access to G-SIFIs information is essential for the Fund to effectively implement the key recommendations of the 2011 TSR and the forthcoming Financial Surveillance Strategy.** The 2011 TSR emphasized the need to enhance surveillance on financial interconnectedness, including spillover and contagion analyses on the global economic consequences of shocks to G-SIFIs. In order to conduct such analyses, it is essential for the Fund to have access to information on positions between G-SIFIs and countries' domestic sectors and markets through institution-to-aggregate (I-to-A) data. The Fund may face challenges in obtaining access to such information given the strict confidentiality of the data: some legislative amendments may be needed for some members to provide such access to the Fund (and other international financial institutions (IFIs)), while in others strong support from the authorities will be necessary. Members' strong support to enable the Fund to obtain the access would be vital.

### **Recommendations**

- The Fund will continue to work with the FSB secretariat in designing the common template for G-SIFIs, by articulating what particular data are necessary for its macro-financial surveillance.
- The IMF will continue to emphasize the need for strictly confidential access by the Fund to G-SIFIs (I-to-A) data.

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<sup>26</sup> However, the Fund can request information beyond that required under the Articles as a condition for the Use of Fund Resources.

## E. Standardized Report Forms (SRFs)

29. **Since the 2008 Review, standardized reporting of monetary data has increased and data coverage broadened—helped by the use of SRFs.** SRFs embody the recommendations of the *Monetary and Financial Statistics Manual* and allow improved classification of monetary data by sector and instrument, as well as richer detail on currency composition, which facilitates construction of sectoral balance sheets. The number of reporting IMF member countries increased from 101 at end-2008 to 127 as of end-June 2012.<sup>27</sup> However, following the World Economic Outlook (WEO) classification, eight advanced, 25 emerging, and 28 low-income economies (including eight members of the G-20) do not report monetary data using SRFs (although they may report data in another format).

### **Recommendation**

30. **The Fund encourages countries to broaden their coverage of monetary and financial statistics by including the data of other financial corporations (OFC)** through a program of technical assistance and training.<sup>28</sup> The number of countries reporting OFC data increased from 18 at end-2008 to 32 as of end-June 2012. The SDDS Plus (Box 3) includes data on a minimum set of OFCs' assets and liabilities with quarterly periodicity and quarterly timeliness.

## F. Financial Soundness Indicators (FSIs)

31. **The IMF has made significant progress on FSI dissemination practices, particularly in the context of SDDS enhancements.** The number of FSI reporting economies has increased to 74 (as of end-June 2012) from 45 (as of mid-2009 when FSI dissemination began on a regular basis). Also, economies have expanded the number of FSIs reported and have begun dissemination of some of those FSIs at higher frequencies. To encourage further improvements, seven FSIs were introduced as a new SDDS data category on an encouraged basis by the IMF's Executive Board in March 2010.<sup>29</sup> Given the funding risks that emerged over the ongoing financial crisis, efforts to expand FSIs on funding sources for financial institutions are taking place. Currently, there are three indicators available in the FSI dataset for banks.<sup>30</sup> However, only one is in the subset of FSIs included in the SDDS. For non-bank financial institutions, work on developing FSIs is underway.

<sup>27</sup> These include countries reporting in accordance with the ECB's framework.

<sup>28</sup> OFCs consist of insurance companies, pension funds, investment funds other than money market funds, other financial intermediaries, and all other financial corporations that are not depository corporations.

<sup>29</sup> The seven FSIs are: (i) regulatory tier 1 capital to risk-weighted assets, (ii) regulatory tier 1 capital to assets, (iii) nonperforming loans net of provisions to capital, (iv) nonperforming loans to total gross loans, (v) return on assets, (vi) liquid assets to short-term liabilities, and (vii) net open position in foreign exchange to capital.

<sup>30</sup> They are (i) liquid assets to total assets; (ii) liquid assets to short-term liabilities; and (iii) customer deposits to total (non-interbank) loans.



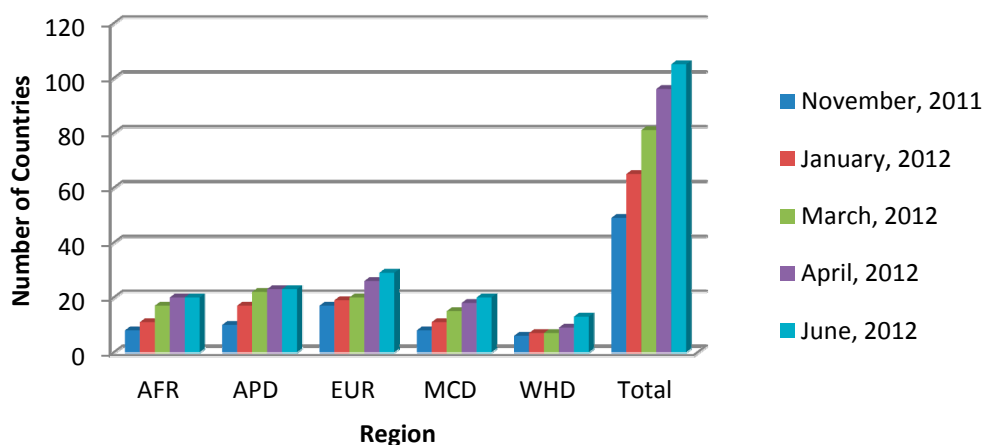
## Recommendation

32. **The Fund should continue to encourage FSI dissemination by members.** The SDDS Plus includes dissemination of six of those seven FSIs.<sup>31</sup> In addition, given the important role real estate prices played during the global financial crisis, the SDDS Plus also prescribes the dissemination of the FSI on residential real estate prices. Following a November 2011 FSI reference group meeting, the list of FSIs and the FSI Compilation Guide are under review,<sup>32</sup> with a view to releasing updates in 2013/14. Subsequent reviews of the coverage of FSIs are expected to take place every three years.

## G. Government Finance Statistics

33. **Significant progress has been made in implementing a standardized *GFSM 2001* reporting framework for fiscal statistics in IMF staff papers.**<sup>33</sup> The number of staff papers with fiscal tables using a *GFSM 2001* presentation at least for government operations has increased from 49 in November 2011 to 113 as of end of June 2012. The presentation of fiscal data in a standardized and transparent framework enhances the quality and cross-country comparability of the data.

**Figure 4. *GFSM 2001* Presentation of Fiscal Data in IMF Staff Reports Since November 2011**



34. **However, government financial balance sheet data require greater emphasis and attention.** Only 39 of the 105 staff reports show a complete financial balance sheet and only a few include memorandum items such as information on contingent liabilities, guarantees or arrears. Such data are key to fiscal risk and sustainability analysis.

<sup>31</sup> “Net open position in foreign exchange to capital” is not included in the SDDS Plus.

<sup>32</sup> As the FSI Guide defers to Basel standards (either Basel I, II, or III as adopted by individual country) with regard to the compilation of regulatory underlying series, and to IFRS with regard to the recording of incomes and expenses and some other accounting rules, any related changes in these two standards will be valid for compiling FSIs.

<sup>33</sup> Government Finance Statistics to Strengthen Fiscal Analysis; IMF Policy Paper; February 26, 2010 (<http://www.imf.org/external/np/pp/eng/2010/022610.pdf>).

35. **Institutional Coverage of Government Finance Statistics needs to be broadened in many countries.** For a substantial number of countries, the coverage of fiscal data is limited to budget execution data or the central government. Without complete coverage of general government sector it is difficult obtain a complete understanding of public finances.

**Recommendation**

36. **Fund staff will focus on encouraging members to produce and disseminate complete general government balance sheet data.** Financial balance sheet data should cover the general government and include memorandum information on contingent liabilities or arrears if significant. Progress in improving the reporting of balance sheet data for the general government would also help to strengthen assessments of fiscal risk and sustainability analysis.

## H. Labor Market Indicators

37. **Currently, the availability of official labor market statistics is limited.** Labor market data published in *International Financial Statistics (IFS)*—including data on employment, labor force, unemployment, and unemployment rates—are mainly sourced from the International Labor Organization (ILO). The SDDS and GDDS include three labor market variables: employment, unemployment, and wages/earnings. Out of 71 SDDS subscribers, 57 provide the required data and the rest take advantage of a flexibility option. Out of 103 GDDS participants, only 45 report data for the three variables.

38. **To address data deficiencies, the IMF would need to rely on the expertise of other institutions (such as the ILO, OECD, the World Bank and regional development banks).** Currently, the Fund's Research Department is starting a collaborative project with the ILO's Employment Trends Team to improve projections of labor market variables, but development of underlying statistics remains a challenge. In this context, further collaboration between STA and the ILO to support the development of labor market statistics may be warranted.

**Recommendation**

39. **The Fund will encourage members to voluntarily provide key labor market data: employment, unemployment, and wage/earnings to the extent that their capacity allows.** As progress is made in collaboration with the ILO and other agencies to improve labor market statistics, these findings will help staff feed new information into surveillance work.

## RESOURCE IMPLICATIONS

40. **The proposals in this paper fit within the existing resource envelope because they primarily continue developing existing initiatives.** No changes are envisaged regarding the data provision framework, including procedures to implement Article VIII, Section 5. Many actions are directed to staff to further strengthen implementation of data provision to the Fund for surveillance purposes, including enhancing staff reports on financial sector surveillance and external stability assessments in line with the 2011 TSR. Staff would update the data provision guidelines, as foreseen in the TSR, reflecting the Board's discussion of this 2012 Review, and implement these updated data provision guidelines in bilateral and multilateral surveillance work.

## ISSUES FOR DISCUSSION

### Do Directors agree that:

- Staff reports should pay special attention to financial sector data limitations affecting surveillance and note data limitations that may impede financial or external stability assessments.
- The Statistical Issues Appendix should report on surveillance data shortcomings along the lines of the draft modified template and include progress regarding the Data Gaps Initiative data categories and SDDS Plus adherence (where relevant, and especially for economies with global systemically important financial sectors).
- Staff should work to enhance the tools and information on aspects of data quality and will report back to the Board around 2017.
- The procedures for following up on potential breaches of Article VIII Section 5 remain unchanged.
- Staff will focus on improving the following data sets: IIP, COFER, financial soundness indicators (including real estate prices), general government debt, monetary and financial data through the adoption of standardized reporting forms, and labor market indicators (the latter relying largely on the work of other international organizations who have the relevant expertise).
- Staff will continue to work with the FSB secretariat in developing a G-SIFIs data set and emphasizing the need for strictly confidential data access.
- For "C" countries, staff should ensure consistency among GDDS plans for improvement, staff reports, and technical assistance.
- Staff reports should continue to follow-up on data recommendations in the previous Article IV reports.