

More countries are providing data needed for effective IMF oversight

There is work still to be done, but an increasing number of countries are providing the IMF with data of the quality it needs to provide effective oversight of members' economic policies. According to the recently released staff report, Data Provision to the IMF for Surveillance Purposes, and a summary of the Executive Board discussion of it, poor data remain a problem in one-third of the IMF's member countries. But the number has been declining and there has been progress on many fronts, notably with data on international reserves.

Good data are a valuable commodity. Policymakers need them to make informed decisions; markets rely on them to fulfill their allocative role efficiently and to reward good, and penalize bad, policies; and the IMF requires them to provide effective oversight (surveillance) of members' economic policies. Crises have, in turn, underscored how severely data inadequacies can affect a country's economic well-being. The Executive Board noted that timely and adequate economic and financial data, especially on international reserves, external debt, and capital flows, are essential for assessing countries' external vulnerabilities and are key to the IMF's ability to strengthen its surveillance. But data enhancements can be costly in terms of resources, and the Board recommended balancing minimum data requirements and country capacity to fulfill these needs.

Progress on the reserves front

Rapidly diminishing international reserves have figured prominently in most external crises, but data have often been unavailable to alert other countries, markets, or sometimes even domestic policymakers of impending problems. Because data inadequacies have often hidden the need for remedial action until it is too late, improving international reserves data has been a focal point of IMF data reviews. Over the past two years, there has been noteworthy progress. Currently, nearly half of the countries covered in the report provide international reserves data to the IMF with lags of one week or less—up from the 38 percent recorded in the previous survey.

The IMF's Executive Directors lauded this progress as well as the use of benchmarks to promote and monitor the provision to the IMF of timely data for international reserves and for external debt. These benchmarks, which are the same as the prescriptions for the Special Data Dissemination Standard (SDDS), have provided a coherent and uniform framework for assessing these data and were seen as a "particularly encouraging step." The Board nevertheless viewed benchmarks as points of reference

rather than as absolute standards and saw technical assistance in support of the provision of international reserves and external debt data as a priority.

Frequent and timely disclosure of international reserves data to the public is emerging as a best practice for subscribing countries, and countries with access to private capital markets are increasingly moving to weekly reporting with a week's lag to demonstrate "good housekeeping" and build market confidence in their data. For example,

Data issues have figured prominently in IMF oversight

	Staff reports ¹ (number of reports; percent of totals in parentheses)			
	Assessed overall adequacy of data	Adequate for surveillance	Inadequate for surveillance	Discussed implications of data deficiencies ²
All countries ³	107	70 (65)	37 (35)	30 (81)
Industrial	16	14 (88)	2 (12)	2 (100)
Transition	18	14 (78)	4 (22)	4 (100)
Emerging	12	8 (67)	4 (33)	4 (100)
Developing	61	34 (56)	27 (44)	20 (74)
Memo item: market-access economies ⁴	45	32 (71)	13 (29)	13 (100)

¹ IMF staff reports on annual consultations with member countries, December 2000–November 2001, that assessed the overall adequacy of data for IMF surveillance.

² Of those reports whose data were assessed as inadequate for surveillance.

³ Countries classified according to *World Economic Outlook* categories.

⁴ All nonindustrial countries with access to international financial markets that have received external sovereign ratings from Moody's and Standard & Poor's as of 2001.

Data: IMF staff estimates

Peru started releasing weekly data on the composition of official reserve assets and reserve-related liabilities in mid-2001 while releasing daily data on gross reserves with a one-day lag. Thailand now posts, on a weekly basis, data on official foreign reserves of the central bank, including the net forward position, on its website.

At the time of the Board discussion, Directors did not consider it necessary to change the frequency and timeliness of reserves data dissemination under the SDDS. They cited technical and resource constraints for most subscribers and the prospect that a more demanding requirement might deter prospective subscribers. They urged more countries to subscribe to the SDDS and participate in the General Data Dissemination System. Over the past six months, the SDDS has, in fact, added 1 new subscriber for a total of 51. More subscribers to the SDDS are expected in the coming months.

Vulnerability assessments

Doing a good job of assessing country vulnerabilities is one of the best ways the IMF can help prevent crises,

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and the Board welcomed recent improvements in the IMF's discussion of vulnerabilities with its member countries. Given that the quality of these discussions is closely linked to the quality of data countries can compile, the Board called on staff to more clearly identify data deficiencies and the technical assistance needed to address them.

Since countries with access to international capital markets can be subject to rapid reversals of capital flows, sound data and transparent statistical practices are particularly vital for identifying these developments. The Board indicated that IMF vulnerability assessments should include frequent and comprehensive data on international reserves; detailed data on international investment positions, capital flows, and the maturity profile and repayment schedules of external and public sector debt; and financial soundness indicators, including corporate sector data. The objective should be compilation of these data in line with country circumstances and characteristics and internationally accepted statistical methodologies.

Priorities for improving the data were also debated. A number of the Directors felt the IMF should strengthen its analysis of public sector debt (especially its composition) before addressing issues related to private sector balance sheet exposures. Many viewed the compilation of comprehensive data for vulnerability assessments as particularly important for countries that borrow substantially on international capital markets in foreign currencies. But a number also suggested that international investment positions should be covered for a broader range of countries, including industrial countries that borrow internationally in domestic currency or whose private enterprises have significant

international exposure. Most also sought a further strengthening of creditor data on cross-border exposures to complement debtor country data with creditor data.

Staff reviews typically give special attention to countries whose data are considered insufficient to meet the IMF's surveillance needs, and their reports recommend measures to address shortfalls. About one-third of the IMF's member countries still provide data judged inadequate for effective surveillance. But there is progress: now 65 percent of members—up from 60 percent in 2000—provide adequate data. The Board also noted other key advances, especially the recently completed *Government Finance Statistics Manual 2001*, which should help bolster the quality of critically important fiscal data. They also welcomed the new *External Debt Statistics: Guide for Compilers and Users*.

The Board encouraged national authorities to articulate their policies on data revisions. This would enhance the transparency of the data provided, document statistical practices, and help the IMF assess when the reporting of revised data could, in fact, constitute misreporting. To address the resource implications for member countries that are trying to strengthen their data, the Board urged staff to prioritize by carefully evaluating data gaps, capacity constraints, and technical assistance needs. ■

The staff report, *Data Provision to the IMF for Surveillance Purposes*, and Public Information Notice 02/133, IMF Executive Board Reviews Data Provision for Surveillance, are available on the IMF's website (www.imf.org).

IMF extends Argentina's repayment of SRF by one year

On November 20, the IMF's Executive Board approved a request from Argentina to extend by one year the repayment of SDR 105.9 million (about \$141 million) under the Supplemental Reserve Facility (SRF).

On January 12, 2001 (see Press Release No. 01/3 on the IMF's website), the IMF approved financing for Argentina under the SRF as part of a Stand-By Arrangement to ease a short-term financing constraint. Normally, an SRF is expected to be repaid in two installments—one year and one and a half years after it is disbursed. For Argentina, the second installment would have come due on November 22, 2002. But the borrowing country may request an extension of up to one year if repayment would cause undue hardship and if it is working to strengthen its balance of payments. At the end of the extension, the country is obligated to repay the loan.

In commenting on the Executive Board decision, Acting Chair and Deputy Managing Director Shigemitsu Sugisaki said that, in light of Argentina's difficult economic and social circumstances, Executive Directors agreed to the Argentine authorities' request for an extension. "The shifting of the SRF disbursement to an obligations basis would signal again the IMF's commitment to help Argentina," he said.

However, Directors were concerned that it had not been possible so far to reach agreement on an economic program that the IMF could support. Although progress has been made in some areas toward formulating such a program, they noted that a number of important issues remained to be resolved. Directors expressed the hope that understandings on the open issues could soon be reached.

For the full text of IMF Press Release No. 02/51, see the IMF's website (www.imf.org).