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GRAY/08/3897

December 9, 2008

**Statement by Mr. Sadun and Mr. Spadafora on Seventh Review of the Fund's Data  
Standards Initiatives  
(Preliminary)  
Executive Board Meeting 08/108  
December 10, 2008**

We thank staff for the well-written paper, which addresses an issue of particular relevance at the current juncture

The ongoing financial turmoil has dramatically exposed the consequences for financial stability arising from a lack of transparency and data availability to markets. Weaknesses in public disclosure at the micro level have been recognized among the most relevant factors underlying the general loss of market confidence and heightened counterparty risk that characterize the current turmoil.

The international community has identified appropriate remedial measures and started to implement them; it has called on the Fund to strengthen its early warning and crisis prevention capabilities. Adequate information on a country's economic and financial conditions is a necessary prerequisite for the effectiveness of any early warning framework. Staff work on such a framework is being intensified, building on the vulnerability exercise in view of its extension to advanced countries. In this regard, staff has pointed out that data availability continues to constrain the coverage of financial and corporate sector vulnerabilities; data weaknesses have emerged as a particular problem in the financial sector<sup>1</sup>.

Against this background, improving the availability and quality of economic and financial data is a crucial component of the broader effort toward strengthening the Fund's early warning capabilities and its surveillance activities.

Since its inception, the Fund's data standards initiative has provided a major contribution in improving the availability, quality and transparency of member countries' macro data. Even accounting for the differences between past crises and the current one, the absence of phenomena of pure contagion involving emerging market countries might owe to some degree to a better provision of macro data to markets.

We thus broadly support staff's proposals, set forth in Sections III and IV, for strengthening the SDDS and enhancing the GDDS. We look forward to a comprehensive discussion and

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<sup>1</sup> Assessing Underlying Vulnerabilities and Crisis Risks in Emerging Market Countries—A New Approach. SM/07/328, September 17, 2007.

assessment of the work program aimed at the identification and inclusion of some relevant financial statistics and indicators within the SDDS.