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GRAY/08/3915

December 9, 2008

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

1. We thank staff for an update on the Fund's Data Standards Initiatives and proposals for enhancing the SDDS and the GDDS.
2. At the outset, we welcome the increase in the participation as well as improvements in the SDDS and the GDDS, as they are important for enhancing data coverage, quality, and transparency of member countries. We call on staff to continue working together with member countries for further progress in these initiatives, including through technical assistance (TA). The present financial turmoil may prompt a consideration for expanding the SDDS coverage as staff envisaged. Nonetheless, we believe that any proposal in this juncture should carefully balance the costs (in terms of reporting burden and TA costs) and benefits (in terms of lowering rates for market access) of developing data standards. Moreover, the burden for data provisions should not be overly emphasized to members' authorities. After every crisis, the authorities are pressed to provide more data, when the real problem is that private sector players are the ones who should show more transparency. For instance, this crisis has shown that the investment banks and credit rating agencies need to be more transparent about their valuation methodologies and assumptions.
3. Turning on the issue of **broadening the SDDS to include financial indicators**, we reiterate our view that the FSIs should not be included in the SDDS. Any attempt to address financial indicators should also take into account the CCE initiative. It should be recognized that the SDDS has been constructed as a vehicle to disseminate broad economic data, while FSIs, under the purview of the CCE, were developed separately to target financial data. The SDDS and the CCE have different objectives, levels of requirements and memberships. Current SDDS subscribers certainly did not expect that it would later on include the FSIs, many of them being quite sensitive or difficult to acquire. We continue to emphasize that the Fund should concentrate instead on refining and implementing the existing FSIs with a view to be weaved into the context of country FSAPs, Article IVs and the new Vulnerability Exercise for better and integrated analysis of financial sector.

4. That said, we have some comments and questions on staff's proposal:
 - *Beyond those currently in the SDDS, what sort of financial indicators do staff preliminarily envisage? Would this cast doubt on the previous work of the CCE and would it also burden members with duplicate work?*
 - Staff intend to "encourage" members to disseminate FSI data (as opposed to "require"). *Would non-publication, for whatever reason, carry the risk of sending a negative signal to members?*
 - More progress needs to be done in the CCE itself, as a number of the FSIs are available at low frequency, and often with considerable lag and hence with limited usage. In the Board review of the FSIs (SM/07/342), it was not clear that the FSIs alone could have predicted or forestalled the crisis. A core set of FSIs still need to be identified and assessed. *Will the work programme include this?*
 - For emerging market countries, the priority thus far has been improving their own transition to Basel II. Therefore, any schedule to incorporate reporting of FSIs should first allow for this transition.

5. On **advancing transparency of data quality in the SDSS**, we tend to agree with staff that members should indicate in the metadata if there is a deviation from internationally accepted statistical methodologies. It should be stressed, however, that any change in the legal text of the SDSS does not change the fact that it is a voluntary exercise. *Furthermore, we wonder whether STA has sufficient resources to ensure compliance by country coordinators and compilers.*

6. We also agree that members should be encouraged to periodically undertake **data quality assessments** but we should emphasize that not doing so will not be seen as a breach of the SDSS rules as these assessments are costly in time and resources. Also, since the statistics TA trust fund has not been set up, it might be hard to guarantee the TA necessary to take remedial measures. *Could staff report on the progress on the financing front? In instances of questionable data quality (para 27), how have staff enforced corrective procedures—through the SDSS mechanism or through the provisions of Article VIII, Section 5? How much overlap is there between the two?*

7. Turning on **enhancing the GDDS**, we see the merit of staff's proposal to recast it to emphasize data dissemination, though the ultimate aim should be left to participating countries. We are also of the view that the development aspect of the GDDS remains a priority given that in some countries, lack of technical capacity is still the major obstacle in developing statistics. We thus suggest that staff should strike an appropriate balance between development and dissemination aspects. Similar consideration should also be given to the staff's proposal to align the GDDS data with the SDSS specifications; while we welcome the streamlining and its facilitation for graduation toward the SDSS, some of the proposed changes are quite demanding for countries with limited resources and technical capacity (for example, data on external sector).

8. On the **changes to the Reserves Template of the SDSS**, we could go along with the proposal to cover exchange-traded futures, settled in domestic currency and the "tidying-up"

revisions. We wonder, however, how this would fit in with the decision on the Review of Data Provision for Surveillance Purposes (SM/08/76). *Will the decision be put off until July 2009 or would this be in addition to the changes that take effect after the end of this year?*

9. Finally, on the **timing of the Eighth Review**, we agree with staff's proposal to hold it within five years. Flexibility, nonetheless, need to be considered particularly if the staff's work programme implies substantial changes in the reporting burden on authorities.