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

1. We thank staff for the informative report.
2. Today we are discussing the Seventh Review of the Fund's Data Standard Initiatives. The data issue was one of the first factors identified as a cause of the financial crisis in the emerging market countries in the 1990s. Time has shown that there is a more complex economic phenomenon behind the financial crises. Other reasons were also indicated over time such as the crony capitalism, the balance sheet problem and the composition of public debt. None of them seems to be a plausible and strong enough justification for the financial crises. The current crisis—now in the industrial countries with similar dynamics as observed in the emerging market countries— has indicated the weakness of those ideas. Staff, however, seems to continue to believe in the idea that data deficiency has been one of the causes of turbulences.
3. Our preference is to dissociate the data issue with the financial crises. We consider as a more relevant reason for the need to improve data collection and dissemination, the public good role of data to help countries' authorities in their policy decisions and the Fund in its surveillance exercise. Despite the concern about data dissemination, crises have continued to occur despite the improvements. At each new review, staff comes with an additional demand for data collection for member countries using as a justification the most recent crisis. It seems to be time now to reassess such a policy in order not to overburden member countries and the Fund's staff with excessive data requirements.
4. We fully share Mr. El-Khouri and Ms. Choueiri's reservations about the inclusion of Financial Soundness Indicators (FSIs) in the SDDS. Some difficulties seem to remain in the compilation of FSIs such as cross country comparability in view of the diversity of methodologies adopted by members, a concern also raised by Messrs. Stein and Dahlhaus.

5. We wonder how the FSIs could have helped better than the existing data to prevent the current crisis in the industrial countries. Transparency in the financial sector of the industrial countries seems not to be the main problem, and these countries count on a web of credit rating agencies, accounting firms and a full range of publications and indicators available to investors. Other more complex reasons, like in emerging market countries, have been in place to generate the financial bubbles, a question that is not fully understood in the economic literature.

6. We continue to ask staff to improve the already existing data, especially on cross-border transactions in the financial sector. In the balance of payments statistics, for instance, errors and omissions are still an unresolved issue, even in the industrial countries.

7. In view of the above reservations, the flexibility contemplated by staff for member countries' implementation of the new requirements is welcome. Data collection and dissemination, though we consider them important, do not receive a similar degree of attention by policymakers as other policies in developing countries, especially in the poorest ones, limited by the scarcity of human resources to dedicate to this issue. Therefore, some deficiencies in data have to be expected.