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September 7, 1995

To: Members of the Executive Board

From: The Secretary

Subject: Provision of Information to the Fund for Surveillance - Further
Considerations and Draft Report to the Interim Committee

Attached for consideration by the Executive Directors is a paper on further considerations and draft report to the Interim Committee relating to the provision of information to the Fund for surveillance. Issues for discussion appear on page 11.

This paper, together with the paper on standards for the provision of economic and financial data to the public - draft report to the Interim Committee and further considerations (SM/95/230, 9/7/95), is tentatively scheduled for discussion on Wednesday, September 20, 1995. Following the Board discussion, a combined report to the Interim Committee on the two issues will be circulated for further consideration by the Executive Board.

Mr. Joyce (ext. 37984) or Mr. Nord (ext. 37324) is available to answer technical or factual questions relating to this paper prior to the Board discussion.

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Department Heads

INTERNATIONAL MONETARY FUND

Provision of Information to the Fund for Surveillance: Further
Considerations and Draft Report to the Interim Committee

Prepared by the Policy Development and Review
and Statistics Departments

(In consultation with other departments)

Approved by Jack Boorman and John B. McLenaghan

September 6, 1995

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I. Introduction

In the Board discussion in April 1995, Directors concluded that data provision was adequate for the majority of the membership but expressed strong concern at the deficiencies that exist for a number of members. The Board's most recent discussion of the provision of information for surveillance took place on July 26, 1995. In his preliminary concluding remarks, the Chairman called for a further short paper to be discussed by the Board in September. 1/

During the July discussion, Directors called for further work to define standards for timeliness in the provision of information for continuous surveillance. Directors generally took the view that the benchmark suggested in the staff paper was not adequate because it was excessively influenced by the reporting record of poor performers. They preferred that a benchmark be developed based on good practice and a judgment on the requirements of the Fund for surveillance. Work to provide a basis for the establishment of standards for the timely provision of information is underway; the results will be presented in the full-year review in early 1996.

This paper is structured as follows. Section II addresses several outstanding issues. Section II.1 deals with the relationship between the core data to be provided for Fund surveillance and proposed standards for the provision of data to the public by members; Section II.2 reviews the use of third-party data; 2/ Section II.3 provides material on data reporting by post-program countries; Section II.4 reviews efforts to improve data management within the Fund; and Section II.5 outlines the work program envisaged in the period ahead. Section III presents issues for discussion. Finally, the paper presents for Board consideration (in the Annex) a draft Board report to the Interim Committee on these issues. 3/

1/ The Board discussion in April 1995, based on *Strengthening Surveillance-Provision of Statistical Data by Members* (SM/95/39, 3/24/95), was summed up in SUR/95/34 (4/7/95). The discussion in July, based on *Data Provision to the Fund for Surveillance-Preliminary Review of Experience* (SM/95/180, 7/21/95), was summed up in SUR/95/87 (8/2/95). Related issues were discussed in June, as summed up in BUFF/95/55 (6/16/95); the staff papers were *Statistical Policy of the Fund* (SM/95/115, 5/18/95) and *Evolution of the Statistical Activities of the Fund* (SM/95/123, 5/25/95).

2/ The term "third-party data" is used throughout this paper to refer to commercially available data. The Fund also makes use of data compiled by other official institutions, which are not discussed in this paper.

3/ The report to the Interim Committee would have two sections. One would comprise a revised version of the Annex to this paper. The other would deal with standards for the provision of economic and financial data to the public.

II. Issues in the Provision of Information for Surveillance

1. Core data for Fund surveillance and standards for the provision of data to the public by members

In the Board discussion in April 1995, Directors endorsed a list of eleven core categories of data as the minimum data set to be provided to the Fund on a regular and timely basis for continuous surveillance. 1/ Work undertaken in the context of *Standards for the Provision of Economic and Financial Data to the Public* 2/ suggested a broader list of 16 data categories as a preliminary basis for establishing a general standard for the publication of economic and financial data by members. 3/ It was also proposed that for members electing to subscribe to a more demanding standard of data publication this initial minimum list of key categories could be supplemented as needed for the purposes of international financial markets. 4/

Several points of clarification need to be made in this context on the linkages among the various lists of data categories:

- The list of 11 core categories of data represents the minimum data set to be provided to the Fund by all members on a regular and timely basis for continuous surveillance. The presumption is that any member not able to provide these data on a regular and timely basis should receive urgent technical assistance to facilitate such provision. However, for many members, effective surveillance is likely to require that this minimum list be supplemented by country-specific data categories reflecting the particular characteristics of the individual members' economies. In addition, the data set to be provided for surveillance

1/ The core categories comprised exchange rates, international reserves, the central bank balance sheet, reserve money, broad money, interest rates, consumer prices, external trade, the external current account balance, the fiscal balance, and GDP/GNP. Some Directors supported a broader list of categories including, for example, the accounts of the banking system, capital flows, external debt, and the variables that influence them.

2/ SM/95/175 (7/17/95); the Board discussion, held on July 26, 1995, was summed up in BUFF/95/84 (8/7/95). Further proposals are included in *Standards for the Provision of Economic and Financial Data to the Public: Draft Report to the Interim Committee and Further Considerations* (SM/95/230).

3/ In addition to the core categories for continuous surveillance identified above, this list also included industrial production, unemployment, wages or earnings, producer or wholesale prices, and domestic credit.

4/ The more demanding list of data categories would include, in addition to the minimum list of key categories for data publication based on the list of 16 categories identified above, data on capital flows (as found in a full balance of payments statement), debt (particularly external debt), and debt service (particularly on external debt).

undertaken in the context of the full Article IV consultation is likely to be significantly broader than the data set to be provided for continuous surveillance during the period between Article IV consultations.

- The basis for the general standard for the publication of economic and financial data by members includes, in addition to the 11 core data categories, other data categories that would be useful for continuous surveillance for many members. However, many members are currently unable to provide some or all of these additional data, and the technical capacity of those members will need to be augmented over time. Also, for some members, some of these additional data may not be of the essence for effective surveillance between Article IV consultations. 1/
- Where members publish data satisfying the general or the more demanding publication standard, they should be expected to provide the Fund with all these data for surveillance.

2. Use of third-party data in the Fund

The July 1995 survey of country desks also provided data on sources and methods of reporting to the Fund. As shown in Table 1, 8 of the 11 core data categories are provided directly by official sources in almost all cases. For the remaining three categories, exchange rates are accessed via commercial sources by about 25 percent of the country desks surveyed, interest rates by about 16 percent, and consumer prices by about 9 percent. 2/

Heavier reliance on third-party data was found for industrial country desks, with exchange rates accessed by these means in 87 percent of the cases surveyed, interest rates in 83 percent, and consumer prices in 35 percent. For developing countries, commercial sources provided exchange rate data for less than one-fifth of the cases, and data on interest rates and consumer prices in only about 5 percent. However, for the group of market borrowers, commercial sources were used about twice as frequently to gather data on these three categories as for the group of developing countries as a whole.

1/ For example, industrial production data are not of the essence for members lacking substantial industry, whereas data on the production or export of a particular agricultural commodity may be critical.

2/ The low use of the Economic Information System (EIS), as shown in the survey, probably understates its actual use to the extent that common data series are received by the Statistics Department and by area departments. Nevertheless, the results indicate that use of the EIS is extremely limited, and work is underway to replace it by a more user-friendly system.

Table 1. Area Department Survey of Main Statistical Indicators
Data Sources and Mode of Reporting
Statistical Summary
(as of end-June, 1995)

Description	Exchange Rates	International Reserves	Reserve (Base) Money	Central Bank Balance Sheet	Broad Money	Interest Rates	Consumer Prices	External Trade	Current Account Balance	Overall Government Balance	GDP or GNP
All Countries ^{1/ 2/}											
Countries reporting	177	176	173	174	177	174	174	176	176	177	172
Official Sources	106	164	165	166	167	142	154	166	163	169	156
Report Forms	80	123	123	120	119	99	105	85	74	101	65
Publications	6	9	16	17	14	9	14	23	18	9	20
Staff Visits	3	7	10	13	15	18	12	43	59	49	61
Telephone Queries	10	13	6	5	6	7	10	4	4	4	4
Electronic Access	6	8	8	9	12	6	10	7	5	6	4
Other	1	2	1	1	0	1	0	0	0	0	1
Commercial Sources	44	5	2	2	3	28	16	6	6	3	8
Electronic Access	37	2	1	1	2	25	13	5	5	2	6
Publications	6	1	0	0	0	2	2	0	0	0	2
EIS	8	4	3	3	4	1	0	0	0	0	1
Other Sources	19	3	3	3	3	3	4	4	6	4	6
Industrial Countries ^{1/}											
Countries reporting	23	23	23	23	23	23	23	23	23	23	23
Official Sources	2	20	21	21	20	4	15	20	18	20	17
Report Forms	0	13	11	13	9	1	7	12	12	10	12
Publications	0	2	6	4	5	1	2	4	2	3	2
Staff Visits	0	0	0	0	0	0	0	0	0	1	0
Telephone Queries	0	1	0	0	0	0	0	0	1	1	0
Electronic Access	2	3	3	3	5	2	5	4	3	5	3
Other	0	0	0	0	0	0	0	0	0	0	0
Commercial Sources	20	2	1	1	1	19	8	3	5	2	6
Electronic Access	19	1	1	1	1	18	8	3	5	2	6
Publications	1	1	0	0	0	1	0	0	0	0	0
EIS	0	1	1	1	2	0	0	0	0	0	0
Other Sources	1	0	0	0	0	0	0	0	0	0	0

Table 1. Area Department Survey of Main Statistical Indicators
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Description	Exchange Rates	International Reserves	Reserve (Base) Money	Central Bank Balance Sheet	Broad Money	Interest Rates	Consumer Prices	External Trade	Current Account Balance	Overall Government Balance	GDP or GNP
Developing Countries^{2/}											
Countries reporting	154	153	150	151	154	151	151	153	153	154	149
Official Sources	104	144	144	145	147	138	139	146	145	149	139
Report Forms	80	110	112	107	110	98	98	73	62	91	53
Publications	6	7	10	13	9	8	12	19	16	6	18
Staff Visits	3	7	10	13	15	18	12	43	59	48	61
Telephone Queries	10	12	6	5	6	7	10	4	3	3	4
Electronic Access	4	5	5	6	7	4	5	3	2	1	1
Other	1	2	1	1	0	1	0	0	0	0	1
Commercial Sources	24	3	1	1	2	9	8	3	1	1	2
Electronic Access	18	1	0	0	1	7	5	2	0	0	0
Publications	5	0	0	0	0	1	2	0	0	0	2
EIS	8	3	2	2	2	1	0	0	0	0	1
Other Sources	18	3	3	3	3	3	4	4	6	4	6
Program Countries											
Countries reporting	54	54	54	54	54	53	54	53	53	54	53
Official Sources	42	52	52	52	52	49	51	50	49	52	50
Report Forms	34	44	45	43	44	41	43	29	26	43	19
Publications	2	0	0	2	0	2	1	3	2	0	6
Staff Visits	0	0	1	1	2	0	0	14	17	7	21
Telephone Queries	3	5	3	3	3	4	4	2	2	2	3
Electronic Access	2	2	2	2	3	1	2	1	1	0	0
Other	1	1	1	1	0	1	0	0	0	0	1
Commercial Sources	5	0	0	0	0	2	1	0	0	0	1
Electronic Access	3	0	0	0	0	2	1	0	0	0	0
Publications	2	0	0	0	0	0	0	0	0	0	1
EIS	2	0	0	0	0	0	0	0	0	0	0
Other Sources	5	2	2	2	2	2	2	3	3	2	1

Table 1. Area Department Survey of Main Statistical Indicators
Data Sources and Mode of Reporting
Statistical Summary
(as of end-June, 1995)

Description	Exchange Rates	International Reserves	Reserve (Base) Money	Central Bank Balance Sheet	Broad Money	Interest Rates	Consumer Prices	External Trade	Current Account Balance	Overall Government Balance	GDP or GNP
Market Borrowers											
Countries reporting	22	21	20	21	22	22	21	22	22	22	22
Official Sources	13	20	20	21	22	18	19	22	22	22	22
Report Forms	7	10	12	12	12	10	10	12	10	11	11
Publications	1	4	6	5	5	1	4	6	5	2	4
Staff Visits	0	0	0	2	2	2	1	2	6	8	6
Telephone Queries	4	5	2	2	2	3	3	1	1	1	1
Electronic Access	1	0	0	0	1	0	1	1	0	0	0
Other	0	0	0	0	0	0	0	0	0	0	0
Commercial Sources	6	1	0	0	0	4	2	0	0	0	0
Electronic Access	6	0	0	0	0	4	2	0	0	0	0
Publications	0	0	0	0	0	0	0	0	0	0	0
EIS	0	0	0	0	0	0	0	0	0	0	0
Other Sources	3	0	0	0	0	0	0	0	0	0	0

1/ Excluding San Marino

2/ Excluding the Islamic State of Afghanistan, Iraq, Liberia, and Somalia.

Key

Countries reporting	Number of countries with reported data in a particular category
Official Sources	Central bank, ministry of finance, or other official agency; official statistical publication or press release
Report Forms	Direct reports of authorities received by cable, fax, e-mail, or post
Publications	Official publications received by cable, fax, e-mail, or post
Staff Visits	Official data obtained by mission visits, Article IV visits, etc.
Telephone Queries	Official data transmitted by telephone
Electronic Access	Official data communicated through on-line services
Other	Official data communicated by other means, such as diplomatic pouch
Commercial Sources	Commercial publication or electronic data provider
Electronic Access	Online electronic data transfer (Reuters, WEFA, DRI, etc.)
Publications	Newspapers
EIS	EIS or <i>IFS</i>
Other Sources	Other (such as exchange rate arrangements; staff estimates)

Regarding the mode of transmitting data, report forms from country authorities are the most frequently employed means, although electronic access--to both third-party and official sources--is used by about one quarter of country desks to access data on exchange rates, by about 17 percent of desks for interest rates, and by about 13 percent for consumer prices. For the group of industrial countries, electronic access is the predominant means for gathering data on exchange rates, interest rates, and consumer prices. Also, for the subgroup of market borrowers, electronic access is used about twice as frequently to access data on these three series as for the group of developing countries as a whole. However, certain data series in developing countries (e.g., external trade, the current account balance, the overall government balance, and GDP/GNP) are gathered mainly during staff missions, making continuous surveillance more difficult.

It is clearly advantageous for the Fund and for members, on grounds of both cost and effectiveness, that the Fund obtain data for surveillance by the most efficient means available. In this respect, the use of third-party data may be more efficient for the Fund than direct reporting by a member to the Fund; indeed, the data may be seen as a substitute for data reported by a member if the source is clearly identified. 1/ However, such a practice would require the concurrence of the authorities. 2/ It should also be understood that the use of a third-party data channel does not remove the responsibility of a member to provide data that may be required to the Fund, and the Fund has the right to request the member to confirm any third-party data. In addition, mere estimates from third parties should not be seen as an adequate substitute for firm official data. Given the increasing integration of international markets and use of electronic information technology, the Fund is likely to make increasing use over time of third-party data within the constraints identified above. 3/

1/ This may be so particularly in the case of directly observable variables such as exchange rates and interest rates; the use of third-party data in this instance could be seen as a supplement to officially reported data. In the case of members that release other data (both data under the direct control of the authorities and data that require collection and compilation by statistical agencies) in a timely, regular, and reliable fashion to the international electronic media, this may be the case for those data also. For a number of industrial countries, in particular, reliance on third-party data sources as a channel for the provision of official data is widely accepted as the most efficient mechanism and, indeed, is also the means used in some national agencies to obtain data for their own countries.

2/ Such concurrence can be implicit in cases where the authorities themselves rely on commercial data providers for some of their official data.

3/ In addition to these considerations, it should be noted that third-party data are frequently used in the Fund to obtain partner-country data on such balance of payments entries as trade in goods and external debt flows and general financial market data relevant to surveillance.

3. Information reporting in post-program cases

In the July 1995 Board discussion, some Directors had requested more information on reporting lags for post-program countries. In response, the staff has prepared Table 2 (on the basis of the July survey of country desks), which indicates reporting lags for a group of 54 program countries and 19 post-program countries. The picture is mixed, with average reporting lags for the post-program countries longer for some indicators (reserve money, the central bank balance sheet, broad money, interest rates, consumer prices, and the government balance) and shorter for others (exchange rates, international reserves, external trade, the current account, and GDP/GNP). It was not possible to assess the degree to which reporting may have worsened since the completion of programs on the basis of this survey. The staff will keep this matter under review, in particular when future surveys of country desks are conducted. ^{1/}

4. Data management issues

During the April discussion by the Board of the staff paper *Data Provision to the Fund for Surveillance—A Preliminary Review of Experience*, Directors reaffirmed the view, previously expressed, that management and staff should develop and implement a more coordinated approach to statistical work in the Fund, supported by new technology, to streamline reporting by member countries and improve efficiency within the Fund. In its consideration in June of the staff paper *Statistical Policy of the Fund*, Directors noted that an Interdepartmental Working Group on Data Management had recently completed a review of data management practices and supporting technology and that the report of the Working Group, supported by the concerned departments, had made recommendations for improving data management practices and for a consultant study to advise on technology to support improvements in data collection and sharing in the Fund.

In the July Board discussion on data issues, Directors indicated that decisions on data management issues, particularly with regard to the twin tasks of improving procedures for the efficient transmittal of key data to the Fund and improving data sharing within the Fund, will need to be given high priority. In this connection, a statement by Management setting forth *Data Management Guidelines*, which will incorporate the key elements of the recommendations of the Working Group, is expected to be issued in due course.

^{1/} The staff hopes to provide further information in the paper scheduled for early 1996.

Table 2. Area Department Survey of Main Statistical Indicators
Statistical Summary
(as of end-June, 1995)

Description	Exchange Rates	International Reserves	Reserve (Base) Money	Central Bank Balance Sheet	Broad Money	Interest Rates	Consumer Prices	External Trade	Current Account Balance	Overall Government Balance	GDP or GNP
Program Countries ^{1/}											
Countries reporting	54	54	54	54	54	53	54	53	53	54	53
Lags in months:											
Mean	0.4	1.1	1.2	1.6	1.6	0.9	1.4	4.8	5.4	2.4	6.9
Median	0	1	1	1	2	0	1	3	3	2	6
Standard deviation	0.6	1.2	1.2	1.3	1.1	1.6	1.4	6.2	6.0	2.1	4.1
Minimum	0	0	0	0	0	0	0	1	1	0	0
Maximum	3	6	6	6	6	9	9	42	42	14	18
Post-Program Countries ^{2/}											
Countries reporting	19	18	18	19	19	19	19	19	19	19	19
Lags in months:											
Mean	0.3	0.9	1.4	1.9	2.0	1.5	1.8	2.9	5.1	3.5	5.2
Median	0	1	1	2	2	1	2	3	6	3	6
Standard deviation	0.5	1.2	1.0	1.3	1.1	1.5	1.5	1.9	3.1	2.7	2.4
Minimum	0	0	0	0	0	0	0	0	0	0	0
Maximum	1	3	3	6	4	6	6	6	15	12	12

^{1/} Albania, Algeria, Argentina, Benin, Bolivia, Burkina Faso, Cambodia, Cameroon, Congo, Côte d'Ivoire, Croatia, Ecuador, Egypt, Equatorial Guinea, Estonia, Ethiopia, Guinea, Guinea-Bissau, Guyana, Haiti, Honduras, Jamaica, Jordan, Kazakhstan, Kyrgyz Republic, Laos, Latvia, Lesotho, Lithuania, Malawi, Mali, Mauritania, Mexico, Moldova, Mongolia, Mozambique, Nepal, Nicaragua, Pakistan, Peru, Philippines, Poland, Romania, Russia, Senegal, Sierra Leone, Slovak Republic, Sri Lanka, Togo, Turkey, Uganda, Ukraine, Viet Nam, and Zimbabwe.

^{2/} Bangladesh, Barbados, Brazil, Central African Republic, Comoros, Czech Republic, Dominican Republic, The Gambia, Guatemala, India, Morocco, Niger, Nigeria, Panama, Rwanda, Trinidad, Tunisia, Uruguay, and Venezuela.

5. The work program

Further papers on data issues will be prepared for Board discussion in early 1996. Two main issues need to be addressed. First, members' provision of data to the Fund for surveillance would be reviewed. The results of another survey of information available to country desks in the Fund would be reported and the treatment of statistical issues in Article IV consultation staff reports would be examined. Staff recommendations on standards for periodicity and timeliness of data reporting to the Fund would also be presented. Second, a set of standards for the provision of data to the public would be proposed, taking into account the consultations with both statistical agencies and end-users and based on current best practices. Possible modalities of introducing and supporting such publication standards would also be discussed.

III. Issues for Discussion

1. Directors may wish to comment on some of the points raised in Section II, including especially on the work program.
2. What are Directors' views on the draft report from the Board to the Interim Committee on the provision of information for surveillance in the Annex?

Draft Report to the Interim Committee on Provision
of Data to the Fund for Surveillance 1/

1. The importance of the provision of adequate and timely data by members to the Fund for surveillance has been illustrated by recent events and has been underscored by the Executive Board and the Interim Committee in recent discussions. 2/ Executive Directors have noted that data provision was adequate for the majority of the membership while expressing strong concern at the deficiencies that existed for a number of members. They stressed the importance of providing technical assistance to members lacking the capacity to compile data, and endorsed a graduated approach to remedying the situation in cases where members are reluctant to provide data that would support effective surveillance. In the April 1995 discussion, Executive Directors endorsed a list of 11 core data categories as the minimum set to be provided to the Fund on a regular and timely basis for continuous surveillance. 3/ The Executive Board has also called for further work on the timeliness of provision of information to the Fund.

2. In response to these concerns, management approved an *Operational Guidance Note on Data for Surveillance* on statistical issues in Article IV consultations and has called for staff reports to contain a clear indication of the adequacy of data provided to the Fund for surveillance. Where data are insufficient, the staff appraisal is to bring this to the attention of the Executive Board and indicate measures to remedy the problem. The Board will consider these issues further in early 1996.

1/ A revised version of this draft would be included as a section of the Board's report to the Interim Committee on data issues.

2/ The Board discussion in April 1995 was summed up in SUR/95/34 (4/7/95); the staff paper was SM/95/39 (3/24/95). The June 1995 discussion was summed up in BUFF/95/55 (6/16/95); the staff papers were SM/95/115 (5/18/95) and SM/95/123 (5/25/95).

3/ The data categories comprised exchange rates, international reserves, the central bank balance sheet, reserve money, broad money, interest rates, consumer prices, external trade, the external current account balance, the fiscal balance, and GDP/GNP.