respondents cited legal constraints, but another third cited issues of trust. Data providers who were interviewed regarding access to market-sensitive financial data noted that banking supervisors tend to trust, in order, other supervisors, central banks, the Bank for International Settlements (BIS), and only then the IMF. Further, as noted by the 2014 Triennial Surveillance Review, “some of the Fund’s counterparts have become less willing to share data as the crisis has subsided.” This is clearly problematic for the Fund’s FSAP, which in such cases must rely on publicly available data and/or on stress tests conducted by supervisors and the banks themselves. According to some interviewees, the results from the FSAP team’s stress tests differed at times from those of the stress tests conducted by the authorities or the banks, largely because of differing access to data.

38. These findings highlight two issues: (i) there is a tension between the mandatory character of FSAs and the voluntary provision of the data they require, and (ii) the limitations of the associated risk assessment need to be clearly communicated by the FSAP team. The evaluation survey of MCM staff is revealing in this regard, with 40 percent of respondents advocating mandatory data provision to help address data deficiencies, and only half agreeing that the Financial System Stability Assessment (FSSA) report had clearly noted the problems with data quality or access. To help address the first issue, the Fund could clarify its confidentiality protocols to the membership to encourage the voluntary provision of the needed information. On the second issue, the 2014 FSAP review noted that the standard disclaimer on all FSSA reports should be expanded to highlight any data limitations. But this evaluation found no change in the standard disclaimer in the most recent FSSA reports, including some with serious data access and quality issues.

39. The Fund has made notable strides, nonetheless, with respect to data needed for financial surveillance. Substantive progress has been made since the global crisis on collecting data on Globally Systemically Important Financial Institutions (G-SIFIs), the nonbank financial institutions (NBFIs), shadow banking, and Financial Soundness Indicators (FSIs). The Fund’s efforts to collect data on NBFIs and shadow banking is particularly important to allow the Fund to expand its coverage of stress tests to the nonbank sector (an increasingly important player in many countries’ financial sectors), and to help member countries limit regulatory arbitrage, a potential precursor for a future crisis. The Fund has also developed new analytical tools that benefit from the expanded set of financial data.

(iv) Use of Fund resources

Data deficiencies can affect program design and monitoring . . .

40. Data quality and availability are also extremely relevant for IMF lending. Staff must be able to count on information adequate to allow the design of a program fit for the intended purpose. This has usually been the case, but in some instances, staff has indicated that policy programs would have been formulated differently if more accurate information had been available (Reichmann and Monasterski, 2016) (Box 4). From 2000 through March 2015, there were 62 cases of misreporting vis-à-vis data in the context of Fund-supported programs, up sharply from the nine cases in the previous 15-year period from 1985 to 2000. Occasionally, inaccurate or incomplete information about a member country’s observance of a program performance criterion may give rise to a “noncomplying purchase” and the issuance of a misreporting notification to the Executive Board.

41. Even when data allow for adequate diagnosis and formulation of policies, the specific design of performance criteria is influenced by considerations of data accuracy, availability, and timeliness. Trade-offs are unavoidable among these factors, and the resulting criteria will seldom be totally homogeneous across time

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38 Some countries with legal constraints find ways to allow the FSAP team to “access” the data without actually violating the law (e.g., letting the FSAP team into the room to watch the conduct of supervisory stress tests).

39 The 2013 IEO evaluation, The Role of the IMF as Trusted Advisor, also found that country authorities placed more trust in the BIS than the Fund in the handling of confidential data (IEO, 2013).

40 In September 2010, the Executive Board decided to make the Financial Stability Assessment (FSA) mandatory for systemically important financial sectors in response to the shortcomings revealed by the financial crisis. Previously, all FSAs, as part of an FSAP exercise, were conducted on a strictly voluntary basis.

or countries. Usually, the wider the coverage of a performance criterion, the better it reflects policy aspects that have a bearing on the program’s objectives. But wider coverage may run afoul of the availability and timeliness of the required data, forcing an inevitable narrowing of the criterion’s scope.\footnote{Over 60 percent of staff acknowledged the influence of data conditions in the formulation of performance criteria.}\footnote{This narrowing of the scope can have a critical impact on policy implications. For example, based on interviews with the relevant country authorities, the Fund missed about 25 percent of GDP in public debt, in a recent financial program, by failing to include data on public-private partnerships and state-owned enterprises.} Over 60 percent of staff acknowledged the influence of data conditions in the formulation of performance criteria.\footnote{The same percentage of staff noted that the program included undertakings to improve data provision or quality.}

... and performance criteria must often be tailored to fit the availability of data ...

42. Even the variables that data are intended to measure may differ across countries, reflecting the particular historical and political developments that determine a country’s institutional organization and hence the definition and scope of a given economic sector or instrument. This is particularly the case in regard to the concept of government or the public sector (Annex 6). The resulting differences in definition mean that a balance must be struck between the Fund’s need to treat members evenhandedly in the application of conditionality and its need to tailor performance criteria to fit the circumstances of each case.

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**Box 4. Faulty Data and Faulty Analysis: Past Examples**

Instances of data that subsequently prove to be wrong or incomplete are probably frequent, but are usually of little consequence and therefore go unreported. However, a number of cases of data-induced faulty analysis were documented in reports on breaches of obligations under Article VIII, Section 5 or misreporting in programs (Reichmann and Monasterski, 2016). The following are examples of the type of cases that can occur:

**Hungary (1982–89)**

In November 1989, the government revealed that both domestic and external debt had been underreported since the mid-1970s. The misreporting involved a misspecification of the net credit to the government and the consequent misreporting of monetary and balance of payments statistics as well as the public debt. In the February 2000 review of misreporting cases (IMF, 2000), staff stated that “… Hungary’s widespread, systematic and substantial misreporting of data clearly resulted in a fundamentally distorted view of the program by the staff. … Had the staff been aware of actual [developments] the program would not have been submitted for Board approval with the same quantified criteria. Had correct data been known, it would have at least affected the staff’s assessment of the size of corrective actions needed. …”

**Jordan (1996–97)**

Under an extended Fund arrangement, the authorities provided staff with erroneous information on national accounts and fiscal data. Revisions provided in mid-1998 indicated that GDP growth had been substantially lower than first reported—around 1 percent per year instead of 5 percent—and, consequently, fiscal revenues had been substantially lower than reported. As a result, Jordan’s budget deficit had been higher and had to be financed by recourse to nonbank sources. In the 1999 Article IV consultation report, staff indicated that “… the data set that [had been] available had portrayed a fundamentally distorted picture of the state of the Jordanian economy and performance under the extended arrangement …” and “… staff [had been] working on the basis of a wrong view of economic developments in Jordan, which had a major impact on the assessment of performance. …”

**Ukraine (1996–98)**

Ukraine misreported the level of its international reserves continuously during 1996–98 and in the negotiations on a follow-up extended arrangement. The misreporting involved multiple transactions that impaired the liquidity of the foreign assets involved and, more egregiously, two “round-tripping operations” which artificially inflated the reserves. Days before the Board meeting on the requested arrangement, it was revealed that almost $700 million of reserves was illiquid, leaving usable reserves of less than $300 million—forcing an impromptu redesign of the program. The corresponding staff paper stated “… With the new information on Ukraine’s external reserve position, and the pressure in the market, the authorities have had little choice but to move the exchange rate band … the staff has reluctantly accepted the reimposition of the export surrender requirements … [and] further modifications of the program might be unavoidable. …”
...but an IMF-supported program can also help improve data quality and availability.

43. Often the existence of a program can have a reciprocal effect on the quality, timeliness, and availability of data. The due diligence that staff is required to do before including data in a performance criterion can result in the correction of data that are found wanting or in efforts to develop and provide the data needed. Such positive effects, plus the intersectoral consistency checks provided by the financial programming framework, have been felt more by developing and emerging economies than advanced economies, as the former have been more frequent users of Fund resources.

B. Addressing Information Gaps

_The IMF's efforts to address data gaps have resulted in a significant expansion in data..._

44. By and large, the collaborative arrangements in place for data provision have served the Fund well, with most member countries providing data that far exceed those required under Article VIII. Even more so, since the global crisis, there has been a notable rise in the amount and breadth of data (much of which is in the financial realm) that member countries provide to the Fund. For example, 138 economies currently report monetary and financial statistics according to the IMF’s standardized report form (SRF), up from 83 as of end-2007.

45. Much of this strengthening of data provision is due to concerted efforts—on the part of the IMF (especially STA), other members of the IAG, and member countries—to address data gaps identified by the global crisis. In particular, significant progress has been made in implementing the recommendations of the G20 Data Gaps Initiative (DGI); all G20 members and many non-G20 economies have enhanced their data provision to the IMF (IMF, 2014e), and efforts to collect a broader array of financial data (including FSIs) are also proceeding apace. Most of the associatedconceptual work for the DGI has been completed, and more generally, the number and types of data-based analytical tools have expanded significantly.

...but do the benefits outweigh the costs?

46. After a crisis, data suddenly become a forefronthought, rather than an afterthought. This raises the question: were data gaps a core reason or a scapegoat for missing the recent global economic and financial crisis? The answer to this question is an important one, as it can help determine the direction for future surveillance. In fact, the failure to foresee the impending crisis cannot be attributed to lack of data (Box 5). With hindsight, it became clear that a substantial amount of existing data had pointed to growing vulnerabilities in several key areas. Failure to foresee the crisis stemmed more from ignoring or misinterpreting these warning signals than from the absence of signals, a view shared by many of this evaluation’s interviewees.

47. Nevertheless, filling in key data gaps could substantially strengthen surveillance. But this also comes with costs, particularly for those responsible for collecting or providing the new data. Almost three-quarters of the respondents to our survey of data providers believe that the benefits of the Fund’s new data initiatives outweigh their costs, yet 40 percent felt the IMF was asking for too many data and almost half said the initiatives would pose a very heavy burden on reporters. This was particularly the case with the respondents from advanced countries, who are most affected by the new demands under the DGI. Among the respondents from low-income countries, only one in five indicated concern in this regard.

48. The proliferation of data and analytical tools also risks the possibility of the Fund failing to strike the right balance between collecting information and being able to process it efficiently and analyze the results. Indeed, while two-thirds of staff respondents to the survey indicated that the additional data from the new

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44In fact, until the global economic and financial crisis with its origin in advanced countries, many desks on such countries did not use the financial programming or other macroeconomic framework to check for intersectoral data consistency. This became particularly evident when some member countries of the European Union (EU) came to the Fund for financial programs in the aftermath of the crisis.

45Among STA’s many databases, the SRF data are the most used by area department staff.

46Notwithstanding this impressive progress, several G20 countries and other economies with systemically important financial centers still do not report with the SRF.

47The Managing Director’s Global Policy Agenda (IMF, 2015d) noted that closing data gaps should be a key area targeted by the Fund’s capacity development activities.

48IEO (2011a) notes, for example, that had the IMF conducted the Vulnerability Exercise for Advanced Countries prior to the crisis, using data that were available in 2006 would have pointed to the United States, United Kingdom, and Iceland as being at high risk of financial crisis.