

Box 1. A, B, or C? Grading a Country's Data Adequacy for Surveillance

The IMF's current framework for data provision for surveillance was first defined in 1995 (IMF, 1995b), with some amendments since then. One of the elements that was added to Article IV consultations was a Statistical Issues Appendix (SIA), which includes an overall judgment on the adequacy of data provision for surveillance and, where relevant, a discussion of the implications of data deficiencies and recommendations for improvement. How candid have these judgments been?

Initially, assessments in SIAs included only two categories: adequate or inadequate. In 1995, 59 percent of a sample of 50 member countries were deemed to have "adequate" data provision.¹ This number climbed to 70 percent by 2003. In 2005, an intermediate category was added, allowing the following options for assessing data provision:

- Adequate for surveillance (A)
- Broadly adequate for surveillance, but with some shortcomings (B)
- Inadequate for surveillance (C).

By 2007, the sample percentage judged as either category A or B jumped to 90 percent, with only 4 percent

¹Note that the Article IV consultations for those deemed to have inadequate data provision were still completed.

given a category C rating (another 6 percent were unclear as to rating). Yet in a survey of mission chiefs that was conducted at the time, more than half of the respondents noted problems with data provision that hampered surveillance, with 40 percent reporting that their teams routinely had to prepare estimates for key data. Why this discrepancy between SIA assessments and mission chief responses?

The IMF's 2008 Review of Data Provision (IMF, 2008) concluded that the relatively rare use of Category C may have stemmed, in part, from concerns that it would undermine the relationship with country authorities or would raise questions about how surveillance can be conducted at all if data are "inadequate." This led to more changes in the framework, including elimination of the term "inadequate" from category C, recasting it as "Data provision has serious shortcomings that significantly hamper surveillance."

Did this change improve candor? By the time of the 2012 Review of Data Provision (IMF, 2012b), the percentage of countries classified as C had increased threefold to 12 percent. But a supporting survey of mission chiefs still indicated a huge discrepancy, with 59 percent of the respondents stating that important data deficiencies had hampered surveillance, thus suggesting continued reluctance to use the lowest rating. In response, new guidelines were issued in 2013 (IMF, 2013a) to encourage staff to use more candor and to provide clearer instructions to staff on the classifications.

characterization of data adequacy;" (ii) excessive workload on staff, deriving from the requirement to document and propose remedial measures to address data issues; (iii) poorly focused SIAs, with limited coverage; and (iv) lack of attention by the Executive Board.²¹ These problems were confirmed by the evaluation's survey and interviews; for example, according to the staff survey, formal data adequacy assessments are softened, as only 46 percent of cases in which data are perceived as inadequate are reported as such in SIAs. In response to the 2012 Review of Data Provision to the Fund (IMF, 2012b), the Fund issued a guidance note (IMF, 2013a), updating and clarifying how staff are to address any data shortcomings in the Article IV report. The updated guidance note aimed, in part, at improving compliance with the intent of the SIA, but—as discussed in [Annex 5](#)—little appears to have changed since it was issued.

²¹As senior IMF staff members pointed out to the evaluation team, the Board's "lack of attention" to data quality issues at times reflected peer protection and political considerations.

23. Perhaps the most serious indictment of the SIA is its relative obscurity. Neither the Board nor IMF staff pays much heed to the SIA,²² with more than half of staff survey respondents noting that country teams lacked the resources and time to make thorough assessments. More worrisome, though, are the survey results of country authorities (i.e., data providers), fewer than one-quarter of whom were familiar with the SIA for their own country ([Figure 3](#)). This implies that the SIA does not provide the intended incentive for countries to improve their data.²³

²²As an example, for the 2007 United States Article IV consultation, the SIA noted that "Coverage of international capital flows in external sector statistics has been improved, with the June 2007 releases of BOP and IIP data on financial derivatives." This identical statement, highlighting 2007 data, appeared in the SIAs from 2008 until 2014, when an attentive staff member finally changed the date to June 2014. Of course, the U.S. SIA was not alone in conveying incorrect information. This evaluation found errors in a number of SIAs, as confirmed by country authorities during interviews.

²³Interviews with country authorities showed that a major reason for their lack of familiarity with the SIA was its issuance in a separate supplemental document for the Board meeting. Most of the authorities only read the main section of the Article IV report.