

GRAY/02/168

February 19, 2002

**Statement by Mr. Kiekens on
HIPC Initiative—Debt Sustainability Analysis and
Noncomplying Purchases and Disbursements
(Preliminary)
Executive Board Meeting 02/17
February 20, 2002**

I agree that, from now on, the amounts subject to an early repurchase or repayment expectation under the misreporting guidelines will not be considered as external debt for the purpose of calculating debt sustainability under the HIPC Initiative.

The proposed decision does not specify any time limitation or limitation of the amount for recalculating HIPC assistance after misreporting. However, the staff comments make it clear that if the repayment expectation is established after the completion point, no recalculation or adjustment of HIPC assistance will be made. Footnote 5 of the staff report also mentions that “any reduction in the amount of the commitment could not, in any event, exceed the amount of the commitment remaining to be disbursed at the completion point.”

This is not acceptable. It could occur that even though the Managing Director informed the country, before the completion point, that there may be a case of misreporting, the Board does not establish an early repurchase or repayment expectation until after the completion point is passed. Nor is there any overriding reason not to ask reimbursement of what has been mistakenly disbursed.

Admittedly, there should be a reasonable time limit after which no recalculation is possible. In cases where the calculation of debt sustainability was erroneous because amounts due under an early repurchase or repayment expectation were not excluded from the external debt, such a time limit is implied. Indeed, no early repurchase or repayment expectation can be established unless the Managing Directors has notified the authorities within four years after the noncomplying purchase that he is opening an investigation.

In sum, I agree with the proposed decision as drafted, provided it is understood that recalculations and adjustments of HIPC assistance are possible after the completion point and that the Fund can ask for reimbursement of what has been disbursed in error.

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In all other cases of misreporting affecting the amount of HIPC assistance, it would be a wise policy to introduce a statute of limitations like that existing under the misreporting

guidelines: no recalculation of HIPC assistance can occur after the completion point unless the Managing Director has notified the country, within four years after the completion point, that he is opening an investigation into a possible misreporting affecting the debt sustainability calculation.

On March 17, 2000, the Board agreed to revisit this last issue. On December 11, 2000, the Board held an inconclusive seminar on this issue, and Management promised to make new proposals soon. If the Board cannot decide today on this issue, I ask that it be placed on the Board's agenda within the next four weeks.