

BUFF/02/21

February 19, 2002

**Statement by the Staff Representative on HIPC Initiative—Debt Sustainability
Analysis and Noncomplying Purchases and Disbursements
Executive Board Meeting 02/17
February 20, 2002**

1. We would like to provide Executive Directors with some background information that may help put EBS/02/18 in context.
 - The urgency of considering this issue ahead of the Board discussion of the broader considerations of information reporting in the context of the HIPC Initiative is necessitated by the imminent Board discussion of the HIPC Decision Point document for Ghana, now scheduled for Friday, February 22. As Directors are aware, Ghana was found to have received a noncomplying disbursement that was subject to an early repayment expectation as a result of misreporting under its PRGF arrangement that affected its debt to the Fund as of end-2000, the base period for HIPC relief. In line with the methodology proposed in EBS/02/18, Ghana's decision point paper (EBS/02/20) excludes the relevant amounts from the HIPC relief calculations.
 - We have been working with our World Bank colleagues over the past several months on a follow-up to the paper on *Misreporting in the Context of HIPC Initiative Assistance—Preliminary Considerations* (EBS/00/245), discussed by the Board on December 11, 2000. A number of difficult issues had to be addressed that led to a somewhat lengthy internal preparation process, but we expect to be able to issue very soon (for discussion in late March) two Board papers on the broader issue of information reporting in HIPC cases. The first one, written jointly with World Bank staff, will present a framework for the institutions to handle (i) revisions to data underlying the calculation of HIPC relief and (ii) situations where interim assistance was disbursed on the basis of misreported information on the policy track record. The second paper, prepared by PDR and LEG, will present the amendments to the PRGF/HIPC Trust instrument that would be required to give effect—in the Fund—to the approach proposed in the first paper.
2. Regarding EBS/02/18, we would like to clarify that the proposals could give rise to a reduction in debt relief from all creditors. This is because a new (lower) debt stock would be calculated—excluding any early repurchase obligations—and, based on it, a new (lower) common reduction factor would be derived for creditors' claims.