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**Statement by Mr. Misra and Mr. Srinivas on  
Making the Misreporting Policies Less Onerous in *De Minimis* Cases  
(Preliminary)  
Executive Board Meeting 06/67  
July 21, 2006**

**Key Points**

- We agree with the view that the Fund's misreporting framework needs to be revised to make it '*less onerous in cases involving de minimis deviations*';
- There is need for a dividing line between the 'inability to provide' and deliberate misreporting;
- We do not favor inclusion of such cases of misreporting involving minimal deviations in Article IV or PIN;
- If a misreporting incidence is granted waiver, it should be by definition *de minimis*, requiring that the 'extant procedures for grant of waiver' should be well defined.
- We agree with the procedural suggestions in the paper

1. **We agree with the view that the Fund's misreporting framework needs to be revised to make it '*less onerous in cases involving de minimis deviations*'.** Most cases of misreporting are minor in nature and they ultimately result in waivers. That said, the guiding principle should be to reduce the stigma and burden in *de minimis* cases for member countries, while protecting the fundamental objective of ensuring that timely and accurate data is reported from member countries. Fund policy on misreporting seeks to deter member countries from deliberately providing data/ information to the Fund to influence purchase agreements. An effective deterrence to deliberate misreporting must be provided to enable Fund decisions rather than to penalize member countries.

2. **Misreporting at times, could be the result of weak statistical systems in host countries.** There is need for a dividing line between the 'inability to provide' and deliberate misreporting. We feel that while cases to deliberate misreporting should be dealt with sternly,

it would be in the best interests of the Fund to 'waive off' obligations pertaining to such *de minimis* cases.

3. **Presently Fund's publications on member countries either in the form of Press Information Notes (PINs) or Article IV signal the credibility of its economic data/information.** Thus, inclusion of such cases of misreporting involving minimal deviations from the norm would not only adversely affect market sentiments but more importantly may lead to moral hazard problems with member countries refusing to provide/ revise data as provided to the Fund.

4. **In principle, identification of *de minimis* cases should be based on a case-by-case approach rather than a 'straight-jacketed' approach.** This flexibility is necessary given the wide divergences in the levels of economic development and more importantly the divergences in the statistical competencies of the member countries. We support the second definition of *de minimis* cases i.e., to consider as *de minimis* every misreporting case involving a deviation that meets the criteria for waivers. Our view is based on (a) it needs to be recognized that if the Fund grants a waiver for a 'misreporting case', then in-principle the Fund agrees the misreporting involved is not substantial or deliberate and would not impact on the assessment of performance under the member's program; (b) this would not result in a proliferation of categories under the misreporting cases as all waiver cases would be by default *de minimis* cases; (c) such a definition would also counter the situation where a misreporting case is granted waiver and reported as a *de minimis* case; (d) the essence of the exercise is to provide a credible deterrence against misreporting. Thus, if a misreporting incidence is granted waiver, it should be by definition *de minimis*. The underline is that the 'extant procedures for grant of waiver' should be well defined.

5. **We agree with the procedural suggestions** to; (i) Issue notifications to the member from the Area Department, and not by the Managing Director; (ii) Place the findings/ recommendations of the Managing Director to the Board in other documents (e.g., an Article IV or use of Fund resources staff report) and addressed in the context of a Board meeting on that document; (iii) exempt all *de minimis* misreporting from the general publication requirement that presently applies to all misreporting cases.

6. **However, we do not agree with the proposal that, for cases of *de minimis* misreporting, the Fund would publicize the fact of nonobservance and the granting of a waiver which is to be included in a PIN and the Chairman's statement.** This is based on (a) if there is a misreporting and the Fund has decided to grant an waiver it should be by default a *de minimis* case and there is no rationale for the Fund to make it public through the PIN and report it as an non-observance case; (b) since all non-observance cases are not misreporting cases such transparency may misinform the market; and (c) publication of such *de minimis* cases would not lower the 'stigma' associated with the publication of misreporting cases, one of the paper's stated objectives. In many instances Article IV publications of the IMF are as well or even better tracked by the market as compared to separate statements on misreporting. Thus, publishing such non-observance as part of Article IV Report or the PIN would not in any way lower the visibility of such *de minimis* cases.