

August 4, 2000

**Concluding Remarks by the Acting Chairman
Strengthening the Application of the Guidelines on Misreporting
Executive Board Meeting 00/77
July 27, 2000**

Following up on the conclusions of its discussion on misreporting of information to the Fund on March 23, 2000, the Executive Board met today to decide on the modalities for strengthening the application of the Fund's Misreporting Guidelines. These Guidelines (which comprise Misreporting and Noncomplying Purchases under Fund Arrangements—Guidelines on Corrective Action and analogous guidelines for the Poverty Reduction and Growth Facility (PRGF)) specify how the Fund deals with cases in which a member provides the Fund with incorrect information and, on this basis, makes a purchase or receives a disbursement to which it was not entitled under the terms of the decisions governing the purchase or disbursement. In today's meeting, the Executive Board made decisions to implement steps that had been agreed to in the earlier meeting.

The decisions are part of an overall strategy to strengthen the Fund's response to the misreporting of information. Two of these decisions involve amendments to the Misreporting Guidelines. In particular, these Guidelines will henceforth cover outright purchases in the General Resources Account, including in the context of emergency assistance and the Compensatory Financing Facility. Directors also agreed to lengthen the limitation period (the period in which indications of potential misreporting must be brought to light for the Guidelines to be applicable) from 2 to 4 years.

The Executive Board also agreed on policies with regard to prior actions and the treatment of waivers, which will be implemented in decisions approving the use of Fund resources for individual members. With regard to prior actions, all future decisions on the use of Fund resources will be adopted on the condition that the information provided by a member on the implementation of specified prior actions is accurate. Directors also supported establishing as normal practice that all prior actions must be carried out at least five working days before the Board discussion to which they relate. With regard to waivers, all waivers for nonobservance of performance criteria will henceforth be made conditional on the accuracy of the data or other information reported by the authorities to assess observance of the performance criterion in question. Waivers of applicability will be made conditional on the accuracy of a member's representation that the information necessary to assess observance of the relevant performance criterion is unavailable and on the accuracy of data provided by a member to assess observance of the relevant performance criterion for the previous period.

Directors also reviewed the current policy on publication of cases of misreporting and decided to retain the current policy, which requires that after the Board makes its determination that misreporting occurred, the Fund proceed to make relevant information public in every case, with Board review of the text for publication. A number of Directors suggested that we think about introducing the concept of the material importance of an instance of misreporting as affecting the decision on whether to publish. The staff will reflect on this issue and consider whether, in the light of recent and further experience, workable proposals can be presented in the forthcoming paper for Board discussion in October.

Today's discussion has brought up another aspect of misreporting that warrants further reflection. Directors recognized that the process of establishing a "culture of statistics" is complex and takes time. They have also noted the problem of how best to design effective programs in circumstances of pervasive data unavailability or imperfection. In this connection, many Directors have expressed concern that data problems beyond the control of members may arise with increasing frequency, especially in relation to PRGF programs. Directors therefore underscored the importance of providing adequate technical assistance to members in order to help improve their ability to provide reliable and timely data and to help minimize the likelihood of misreporting in the first instance.

The staff was also urged to provide proposals on the treatment of misreporting under the HIPC Trust Instrument by the time of the October Board discussion.

At the October meeting the Board will discuss another aspect of the strategy to strengthen the Fund's response to the misreporting of information, namely, the more effective use of Article VIII, Section 5 in addressing cases of misreporting, both in the context of surveillance and the use of Fund resources, including in precautionary arrangements.