



CONGRESS OF THE UNITED STATES

JOINT ECONOMIC COMMITTEE

VICE CHAIRMAN JIM SAXTON

PRESS RELEASE

For Immediate Release
September 14, 1999

Press Release #106-53
Contact: Christopher Frenze
(202) 225-3923

IMF NEGLIGENCE LED TO RUSSIAN SCANDAL -- Saxton Demands Public Release of IMF Memo on Russia --

WASHINGTON, D.C. — The International Monetary Fund (IMF) and U.S. Treasury Department should explain why they ignored repeated public warnings of lax IMF accounting procedures that led to the Russian scandal, Vice Chairman Jim Saxton of the Joint Economic Committee (JEC) said today. Saxton also called for public release of an IMF memo on the 1998 loan that almost immediately notified IMF officials of “large outflows of money” leaving Russia and that IMF loan proceeds may have been misused.

“The IMF and Treasury need to publicly explain the lack of IMF accounting controls and safeguards to protect taxpayer funds lent to Russia and Indonesia,” Saxton said. “Over one year ago I publicly warned that ‘this corruption related to IMF lending has gone beyond the use of IMF funds to the loan process itself.’ I noted that the IMF ‘has no effective tracking of how loan proceeds are spent,’ and that ‘Funds now tied up in Russia have not only been subject to misappropriation but are unavailable for IMF lending for other purposes.’

“Last March 29 Majority Leader Armev and I wrote to Secretary Rubin to draw attention to this problem. We requested ‘that the Treasury Department and IMF publicly provide an explanation of the safeguards, tracking, and accounting controls used by the Treasury and IMF to protect our taxpayers and ensure that IMF loan funds are not misused or misappropriated.’ We also asked that no new Russian loan program be approved by the IMF until all past IMF funds to Russia were accounted for. Our concerns were not acted on.

“Last July, I again publicly noted the lack of accounting safeguards with regard to IMF loans. After an IMF-sponsored whitewash of its past lending to Russia that found no evidence of misappropriation, the new Russian loan was approved with U.S. Treasury support and the first installment of funds was disbursed to the Russian government. Nothing was done to implement IMF accounting safeguards when it really mattered.

“Only after the many investigations of the Russian scandal burst into public view did various Administration officials discover the need for IMF safeguards in lending to Russia. However, it has been clear for a very long time that such safeguards are needed not only with regard to Russia, but with respect to Indonesia and other borrowers as well. Without any such safeguards, the IMF, with Treasury support, would be shoveling taxpayer money into a black hole. Finally officials are starting to acknowledge the fact the IMF money is involved in Russian corruption, and that no accounting controls are in place to prevent it.

“Lastly, I would like to call on the IMF to publicly release the IMF memo of last summer that notified officials of large outflows of money from Russia and of the possibility of the misuse of funds. If this memo would have to be sanitized before release, so be it, but this memo is needed to evaluate IMF and U.S. policy over the last year. Congress also needs to know whether this memo or its contents were made available to the U.S. Executive Director of the IMF, other Treasury officials, or anyone else in the Executive Branch of government,” said Saxton.

For more information on the IMF, including the recent study, *IMF Gold Sales in Perspective*, please visit our website at www.house.gov/jec.

###