



CONGRESS OF THE UNITED STATES

# *JOINT ECONOMIC COMMITTEE*

VICE CHAIRMAN JIM SAXTON

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## PRESS RELEASE

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### **CONGRESSIONAL CONCERNS ABOUT IMF LENDING TO RUSSIA ARE CONFIRMED**

#### **-- IMF Cites Lies By Russian Central Bank, New IMF Loan Approved --**

**WASHINGTON, D.C.** – Congressional concerns about improprieties related to International Monetary Fund (IMF) lending to Russia have been confirmed, Vice Chairman Jim Saxton said today. Last March 29, in a letter to Treasury Secretary Robert Rubin, Saxton and House Majority Leader Dick Armey explained their concerns about possible irregularities in IMF lending to Russia, and the lack of adequate safeguards to protect the interests of U.S. taxpayers. The IMF disclosed yesterday that it had been “lied” to by the Russian Central Bank and that data on foreign exchange reserves had been doctored to mislead IMF officials.

“The latest disclosures confirm our concerns that U.S. taxpayer money has been put at risk under lax IMF procedures,” Saxton said. “Over the last several years many billions of dollars have been lent to a borrower that now is not only unable to pay, but has misled the IMF about its financial condition and use of offshore accounts. These disclosures come in the context of IMF approval of yet another \$4.5 billion loan.

“Despite our requests, information on IMF monitoring, tracking and other possible safeguards to reduce misappropriation of IMF loan funds has not been provided. It is becoming increasingly clear that such safeguards probably do not exist in the case of Russia, or other IMF borrowers for that matter. In the absence of these safeguards, the only way to ensure that new lending does not further embarrass the IMF and Treasury is to restructure Russian obligations in such a way that the proceeds never leave the accounts of the IMF. This new loan must be viewed as a thinly disguised debt rescheduling, but at least it minimizes the possibility of a massive misappropriation, as is widely feared of the IMF loan disbursement to Russia last summer.

“With this new loan, the exposure of the IMF to Russian borrowing increases again. It appears that Russian lending will account for about 22 percent of IMF credit. The five largest IMF borrowers now account for about 70 percent of outstanding credit. This extraordinary degree of concentration raises the risk of loan default and restructuring, and exposes the taxpayer. The maintenance of adequate reserves, including the gold reserves, must be viewed in light of such concentration of IMF lending. This provides another good reason for opposition to recently proposed IMF gold sales,” Saxton concluded.

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