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JOINT ECONOMIC COMMITTEE

VICE CHAIRMAN JIM SAXTON

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STATEMENT OF VICE CHAIRMAN JIM SAXTON *TRANSPARENCY AND THE FINANCIAL STRUCTURE OF THE IMF*

WASHINGTON, D.C. – It is a pleasure to welcome Mr. Johnson and his colleagues from the General Accounting Office (GAO) before the Joint Economic Committee (JEC) once again. GAO testimony has been an important part of the JEC's program to provide more transparency to the financial structure of the International Monetary Fund (IMF), and we very much appreciate your assistance.

Transparency in IMF finances is needed simply because the IMF is a publicly funded institution in which the U.S. assumes a major financing and policy role. However, IMF financial activities are cloaked in an obscure accounting system designed in an era when the nature of IMF activities was very different from what it is today. Even the public financial statements of the IMF are confusing, as reflected in the inaccurate statements of a member of the IMF executive board before Congress last summer. While confusion about the IMF's public financial statements is quite understandable given their format, another problem is that the operational budget of the IMF is treated as a classified document.

The ongoing JEC review of IMF finances in recent years has involved much effort in seeking more transparency in IMF operations. Unfortunately, our review of IMF operations and promotion of IMF transparency has been hampered by IMF and Treasury refusals to publicly release documents such as the IMF operational budget and policy reviews that would permit consultation with independent experts. It became evident that if significant IMF financial transparency were going to occur, it would have to be directly provided through Congress. This was one factor leading to my request last year for assistance from the GAO in gaining access to IMF financial information.

By forcing additional financial information into the public domain, it was my hope that the activities of the JEC and GAO would result in more transparency and also reduce IMF incentives to withhold information related to that already in the public domain. In one of a series of JEC hearings last year, the GAO presented the first intelligible and reasonably complete overview of IMF finances available up to that time. Subsequently, the IMF has moved to make more of its financial information public, but this institution has a long way to go before it can be considered reasonably transparent. However, progress on other fronts is being made. A recent positive development is the publication of a study on IMF finances by the Bretton Woods Committee that corroborates the conclusions of JEC research in this area in several key respects.

This hearing will focus on information related to costs of U.S. participation in the IMF as reflected in quotas, IMF interest payments to the U.S., potential gold sales and restitution, and budgetary treatment. Although it has not been easy, we now have the necessary analytical tools for uncovering the most relevant financial data so that independent appraisal and analysis of IMF operations can be facilitated. It is important that this information be made publicly available for informed policy analysis regardless of where we stand on the many policy issues related to the IMF. The GAO is making a presentation of factual material, and has not been asked to take a position on any issue currently before the Congress.

An assessment of the costs associated with United States' participation in the IMF suggests that the U.S. bears a disproportionate share of the costs of IMF operations. Further, these costs are often hidden or obscured by various accounting and other means. A review of IMF quotas indicates that the best measure of the U.S. share of IMF contributions is 26 percent, not the 18 percent figure officially circulated. However, it appears that the IMF does not pay the U.S. interest on over \$2 billion of its contributions, and the cumulative cost of this to the U.S. in recent decades has been significant. Another cost issue relates to proposed gold sales, which could impose direct costs to the U.S. and also affect a legitimate U.S. claim to several billions of dollars in gold assets. Finally, there is the question of whether the current budgetary treatment of the IMF fully complies with the recommendations in the *Report of the President's Commission on Budget Concepts*.

I would like to thank Mr. Johnson and the GAO team for all their hard work in helping the Congress gain access to IMF information that for too long has neither been publicly available nor easily understandable.

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