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JOINT ECONOMIC COMMITTEE

VICE CHAIRMAN JIM SAXTON

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IMF STEPS TO IMPLEMENT LENDING SAFEGUARDS WELCOMED

– Congressional Pressure for Reform Reflected in Overdue Measures –

WASHINGTON, DC – New steps by the International Monetary Fund (IMF) to implement safeguards reflecting the IMF's fiduciary responsibility to contributing members and their taxpayers were welcomed today by Joint Economic Committee (JEC) Chairman Jim Saxton. Over the last several years Saxton has repeatedly noted the lack of effective accounting controls on disbursements of IMF funds and called for safeguards as preconditions for IMF lending. Saxton has also introduced legislation mandating the implementation of effective IMF accounting controls.

"Several years ago I was stunned by JEC research finding a lack of effective accounting controls in place at the IMF," Saxton said. "One would presume that effective accounting procedures to protect the interest of taxpayers and ensure proper use of IMF funds were in place, but this unfortunately was not the case. The IMF's failure to provide these accounting controls are now generally recognized by policy makers. This lack of effective IMF safeguards as routine and established steps in the lending process is indefensible, and has deeply shaken confidence in the IMF in Congress.

"After raising this issue in 1998, 1999, and 2000, I'm glad that the IMF is finally taking action. The IMF announcement is somewhat vague, and it remains to be seen how effective these new steps will actually be. However, although the new Fund policy is not entirely clear, the Fund is attempting to address the serious concerns raised in Congress over the last several years.

"In addition, the IMF should clearly explain its policy in the event a member lies to the Fund, and whether the Fund would continue to provide credit, as in the case of Russia last year. In this case, there had been a past provision of false information, the IMF knew it was false, and extended the loan anyway. Perhaps the implementation of preconditions in the form of safeguards will convey a new message that such actions will not be rewarded in the future.

"The announcement yesterday reflects some progress in IMF transparency mandated by the *IMF Transparency and Efficiency Act of 1998*, a version of which became law. I hope that the cited IMF staff papers on this issue of safeguards and their implementation will be made publicly available for examination by academics and independent experts," Saxton concluded.

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