



CONGRESS OF THE UNITED STATES

# *JOINT ECONOMIC COMMITTEE*

VICE CHAIRMAN JIM SAXTON

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## PRESS RELEASE

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### **NEW IMF STUDY BY GAO PROMPTS FURTHER CONGRESSIONAL IMF REFORMS – Legislation Readied to Increase IMF Safeguards and Fully Compensate U.S. –**

**WASHINGTON, D.C.** – A new study released by the General Accounting Office (GAO) reinforces concerns about International Monetary Fund (IMF) procedures and will prompt further IMF reform proposals, Vice Chairman Jim Saxton of the Joint Economic Committee (JEC) said today. The GAO study, *Observations on the IMF's Financial Operations*, confirms many Congressional findings related to IMF lending policies and financial structure.

“The excellent new GAO study is required reading for anyone interested in the IMF and its operations,” Saxton said. “This study further documents the IMF’s high loan exposure in Russia and Indonesia, and quantifies some troublesome aspects of IMF financing.

“I find it disturbing that this high loan exposure in Russia was accepted by the IMF despite ample evidence of Russian corruption. Even as the IMF publicly stated that it had been lied to by the Russian central bank, it proceeded with the approval of yet another Russian loan. As I have publicly warned for over a year, the IMF’s lack of tracking and accounting controls was bound to lead to problems, not only in Russia but elsewhere as well. In the absence of these tracking and accounting controls, the IMF’s assurances that it has no evidence of misuse in Russia are not surprising.

“As a first step in addressing this problem, I am drafting legislation designed to restrict IMF funding to countries that falsify any aspect of their loan documentation. Normally prospective borrowers who falsify loan documents are subject to serious punishment, not rewarded with yet another loan.

“Another legislative reform under preparation would require the IMF to fully compensate the U.S. for all of its reserve position used by the Fund. The new GAO study quantified the fact that the U.S. is not paid interest on part of its reserve position, estimating the cumulative value of this lost interest at \$2.7 billion. The IMF should not receive any further U.S. financial resources through gold sales, quota increases, or credit lines until it fairly compensates the U.S. for funds already in use by the IMF.

“Finally, the new GAO report also indirectly highlights a good example of the lack of IMF transparency. A recent IMF news release reported that “170 members accounting for 98.80 percent of quotas, have consented to their increases.” This IMF release thus suggests broad-based financial support by members. However, as the GAO study documents and the IMF release fails to mention, 92 of these countries have immediately withdrawn the economically meaningful portion of their new contributions, showing the quota system is not really broad-based at all. In reality, the G-10 countries account for 77 percent of the usable resources provided to the IMF, as documented in recent GAO testimony before the JEC,” Saxton concluded.

For more information on the IMF and international economics, please visit our website at [www.house.gov/jec](http://www.house.gov/jec).

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