



CONGRESS OF THE UNITED STATES

JOINT ECONOMIC COMMITTEE

JIM SAXTON, CHAIRMAN

CHRISTOPHER FRENZE
EXECUTIVE DIRECTOR

PRESS RELEASE

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Contact: Daniel Guido

IMF REFORM CERTIFICATION BY TREASURY AND FED EXPECTED -- Compliance Review by GAO Seen as Critical --

WASHINGTON, D.C. – The acceptance of congressionally mandated reforms of the International Monetary Fund (IMF) by the Fund's major donor members will be certified by the U.S. Treasury Secretary and the Federal Reserve Board Chairman, **Joint Economic Committee (JEC) Chairman Jim Saxton (R-N.J.)** predicted today.

Certification is part of the enforcement provisions of the congressional reforms of the IMF passed last month. Actual IMF implementation and compliance with the reforms, however, is less certain, but will be spurred by a General Accounting Office (GAO) review that Saxton requested. On October 30, 1998, IMF executive directors of the major donor countries provided a memo to Managing Director Michel Camdessus endorsing the congressional reforms.

"Since the October 30, IMF memo borrows language directly out of the U.S. legislation, there can be little doubt that the certification provided under the law will occur," Saxton said. "Though the memo does not appear to explicitly mention the congressional reform legislation, anyone following this issue can see that the essential components of the memo come directly out of its reform provisions. Thus, the memo cannot be misperceived as a broad commitment to reform originating within the IMF, but instead as an IMF acceptance of reforms mandated by Congress. This memo, and the commitments it makes, would not exist if Congress had not made an IMF reform effort over the last 12 months."

"I remain concerned about how well the IMF will observe the spirit and letter of the new law," Saxton said. "To remedy the shortcomings of its enforcement provisions, I have asked the GAO to monitor the implementation of the new structural reforms. The transparency and lending reforms mark a significant departure from past IMF policy, and would not be in place if not for the strong pressure exercised by Congress."

"For example, as one major news service has noted, under this reform the trickle of information from the IMF could become a flood. This would be a positive result in keeping with congressional intent. In addition, the IMF's policy of offering deep interest rate subsidies in all but 'exceptional' cases has now been ended. The new reform mandates that market interest rates be broadly used in typical IMF bailouts."

"While much remains to be done in reforming the IMF, these reforms, if properly implemented, will bring significant changes to the way the IMF currently operates. The enforcement mechanism in the bill is a disappointment, however, and will require reinforcement through the GAO, JEC, and other congressional efforts," Saxton said.

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