



CONGRESS OF THE UNITED STATES

JOINT ECONOMIC COMMITTEE

VICE CHAIRMAN JIM SAXTON

PRESS RELEASE

For Immediate Release
October 1, 1999

Press Release #106-58
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IMF TRANSPARENCY DRIVE IN CONGRESS ADVANCED BY NEW GAO REPORT – GAO Study Supports Congressional Concerns On IMF –

WASHINGTON, D.C. — The release of an important new report on the finances of the International Monetary Fund (IMF) was welcomed today by Vice Chairman Jim Saxton of the Joint Economic Committee (JEC). The new report was mandated by the IMF reform legislation of last year, and also incorporates information requested by Saxton and the Joint Economic Committee. The report, *Observations on the IMF's Financial Operations*, was prepared by the General Accounting Office (GAO).

"The GAO is to be commended for this new report and the information on IMF finances it provides," Saxton said. "The release of this report marks another advance in the Congressional drive to provide more transparency in IMF finances and operations. A review of the last two years will show that much more useful and coherent information on IMF financial operations has been made available by Congress than by the IMF itself. The GAO provides a good overview of the IMF, but also provides especially important information in several specific areas.

"The GAO report reinforces my concerns about the IMF in a number of respects. The GAO supports my point made during the quota increase fight last year that the IMF's destitution was being exaggerated by the IMF and Treasury. For example, the GAO found that the IMF set aside \$19 billion for a reserve had not been used for over 20 years, and that the IMF justifications for the reserve were questionable," said Saxton.

In addition, the GAO study:

- confirms the IMF's drift towards development lending,
- confirms the heavy concentration of IMF borrowing facilitated by relaxation of lending limits,
- documents the dangerously high proportion of IMF credit owed by Russia and Indonesia combined, and
- quantifies the U.S. losses due to nonpayment of interest by the IMF at \$2.7 billion.

"As Congress again considers issues related to the IMF, I would like to underline the finding that the IMF does not pay interest to the U.S. on part of its quota contribution, and that the cumulative value of this is estimated by the GAO at \$2.7 billion, or \$150 million annually. Not only does the U.S. contribute 26 percent of the IMF's usable resources, but the IMF has also profited by lending cost-free resources provided by the U.S. In light of these facts, the Administration will have a difficult time sustaining its argument that the U.S. does not shoulder its fair share of expenses related to the IMF.

"The report also documents the fact that over half of IMF members immediately have withdrawn the economically meaningful portions of their contributions under the recent quota increase, illustrating the contrived nature of the IMF's quota system. Furthermore, the study also contains much useful historical information on IMF lending as well as IMF borrowing and other topics.

"This new report is an excellent complement to the two previous GAO reports made to the JEC in the course of the Committee's five IMF hearings held over the last two years. The JEC itself has published a number of other studies on IMF policies and finances that are available on the JEC website," Saxton concluded.

For more information on the IMF and international economics, please visit our website at www.house.gov/jec.

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