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VICE CHAIRMAN JIM SAXTON

PRESS RELEASE

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CONGRESS IS KEY TO MAJOR IMF REFORMS

– IMF Defends Status Quo –

WASHINGTON, D.C. – Recent events confirm that Congressional efforts will be crucial if real reform of the International Monetary Fund is to occur, Vice Chairman Jim Saxton of the Joint Economic Committee (JEC) said today. In recent days, Fund officials have rejected the Meltzer Commission report that has much in common with the concepts of IMF reform embraced by Secretary Summers last December. As reported at the time, Summer's speech incorporated major premises of Congressional IMF critics regarding curtailing IMF development lending and excessive interest subsidies.

"If there is to be real IMF reform, the only way it is going to happen is through steady Congressional pressure," Saxton said. "The Congress has prompted a major change in the Treasury's position on IMF operations, and has also provided more transparency in IMF finances than ever before. However, it is also clear that there is still a long way to go, and that official defenders of the status quo will resist every step of the way. I would still like to think that new Managing Director Horst Koehler will be more open to genuine reform, as some of his recent comments seem to suggest. Other officials at the IMF continue to stoutly defend the IMF's expansion into development lending.

"Congress has generously appropriated 26 percent of the usable resources of the IMF, providing slightly more resources than the next three largest contributors combined. However, Congress did not provide these funds to finance a duplication of many activities already performed by the World Bank. The IMF has used some of these funds for purposes never authorized or supported by our legislature, and this has contributed to the low standing of the IMF in Congress.

"Furthermore, for years I have repeatedly and publicly warned that effective accounting controls and safeguards on IMF loans were lacking. These warnings were not heeded. Now the IMF admits that borrowers have lied and misled the IMF. In at least one such case, the IMF proceeded to extend more credit in the face of this deceit. This does not convey strong concern about the potential for corruption or the fiduciary responsibility of the IMF with respect to taxpayer funds. Public relations damage control after these incidents have taken place is no substitute for strong integrity standards and safeguards of taxpayer funds.

"The bottom line is that the IMF has operated for many decades without effective accounting controls and standards in place, and that many Members of Congress were stunned when they realized this was the case. Everyone assumed that minimal safeguards were in place to protect taxpayer funds, but they were not. This is one of several factors that has deeply shaken Congressional confidence in the IMF and raised questions about what other institutional problems might exist.

"The most important dimension of the IMF reform debate will play out in Congress because it is the institution best situated to effect real reform. With the *IMF Reform Act of 2000* (H.R. 3750), Congress now has the enforcement tools to pressure the IMF for needed changes. With the growing interest in Congress in IMF reform, and the clear blueprint provided by the Meltzer Commission and the *IMF Reform Act*, Congress is poised to become a strong force for change at the IMF for the foreseeable future," Saxton concluded.

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