



CONGRESS OF THE UNITED STATES

JOINT ECONOMIC COMMITTEE

CONGRESSMAN JIM SAXTON

PRESS RELEASE

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IMF TO FORGO QUOTA INCREASE

WASHINGTON, D.C. – The Executive Board of the International Monetary Fund (IMF) has made the right decision in choosing not to seek a quota increase, Congressman Jim Saxton said today. If the decision is sustained, the IMF will conclude its twelfth quota review without attempting a new infusion of resources drawn primarily from the G-10 nations.

“As I noted last year, the Fund does not need additional resources,” Saxton said. “Furthermore, there are a number of unresolved issues uncovered in the previous IMF funding debate in 1998 that need to be addressed. For example, the last quota increase contained a Congressional mandate that IMF bailouts carry interest rates that are adjusted for the riskiness of borrowers. A recent JEC study, *The Subsidy in IMF Lending*, found that the IMF has not complied with this requirement, even in cases such as Argentina where the IMF seems ready to extend more taxpayer money to paper over an imminent default.

“In addition, a 1998 JEC inquiry discovered that there was a surprising absence of lending safeguards and accounting controls to protect the many billions of taxpayer dollars that have already been entrusted to the IMF for its lending. Although the current management of the Fund has attempted to improve these startling deficiencies, the Fund’s own research shows that these safeguards are being implemented very unevenly by a large proportion of surveyed members.

“According to an IMF analysis, **‘The overall findings of the initial safeguards assessment reveal significant vulnerabilities in the safeguards employed by a number of central banks of borrowing member countries, which could lead to possible misreporting to the IMF or misuse of central bank resources, including IMF disbursements.’**

“Although a debate over an IMF quota increase and IMF financial operations would have been very useful this year, the IMF’s decision is understandable given the unresolved problems. Congressionally mandated transparency reforms, also attached to the 1998 quota increase, also might have played a role in this decision. This reform has led to the routine disclosure of previously secret IMF financial information, albeit in a fragmented form, that will make future quota increases much more difficult to justify than in the past,” Saxton concluded.

For a copy of this study and more information on IMF reform, please visit the JEC website at www.house.gov/jec.

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