



CONGRESS OF THE UNITED STATES

JOINT ECONOMIC COMMITTEE

VICE CHAIRMAN JIM SAXTON

PRESS RELEASE

For Immediate Release
July 21, 2003

IMF AND WORLD BANK REFORM IS NEEDED Meltzer Identifies Reforms to Improve Value of Bretton Woods Institutions

Press Release #108-52
Contact: Christopher Frenze
Chief Economist to the V.C.
(202) 225-3923
Stephen Thompson
Radio & T.V.
(202) 226-3228

WASHINGTON, D.C. – Reforms are needed to ensure that the International Monetary Fund (IMF) and World Bank provide benefits in excess of their taxpayer costs, according to a new paper released today by Vice Chairman Jim Saxton. The paper, [*What Future for the IMF and the World Bank?*](#), examines how the functions of the IMF and World Bank should be refocused and reformed to improve the economic well being of citizens of their client countries. The paper was authored by distinguished economist Dr. Allan H. Meltzer, who served as Chairman of the International Financial Institution Advisory Commission.

Meltzer finds that the IMF should limit its role to crisis prevention and mitigation, and the provision of information, accounting, and financial standards. The IMF should act primarily as a quasi-lender of last resort, and not as a provider of loan subsidies that encourage excessive risk-taking at taxpayer expense, or as a development agency. The World Bank could offer technical advice, provide grants with performance reviews, improve public goods, and encourage structural reforms such as the rule of law, private property, and democratic accountability.

“The IMF and World Bank must be reformed to ensure that the benefits they could provide cover their costs to the taxpayers,” Saxton said. “The IMF should focus on crisis lending, not provision of subsidized credit at below-market interest rates. The IMF’s current methods of operation are economically inefficient and can contribute to financial instability by fostering moral hazard. The IMF’s long-standing deficiencies in the area of lending safeguards and accounting controls remain a concern. The IMF only adopted a permanent safeguards policy last year, and has a long way to go before safeguards are fully implemented.

“The World Bank must be made more effective and focused on achieving real results in reducing poverty and misery in developing countries. The performance of World Bank projects must be closely scrutinized to ensure that resources that should be used to benefit the poor are not wasted. Further progress toward grant financing of World Bank projects is needed. In addition, the World Bank could provide technical advice, and foster needed institutional reforms,” Saxton concluded.

For more information on IMF & World Bank reform, please visit our website at www.house.gov/jec.

###