



CONGRESS OF THE UNITED STATES

# *JOINT ECONOMIC COMMITTEE*

VICE CHAIRMAN JIM SAXTON

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## PRESS RELEASE

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## **NEW REPORT SHOWS IMF LENDING SAFEGUARDS STILL LAGGING**

**-- Hundreds of Billions Lent by IMF Without Basic Safeguards in Place --**

**Washington, D.C.** – The April 1<sup>st</sup> release of a new analysis of its lending safeguards shows the International Monetary Fund (IMF) has a long way to go to ensure taxpayer money is properly protected, Joint Economic Committee (JEC) Vice Chairman Jim Saxton said today. The IMF analysis is an assessment of the implementation of lending safeguards by a survey of member central banks, and it found “significant weaknesses” in many areas. Saxton first raised the issue of the absence of lending safeguards in 1998, after a JEC inquiry could find no evidence of such routine safeguards in IMF lending practices.

According to the new IMF report, of surveyed member central banks:

- 82 percent had inadequate accounting standards
- 79 percent had deficient internal audits
- 72 percent had deficient government oversight
- 61 percent had non-existent or deficient external audit mechanisms
- 49 percent had poor controls over Foreign Reserves and Data Reporting to the IMF

“The lack of basic lending safeguards in IMF lending amazed me in 1998, and I am concerned that more progress has not been made since that time,” Saxton said. “Over half a century, hundreds of billions of dollars have been lent by the IMF without basic safeguards that would verify the accuracy and integrity of information submitted by borrowers. Legislators in all major IMF donor countries should find this fact deeply troubling, since much taxpayer money has been and still is potentially at risk.

“Since 2000, the IMF attempted to change what I called its ‘hear no evil, see no evil’ approach to lending, but progress has been slow. According to the report released yesterday, most surveyed central banks had non-existent or deficient external audit mechanisms, inadequate accounting standards, and deficient internal audit controls.

“The IMF continues to issue a variety of subsidized loans at below-market interest rates, despite the potential risks presented by poor accounting controls and weak lending safeguards. I have asked the General Accounting Office (GAO) to review the disturbing situation regarding the standards now in place, and report on this and other issues later this year. The additional transparency mandated by Congress in 1998 has led to more transparency in many aspects of Fund operations, as reflected in the new IMF report, but the underlying problems it identifies are quite troubling,” Saxton concluded.

For more information on the International Monetary Fund, please visit our website at [www.house.gov/jec](http://www.house.gov/jec).

A copy of the new report is available on the IMF website:

[<http://www.imf.org/External/NP/tre/safegrds/asmt/2003/eng/030603.htm>].

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