



CONGRESS OF THE UNITED STATES

JOINT ECONOMIC COMMITTEE

CHAIRMAN JIM SAXTON

PRESS RELEASE

For Immediate Release
April 26, 2001

Press Release #107-18
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IMF REFORM ENFORCEMENT LEGISLATION INTRODUCED -- Arney And Saxton Press For IMF Compliance With U.S. Law --

WASHINGTON, D.C. – Legislation designed to encourage International Monetary Fund (IMF) compliance with U.S. law was introduced today by Majority Leader Dick Arney and incoming Joint Economic Committee Chairman Jim Saxton. The bill requires the IMF to comply with Congressional IMF reforms attached as conditions to the 1998 quota increase legislation. Although the IMF has moved to some extent to comply with the Congressional transparency reforms, it is not in compliance with lending reforms requiring the use of risk-adjusted interest rates in typical IMF bailout situations.

“I remain concerned about IMF compliance with the lending conditions attached to the 1998 quota increase,” Majority Leader Arney said. “It does not appear that the IMF has fully adopted a policy of applying risk-adjusted interest rates to new bailouts as required under the law.”

“This enforcement legislation provides incentives for the IMF to move into full compliance with U.S. law,” Saxton said. “The 1998 transparency and lending reforms were important first steps in the process of reforming the IMF, and these must be fully implemented to facilitate further IMF reforms. Although the IMF has made an effort to comply with the transparency reforms, IMF interest rates are still not risk-adjusted as required by law. The IMF accepted these conditions with the quota increase, and has an obligation to abide by them.

“IMF interest subsidies exacerbate the moral hazard problems that often arise from IMF bailouts. These interest subsidies are economically wasteful and counterproductive, and encourage more questionable IMF borrowing. For too long the IMF has operated in a manner inconsistent with sound lending policies. IMF interest rates have been heavily subsidized, and the lack of IMF accounting and lending safeguards have magnified the risk to the taxpayers of donor nations,” Saxton concluded.

The bill introduced today requires full compliance with the 1998 legislation that was rooted in the *IMF Transparency and Efficiency Act* introduced by Saxton and Arney in the same year. The bill enforces the Congressional reform conditions by gradually constraining IMF access to U.S. resources provided under the quota increase legislation.

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