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JOINT ECONOMIC COMMITTEE

JIM SAXTON, CHAIRMAN

PRESS RELEASE

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RUSSIA ABSORBS ONE QUARTER OF IMF LENDING -- U.S. Treasury Needs to Explain Russian Loan --

WASHINGTON, D.C. -- The International Monetary Fund's (IMF) failed loan programs to Russia account for about 25 percent of outstanding IMF loans, **Joint Economic Committee Chairman Jim Saxton (R-N.J.)** revealed today. This JEC calculation includes the recently disbursed IMF funds as well as previous outstanding balances. In making these Russian loans, the IMF flouted its own normal guidelines, which cap loan exposure and diffuse risk.

"The IMF's Russian loan strategy is a spectacular failure," Saxton said. "The imprudent concentration of a large proportion of IMF funds in failed Russian programs raises serious questions about IMF policies and financial management. Funds now tied up in Russia have not only been subject to misappropriation but are unavailable for IMF lending for other purposes.

"With the disclosure that a Russian official lied to secure the most recent IMF loan, the U.S. Treasury Department is obligated to explain published reports that it pressured the IMF to lend those funds. The complete failure of the IMF program in Russia, and the admission that a Russian official lied, further jeopardizes the IMF quota increase request now before Congress.

"This corruption related to IMF lending has gone beyond the use of IMF funds to the loan process itself. As Members of Congress, we have an obligation to ensure U.S. funds are not improperly diverted through corruption. Clearly the IMF has no effective tracking of how loan proceeds actually are spent. Furthermore, the IMF's own procedures for loan approvals do not have adequate controls to ensure the accuracy or veracity of information used as the basis for loan decisions.

"The quality and maturity of loans are important factors in assessing the liquidity of any financial institution. The IMF's practice of concentrating its loans among a few large borrowers, with much longer maturities than IMF liabilities, undermines its liquidity. The dubious credibility of some of these borrowers, and the deeply subsidized IMF interest rates typically used, only further aggravates the situation.

"The IMF has \$43 billion in quota resources, \$23 billion in the General Arrangements to Borrow (GAB), and \$32 billion in gold. This amounts to \$87 billion after the Russian loan is taken into account. This is a tidy sum, even if not all of it can be lent. Thus, the IMF is far from destitute, but its own policies have not improved its financial position," Saxton said.

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