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VICE CHAIRMAN JIM SAXTON

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DEBT RELIEF AND IMF REFORM ACT OF 1999

Vice Chairman Jim Saxton
Joint Economic Committee
September 23, 1999

WASHINGTON, D.C. — Today I have been joined by my friend Dennis Kucinich in offering legislation to advance debt relief and reform of the International Monetary Fund (IMF). While this may appear to be an ambitious undertaking, it is my view that true and lasting debt relief will be most quickly and effectively obtained through IMF reform. The bill contains four main sections: conditions on gold sales; termination of ESAF and use of its reserves for debt relief; a freeze on IMF funding until debt relief is provided; and Congressional pre-approval of future proposed quota increases.

As the research of the Joint Economic Committee (JEC) has found, the IMF in recent decades has drifted away from its original mission and towards becoming another development bank much like the World Bank. The development and economic restructuring loans made under this policy have become increasingly problematic, as the recent cases of Russia and Indonesia indicate. The leading edge of this drift in IMF policy has been the Enhanced Structural Adjustment Facility, or ESAF.

It was a fundamental policy mistake for the IMF to have established ESAF and embarked on the course of development lending that has led to so many serious problems around the world. This legislation seeks to correct this mistake by closing ESAF and using its reserves for debt relief. The legislation is based on the view that the policy underlying the establishment of ESAF is bankrupt, and therefore ESAF should be ended, and its legacy of heavy debt burdens on the poorest nations should be written-off. As I have said many times, my own view is that this type of lending through the IMF's general resources should also be ended, and the IMF refocused on its original function.

The bill also would pre-condition U.S. approval of gold sales upon the following: cancellation of IMF debt owed by countries eligible for debt relief under HIPC, increased IMF financial transparency, a Congressional finding of IMF compliance with Congressional reforms, an accurate accounting of IMF costs, and use of the gold restitution provisions. The IMF's attempt to tap taxpayer funds through the new gold sales proposal about to be unveiled would be blocked. The bill would also block future IMF appropriations until debt relief is provided and require Congressional pre-approval of any future proposed quota increases.

The IMF has been generously funded by the taxpayers of its major donor nations for many years. However, these resources have often been used to implement counterproductive IMF policies around the world. The IMF and Administration approach essentially papers over IMF mistakes with additional taxpayer money tapped in ways that are not always transparent. It is our view that the cost of IMF policy mistakes should be paid out of IMF resources, and not through further contributions by the taxpayers.

For more information on the IMF and international economics, please visit our website at www.house.gov/jec.

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