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JOINT ECONOMIC COMMITTEE

VICE CHAIRMAN JIM SAXTON

PRESS RELEASE

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IMF COSTS TO U.S. TAXPAYERS FACE GROWING CONGRESSIONAL SCRUTINY

-- IMF's Lack of Accounting Safeguards Identified as a Key Problem a Year Ago --

WASHINGTON, D.C. — The International Monetary Fund (IMF) has mounted a public relations effort to stem criticism of its gold sales proposal and new Russian lending in recent days, but substantive IMF reform should remain the focus of policymakers, Joint Economic Committee (JEC) Vice Chairman Jim Saxton said today. Over the last six months, Saxton has identified the problems with proposed IMF gold sales, and last September pointed to lax IMF procedures that could facilitate the misuse of IMF funds in Russia. The IMF has announced that it is reformulating its gold sales proposal and investigating the use of IMF loans to Russia.

“From what is known, the new IMF gold sales proposal leaked today is about as murky as the preceding proposal, showing once again the characteristic lack of IMF transparency,” Saxton said. “It appears as though this new proposal would also tap the gold profits that should be ultimately returned to the taxpayers of the contributing countries. This is just another way to disguise the taxpayer funding of this IMF policy through other means.

“Congress should reject this and any other proposal to provide more taxpayer resources to the IMF, at least until all the questions are answered about the possible misuse of IMF loans in Russia and Indonesia. Despite the assurances offered to Majority Leader Armey and myself by Secretary Rubin last spring, a new Russian loan was approved by the IMF with the support of the Treasury Department. Now both the IMF and the Treasury are trying to explain their approval of the new Russian loan in the face of mushrooming investigations regarding possible misappropriation of IMF loans.

“As I pointed out a year ago in connection with the IMF's Russian loans, a key problem is the lack of accounting controls enabling the IMF and Treasury to track the use of IMF loan proceeds to ensure that they are being used properly. Last September I noted: ***‘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.’*** Recently the IMF itself has publicly stated its conclusion that it had been lied to by the Russian Central Bank.

“In a letter last March to Secretary Rubin, Mr. Armey and I urged that no loan approval to Russia should be made until all past IMF funds were accounted for and safeguards put in place to prevent further problems. I am glad Secretary Summers has moved towards this position in recent days, but it would have been more meaningful before, and not after, the new Russian loan was approved. The IMF and Treasury must do a better job protecting the interests of U.S. taxpayers in the future,” Saxton concluded.

For more information on the IMF, including the recent study, *IMF Gold Sales in Perspective*, please visit our website at www.house.gov/jec.

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