



CONGRESS OF THE UNITED STATES

# JOINT ECONOMIC COMMITTEE

VICE CHAIRMAN JIM SAXTON

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## PRESS RELEASE

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## IMF REFORM BILL INTRODUCED TO END INTEREST SUBSIDIES AND DEVELOPMENT LENDING – IMF Transparency and Anti-Corruption Measures Also Mandated –

WASHINGTON, D.C. – A sweeping reform bill will be introduced today to fundamentally change the way the International Monetary Fund (IMF) operates, Vice Chairman Jim Saxton of the Joint Economic Committee (JEC) announced. The bill is an outcome of an ongoing 2-year JEC research program that has included 8 JEC studies and reports, and 5 hearings on the IMF and its operations. The bill, entitled the [IMF Reform Act of 2000](#), expands on Saxton's *IMF Transparency and Efficiency Act of 1998*, a version of which became law in that year.

"The legislation I am introducing today builds on previous efforts to provide more transparency and efficiency in IMF operations," Saxton said. "The IMF is far too secretive and its use of pervasive interest rate subsidies is economically indefensible. IMF finances must become transparent, and its policy of extremely low interest rates, currently under 5 percent, to countries such as Russia and Indonesia must be ended. Such uncreditworthy countries should not be able to borrow at interest rates below the cost of funds to IMF donors such as the United States.

"My bill would mandate IMF financial transparency and IMF lending at market interest rates, and would cap the maturity of IMF loans to less than one year. IMF lending would be restricted to crisis lending only. Furthermore, IMF lending safeguards are needed to end the IMF traditional 'see no evil, hear no evil' approach to potential corruption. The IMF's continued lending to countries that have falsified loan documents or other information is very hard to justify to taxpayers. Strict accounting controls and safeguards should be instituted to prevent potential misuse of funds, and if insufficient, further lending should be halted.

"My bill would also improve transparency by requiring a reorganization and clarification of the financial statements of the Fund. **As a former IMF research director recently observed, 'the Fund's jerry-built structure of financial provisions has meant that almost nobody outside and, indeed, few inside, the Fund understand how the organization works, because relatively simple economic relations are buried under increasingly opaque layers of language.'** This is the very point I have made for over two years in pressing for greater transparency in IMF finances, and it is good to see agreement on this important issue.

"This bill contains a creative new enforcement tool that I expect to become standard in other IMF reform legislation. After a 3-year transition period, an IMF failure to make the necessary reforms would trigger a gradual ratcheting down of the U.S. reserve position in the Fund. This would establish reasonable incentives for IMF reform without a resort to draconian measures.

"Over the last two years, our research at the JEC has uncovered a number of fascinating facts about IMF finances, IMF subsidies, and IMF lending practices. I look forward to a substantive and vigorous debate on IMF reform based on this research and these facts. There will be other points of view and other legislative ideas, but I am convinced that this bill includes the essential components of necessary IMF reform. As always, I plan to use every legislative vehicle to advance these ideas into law, as with the IMF reforms enacted into law in 1998 and 1999," Saxton concluded.

For more information on the IMF and international economics, please visit our website at [www.house.gov/jec](http://www.house.gov/jec).

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