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VICE CHAIRMAN JIM SAXTON

PRESS RELEASE

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IMF LOAN EXPOSURE TO RUSSIA AND INDONESIA IS NOW OVER 40 PERCENT

– Addition of Ukraine Pushes Total Exposure to 45 Percent –

WASHINGTON, D.C. – The heavy concentration of lending by the International Monetary Fund (IMF) to only two or three dubious borrowers underlines the need for fundamental IMF reform, Vice Chairman Jim Saxton of the Joint Economic Committee (JEC) said today. According to the latest figures, Russia and Indonesia together currently account for 41 percent of IMF credit outstanding from the general account; the addition of Ukraine raises the total to 45 percent.

"Currently, over 40 percent of this outstanding IMF credit has been borrowed by only two countries, Russia and Indonesia, raising serious questions about IMF lending policies," Saxton said. "Both of these borrowers have a number of problems, not least of which is pervasive corruption. The lack of effective IMF loan safeguards and accounting controls is one key factor leading to this rather extreme concentration of IMF lending.

"After pressing the IMF on this issue for about two years, I hope that this problem will be effectively addressed by new IMF procedures. The lack of such safeguards for nearly half a century of IMF operations is mind-boggling to many of us in Congress. This willingness of the IMF to lend taxpayer money so heavily to such dubious credit risks with Administration support is a matter that should be fully explained by the IMF and the Administration.

"The relaxation of IMF loan limitations and the generosity of IMF loan subsidies also have contributed to heavy borrowing by a handful of countries. A return to a more sensible IMF policy of limiting loan exposure would promote diversification and constrain risks. A reduction of loan subsidies so that IMF lending was at market interest rates would also make IMF loans more economically rational and limit their overuse by marginal credit risks. A limit on the maturity of IMF loans is also needed.

"However, the IMF has sought to maximize its resources and institutional influence by lending without conventional constraints. Strong anti-corruption procedures and safeguards, loan limits, and economically rational interest rates would tend to constrain lending and the growth of the IMF over time.

"Only after its lax policies were challenged by the Congress and the press, amidst significant and embarrassing irregularities by borrowers, has the IMF come to see that some reform of its own procedures are in its own interest. In any event, Congress has provided 26 percent of the usable resources of the IMF, and nearly a billion dollars for IMF debt relief, and has the responsibility to oversee use of these funds and continue its push for fundamental IMF reform," Saxton concluded.

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

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