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VICE CHAIRMAN JIM SAXTON

PRESS RELEASE

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IMF REFORMS FALL SHORT

– Subsidized Interest Rates and Loan Maturities Remain Excessive –

WASHINGTON, D.C. – Recent small changes in the lending policies of the International Monetary Fund (IMF) are inadequate and leave fundamental problems in place, Vice Chairman Jim Saxton of the Joint Economic Committee (JEC) said today. Saxton noted that the Fund's other steps toward transparency were more substantive in implementing Congressional objectives in keeping with the *IMF Transparency and Efficiency Act of 1998,* a version of which became law.

"The recent IMF policy changes do at least acknowledge the validity of longstanding Congressional criticism regarding excessive IMF interest subsidies and loan maturities," Saxton said. "As I have noted many times, the pervasive IMF loan subsidies are inefficient and wasteful.

"Although the Fund has moved to raise interest rates slightly for high levels of borrowing, resulting interest rates will still be heavily subsidized. Furthermore, the excessive borrowing of some members and resulting lack of diversification in IMF lending will hardly be affected. Currently, Russia, Indonesia, and the Ukraine, all rated as among the most corrupt by Transparency International, account for about 41 percent of outstanding loans from the main IMF account. The relaxation of previous IMF loan limits has led directly to the current unhealthy concentration of IMF lending to dubious borrowers.

"As was pointed out in 1998, the maturity of IMF loans is a concern for several reasons, not least of which is the effect on the IMF's own liquidity. By tying up much of its lending in extended multiyear development loans, the IMF's liquidity and its ability to act quickly in a currency crisis are undermined. Unfortunately, the small and largely symbolic reduction in the maturity of loans recently announced by the IMF is also insufficient to significantly change the focus of IMF lending to short-term crisis lending.

"Although the Fund has failed to significantly reform its lending policies, its actions with respect to transparency are more encouraging. After over two years of my requests and legislative initiatives, the IMF finally has released its operational budget. As expected, it showed that relatively few IMF members actually make meaningful contributions to IMF operations, and most do not. Also, yesterday the Fund announced a broad move to improve IMF transparency with regard to a number of previously secret documents, although some restrictions remain. This was an objective of the *IMF Transparency and Efficiency Act of 1998*, and I am pleased that this legislation has had a positive impact. In sum, the Fund is now significantly more transparent, but not more efficient, than it was in 1998," Saxton concluded.

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