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JOINT ECONOMIC COMMITTEE

VICE CHAIRMAN JIM SAXTON

PRESS RELEASE

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IMF LEADER SUPPORTED NEW IMF LENDING SAFEGUARDS

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WASHINGTON, D.C. – The most important legacy left by resigning International Monetary Fund (IMF) chief Horst Koehler is the implementation of critically needed IMF lending safeguards and accounting controls, Vice Chairman Jim Saxton said today. One of the reasons Saxton had opposed the 1998 quota increase for the IMF was a Joint Economic Committee staff discovery that basic IMF lending safeguards and accounting controls had not been in place throughout the IMF's entire history of lending.

As Saxton pointed out in 1998: "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." Saxton subsequently introduced legislation mandating the implementation of IMF lending safeguards. The IMF started to examine this issue, and adopted a permanent safeguards policy in 2002.

"I was supportive of Dr. Koehler's appointment as Managing Director of the IMF for a variety of reasons, and congratulate him on his new opportunity to become the future President of Germany," Saxton said. "The IMF is so bureaucratic that it is hard for any one person to make significant changes, but Dr. Koehler did appear to indicate a willingness to consider ideas for reform of the IMF.

"As Managing Director, Koehler presided over the adoption of essential reforms that finally established IMF lending safeguards and accounting controls. I still find it amazing as well as disturbing that such basic IMF lending safeguards were not in place even as huge IMF lending programs continued to expand. The IMF has made some progress in implementing such safeguards in recent years, and Koehler deserves some of the credit for that," Saxton concluded.

An IMF review released on April 1, 2003 identified the following problems in surveyed member central banks that illustrated the need for lending safeguards:

- 82 percent had inadequate accounting standards
- 79 percent had deficient internal audits
- 72 percent had deficient government oversight
- 61 percent had non-existent or deficient external audit mechanisms
- 49 percent had poor controls over Foreign Reserves and Data Reporting to the IMF

For more information on IMF reform, please visit our website at www.house.gov/jec.

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