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JOINT ECONOMIC COMMITTEE

VICE CHAIRMAN JIM SAXTON

PRESS RELEASE

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MAJOR IMF BORROWER ENGULFED IN FINANCIAL SCANDAL

– Indonesia Illustrates Need for Effective IMF Accounting Safeguards –

WASHINGTON, D.C. – The financial scandal unfolding in Indonesia again shows the need for effective accounting controls and safeguards by the International Monetary Fund (IMF), Vice Chairman Jim Saxton of the Joint Economic Committee said today. Over the last two years, Saxton has repeatedly pressed the IMF to implement effective safeguards to protect taxpayer funds. The lack of such safeguards was revealed in the 1998 review of IMF procedures by the Joint Economic Committee.

“Indonesia supplies the latest example of the need for effective IMF accounting controls and safeguards,” Saxton said. “Indonesia and Russia together account for over one-third of outstanding IMF credit from the General Resources Account. Many other IMF borrowers are also widely regarded as among the most corrupt, as determined by objective and independent analysts such as Transparency International.

“It is almost inconceivable to many of us in Congress that the IMF could have lent many billions of dollars over half a century without effective safeguards in place to protect taxpayer money. Although the lack of effective safeguards permitted higher levels of IMF lending than would otherwise be possible, it was bound to lead to problems sooner or later. Furthermore, IMF and Administration support for lending to countries with well-known and pervasive corruption problems suggests a cavalier attitude towards fiduciary responsibility to taxpayers.

“The IMF’s ‘hear no evil, see no evil’ approach has led to a crisis of confidence in the institution in Congress and elsewhere. The IMF finally has come to recognize the need for real accounting controls and safeguards, but it remains to be seen whether these will be effectively implemented.

“Congress has appropriated 26 percent of the IMF’s usable funds and will be watching carefully to see if the new IMF procedures are adequate. I also hope that the IMF makes the documents related to the planning and implementation of the new procedures publicly available for the evaluation of Congress and independent experts,” 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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