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CHAIRMAN JIM SAXTON

PRESS RELEASE

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ADMINISTRATION SUPPORT FOR IMF LENDING REFORMS WELCOMED

WASHINGTON, D.C. – The Bush Administration's recent expression of support for ending interest subsidies of International Monetary Fund (IMF) bailouts was welcomed today by Joint Economic Committee (JEC) Chairman Jim Saxton. According to the report of the President's Council of Economic Advisers (CEA), IMF liquidity loan "programs would appropriately involve short-term lending at penalty interest rates, to encourage and facilitate the borrower's quick return to private capital markets."

In 1998, Saxton introduced the *IMF Transparency and Efficiency Act*, which mandated transparency reforms and the use of risk-adjusted interest rates in IMF bailouts. A version of these Congressional mandates became law in 1998 as reform conditions attached to the 1998 IMF quota increase legislation. The intention of the lending reform was to require market interest rates in order to improve efficiency and discourage the excessive loan maturities and rollovers of IMF loans.

"The excellent analysis of IMF reform contained in the CEA report is required reading for analysts and policymakers working in this area," Saxton said. "The main issues of reform are all covered in the report, and this is especially encouraging to those of us who have advocated IMF reform for many years. The report provides a very specific expression of Administration objectives in this very complex area of international economic policy.

"In 1998, the JEC conducted extensive research and held many hearings that identified a number of problems with the IMF. The lack of IMF financial transparency, IMF mission creep into development lending, subsidized IMF interest rates, excessive loan maturities, lack of accounting controls and safeguards, and many other issues were explored. Under pressure from Congress, the IMF has attempted to address several of these issues.

"To be fair, in recent years the IMF has become more transparent about its lending operations, although its financial statements and concepts are not transparent in several respects. For example, standard IMF loans are not classified as loans on IMF financial statements. The IMF has also implemented some accounting controls and safeguards that address its laxity in this area. Unfortunately, the IMF continues to make development and structural reform loans that undermine its liquidity and could affect its ability to act quickly in an international liquidity crisis.

"However, although it has taken small steps to reduce interest rate subsidies in certain loan programs, virtually all IMF lending remains heavily subsidized, carrying interest rates far below market rates. Fortunately, Congressional actions taken in 1998 support the Administration's agenda for IMF lending reform," Saxton concluded.

For more information on the IMF and international economic policy, please visit our website at www.house.gov/jec

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