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VICE CHAIRMAN JIM SAXTON

PRESS RELEASE

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IMF LOAN SUBSIDIES EXCEED MARKET VALUE OF ITS LOAN PORTFOLIO, ACCORDING TO CBO

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WASHINGTON, D.C. – A new analysis identifying massive loan subsidies provided to the International Monetary Fund (IMF) underscores the need for improved U.S. budgetary treatment of IMF subsidies as well as for IMF lending reforms, Vice Chairman Jim Saxton said today. Saxton has introduced legislation, H.R. 3533, to more fully account for the costs of U.S. participation in the IMF, and make them subject to annual appropriations.

According to the new Congressional Budget Office (CBO) analysis, "In June 2003, the IMF had a portfolio of outstanding loans with a book value of $121 billion. However, valued using the market prices of comparable private-sector bonds, the portfolio would be worth $60 billion. That is, IMF members lent $121 billion in exchange for assets with an estimated value of $60 billion, and thereby provided subsidies of about $61 billion." With regard to the U.S. contribution to the IMF, the CBO analysis also notes that the "current budgetary treatment does not fully reflect the U.S. share of the credit risk associated with the lending and other transactions" of the multilateral financial institutions. The CBO analysis was contained in Congressional testimony delivered yesterday by CBO Director Douglas Holtz-Eakin.

"For many years I have noted the massive subsidies involved in IMF lending," Saxton said. "This new CBO analysis shows how central these subsidies are to the financial operations of the IMF. However, these massive subsidies are not disclosed in the IMF's financial statements, which thereby lack transparency. This lack of transparency reflects the archaic nature of the IMF's financial and accounting statements.

"These subsidies can be reduced by the IMF's use of interest rates adjusted for risk in its emergency lending, as mandated under the 1998 U.S. contribution increase. Unfortunately, the IMF has chosen not to fully comply with this requirement.

"The CBO deserves much credit for quantifying the massive extent of subsidies in IMF lending, and for examining the potential budgetary implications. In my opinion, the huge magnitude of subsidies in IMF lending further strengthens the case for improved budgetary treatment of the IMF, and for IMF lending reforms," Saxton concluded.

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

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