



The Heritage Foundation Executive Memorandum

No. 774

September 11, 2001

HOW TO INCREASE TRANSPARENCY AT THE INTERNATIONAL FINANCIAL INSTITUTIONS

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Members of the U.S. House of Representatives have two excellent opportunities in September to promote transparency and accountability at international financial institutions (IFIs) when they consider H.R. 1630 and H.R. 2604. Though Members often differ on how best to reform IFIs such as the International Monetary Fund (IMF), the World Bank, and myriad development banks, bipartisan support already exists in the House for implementing greater transparency measures to shed some much-needed light on their day-to-day operations and documentation.

Majority Leader Richard Armey (R-TX), for example, stated in a July 1998 press release that "Congress must insist on IMF reforms that increase transparency." And Minority Whip David Bonior (D-MI) explained on Fox News Sunday on April 9 that IFIs "ought to open up their doors, there ought to be what we call transparency and people ought to be able to have a seat at the table." Such transparency is vital to ensure that these institutions are using their member states' financial resources to promote development effectively in poor nations. The measures introduced in the two bills now before Congress would take good steps in that direction.

The Need for IFI Transparency. In its March 2000 report to Congress, the bipartisan International Financial Institution Advisory Commission (Meltzer Commission) cited a "lack of transparency and accountability" as one of nine key problems in

the international financial institutions. The report recommended that the IFIs increase their "transparency of aims, decisions, and financial statements, and accountability for achievements and effectiveness."

Although some Members of Congress have disagreed with portions of the Meltzer Commission report, there is widespread agreement in Washington on the need for greater transparency and accountability at the IFIs. In his May 22, 2001, testimony before the House Committee on Financial Services, Treasury Secretary Paul H. O'Neill made clear that he

strongly support[s] the efforts [of] many in Congress, as well as other critics of the IMF...to increase transparency at the IMF.... [I]nternal MDB [multilateral development bank] governance should also ensure compliance with approved policies and maximize transparency.

Produced by the
Center for International
Trade and Economics (CITE)

Published by
The Heritage Foundation
214 Massachusetts Ave., NE
Washington, D.C.
20002-4999
(202) 546-4400
<http://www.heritage.org>



This paper, in its entirety, can be found at: www.heritage.org/library/execmemo/em774.html

The Effort in Congress. Two pieces of legislation before the House greatly enhance prospects to achieve greater transparency at the IFIs.

The IMF Transparency and Efficiency Act of 2001 (H.R. 1630), sponsored by Representative James Saxton (R-NJ), would amend the Bretton Woods Agreements Act to allow the release of U.S. funds to the IMF only if the Secretary of the Treasury and the chairman of the Board of Governors of the Federal Reserve System have jointly certified that the Fund has met specific conditions, such as implementing greater transparency measures, within one year of the requested financial transaction. These officials would be required to provide written certification that the Fund has fully implemented the policies described in Section 101(d) of Division A of the 1999 Omnibus Consolidated and Emergency Supplemental Appropriations Act (P.L. 105-277). Among other provisions involving trade and interest rates on IMF loans, for example, this act would require the IMF to release for public scrutiny

a full written summary of any meeting of the IMF Executive Board at which a Letter of Intent, a Policy Framework Paper, an Article IV economic review consultation with a member country, or a change in a general policy of the International Monetary Fund is discussed and... a copy of any Letter of Intent, Memorandum of Understanding, or Policy Framework Paper discussed at such a meeting.

The second bill, authorizing U.S. contributions to the Asian Development Fund and the International Fund for Agricultural Development (H.R. 2604), was introduced by Representative Doug Bereuter (R-NE). In addition to the authorization, H.R. 2604 also provides specific instructions to the U.S. executive directors of seven IFIs. The most important of these instructions identifies specific meetings and documents that should be open to the public for scrutiny. H.R. 2604 was introduced with bipartisan support from three other Republi-

cans, two Democrats, and the only Independent in the House of Representatives.

In addition to strong transparency measures, H.R. 2604 sets out specific policies that the U.S. executive directors should strive to implement at the Asian Development Fund, the International Fund for Agricultural Development, the African Development Bank, the African Development Fund, the Asian Development Bank, the Inter-American Development Bank, and the European Bank for Reconstruction and Development. The policies vary in importance, ranging from a non-binding requirement that the Treasury Secretary instruct the executive directors at these institutions to support poverty alleviation, economic growth, and education, among others, to specific instructions on how the executive directors should “fight the spread of HIV/AIDS.”

Prompt, unconstrained access to funding decisions and administrative information is necessary if member governments and the public at large are to make informed decisions about the IFIs' performance. The IFIs themselves recognize the importance of access to accurate information. Article VIII of the IMF Articles of Agreement, for example, states that each IMF member state must provide information “as [the IMF] deems necessary for its activities, including, as the minimum necessary for the effective discharge of the Fund's duties.” The IFIs should be held to a similar standard.

Conclusion. A growing number of Members of Congress agree that timely and accurate information is necessary to evaluate how the international financial institutions like the IMF are performing. The two bills now before the House propose measures that would significantly increase IFI transparency so that Members and concerned citizens could better determine whether these organizations effectively promote development around the world.

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