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Congressional Committees

Subject: *Treasury Maintains a Formal Process to Advance U.S. Policies at the International Monetary Fund*

Over the past 50 years, Congress has shown increasing interest in legislating U.S. policies concerning the International Monetary Fund (IMF or the Fund). In 2001, we reported that the United States had 60 legislative mandates prescribing U.S. policy goals at the Fund.¹ These mandates covered a wide range of policies, including human rights, international trade, and weapons proliferation. Because the Fund is an international organization, it is generally exempt from U.S. law. However, Congress can seek to influence IMF policy by directing the Secretary of the Treasury to instruct the U.S. Executive Director of the Board of the Fund to pursue specific policies or vote in a particular way as part of his duties.²

In 2000, Congress directed us to assess the Department of the Treasury's efforts in advancing U.S. legislative mandates at the Fund. The Consolidated Appropriations Act for Fiscal Year 2000³ requires us to report annually on the extent to which IMF practices are consistent with U.S. policies as set forth in federal law. In January 2001, we reported that the Treasury instituted a formal process in 1999 to systematically promote congressionally mandated policies at the Fund. We also found that while Treasury had some influence over Fund policies, it was difficult to attribute the adoption of a policy within the Fund solely to the efforts of any one member because the Fund generally makes decisions on the basis of consensus. In this report, we provide an update on (1) the status of the U.S. Treasury's process for advancing congressional mandates at the Fund and (2) the number of U.S. legislative mandates concerning the Fund.

¹See U.S. General Accounting Office, *International Monetary Fund: Efforts to Advance U.S. Policies at the Fund*, [GAO-01-214](#) (Washington, D.C.: Jan. 29, 2001).

²The Executive Board oversees the day-to-day business of the Fund. The Board comprises 24 executive directors who are appointed or elected by member countries or by groups of member countries. The President appoints, with the advice and consent of the Senate, the U.S. Executive Director to represent the United States on the Board.

³P.L. 106-113 sec. 504 (e).

Results in Brief

The U.S. Treasury continues to maintain a formal process for advancing U.S. policies at the Fund. A task force facilitates coordination between the Treasury and the U.S. Executive Director and identifies early opportunities to influence decisions of Fund members. Since our January 2001 report, the task force has continued to meet on a biweekly basis to identify opportunities to advance legislative mandates at the Fund. In addition, beginning in March 2001, the task force enhanced its efforts to monitor and promote mandates by focusing attention on countries that are not yet on the IMF Board's calendar but that may likely require Fund assistance in the future.

We have identified 67 legislative mandates that prescribe U.S. policy goals at the IMF, an increase of 7 mandates since our January 2001 report. These additional mandates address policy issues such as international terrorism, rule of law and land reform concerning Zimbabwe, and humanitarian efforts concerning Sudan. Terrorism is a topic that is covered in prior mandates as well. The Treasury continues to notify the U.S. Executive Director about new mandates through instruction letters.

Background

The Department of the Treasury has the lead role within the executive branch for formulating U.S. policy toward the Fund. The U.S. Executive Director, who is appointed by the President, represents the United States at the Fund and pursues U.S. policy objectives through its membership in the Fund's Executive Board. Treasury's Office of International Affairs, along with the Office of the U.S. Executive Director of the IMF, formulate, evaluate, and implement Treasury policy concerning U.S. participation in the IMF, including the policies set forth in legislative mandates.

The legislative mandates that set forth U.S. policy toward the Fund cover a wide range of policies, including issues considered core to the Fund's mission, such as exchange rate policy, as well as emerging issues such as environmental policy. Mandates in this report are put into two broad categories: "policy" and "directed vote" mandates. Policy mandates seek to foster or urge a certain policy at the IMF by directing Treasury to instruct the U.S. Executive Director to use his "voice" and/or "vote" on behalf of the United States at the Executive Board to bring about a policy change at the Fund. For example, the U.S. Executive Director is directed to urge the IMF to encourage the adoption of internationally recognized worker rights by borrowing countries. Directed vote mandates instruct the United States to "oppose" or "vote against" loans or other IMF assistance. For example, the U.S. Executive Director is directed to oppose financial assistance for a country that is not compliant with the military spending and audits mandate, as shown in enclosure I.

Treasury Has a Systematic Process for Promoting IMF Mandates

Treasury continues to have a systematic process in place to advance U.S. legislative mandates at the Fund. As we reported in our January 2001 report,⁴ Treasury created

⁴GAO-01-214.

the Task Force on Implementation of U.S. Policy and Reforms in the IMF in March 1999 to strengthen the process by which the United States pursues its objectives in the IMF. In particular, the task force was to increase awareness among Treasury staff about the mandates and identify early opportunities to provide input to the U.S. Executive Director to influence decisions regarding IMF members' programs and economic reviews. Treasury also continues to make available to all relevant staff annual updates of its comprehensive legislative mandates manual, which contains all mandates applicable to U.S. participation in the Fund.

The task force comprises staff-level representatives from the regional and functional offices within Treasury's Office of International Affairs, Treasury's Office of the General Counsel, and the U.S. Executive Director's office. Task force members continue to meet biweekly to discuss how Treasury and the U.S. Executive Director can best apply legislative mandates given a country's economic circumstances.⁵ At the task force meetings, members discuss opportunities to advance mandates of potential relevance for specific countries. The aim of the discussion is to identify the best opportunities to make a credible and convincing case for pursuing a mandate at a given time. Once agreement is reached on how to advance a mandate, Treasury country officers collaborate with U.S. Executive Director staff and functional specialists to draft a policy position for the U.S. Executive Director. The policy position can take the form of input for a written statement or talking points for an oral statement to the Executive Board. The U.S. Executive Director pursues U.S. objectives, including the legislative mandates, through various channels at the Fund. For example, the U.S. Executive Director regularly makes oral or written statements to the Board to make Board members aware of U.S. policy objectives regarding requests from countries for new programs, Fund reviews of existing programs, and regular Fund reviews of all members' economic policies.

Since our January 2001 report, Treasury has worked to enhance its efforts to monitor and promote the mandates at the Fund. Prior task force meetings tended to focus on countries that were scheduled for discussion by the IMF Board in upcoming weeks. In March 2001, the task force implemented an agenda that also assesses countries that may need a program over the next several months. The task force prepares a summary of the issues regarding the mandates for targeted countries, which it updates and circulates every 2 weeks to complement the IMF Executive Board calendar and to focus attention on countries not yet on the Board's calendar.

U.S. Legislative Mandates Concerning the IMF Have Increased

U.S. legislative mandates concerning the IMF have increased since our January 2001 report. We identified 67 legislative mandates as of January 15, 2003, through our own legal analysis supplemented by documentation obtained from Treasury, 7 more mandates than identified in our January 2001 report. These additional mandates

⁵Although the task force helps facilitate coordination between Treasury officials and the U.S. Executive Director, it is not the final arbiter for determining the U.S. policy position toward the IMF on any given issue. The task force is not a review or approval mechanism to give Treasury sanction to pursue individual mandates.

address policy issues such as international terrorism, rule of law and land reform concerning Zimbabwe, and humanitarian efforts concerning Sudan. Terrorism is a topic that is covered in prior mandates as well. Treasury continues to provide annual notification letters concerning new mandates to the U.S. Executive Director's office. These notification letters instruct the U.S. Executive Director to take appropriate actions with respect to IMF mandates.

Enclosure I identifies the 67 mandates and includes brief descriptions of the broad policy objectives they address as well as some of the actions they require on the part of the U.S. Treasury and the U.S. Executive Director. The mandates date from 1945 to 2002, with the majority enacted in the last decade. Some mandates address multiple policy issues, sometimes overlapping one another. Enclosure II identifies some policies that are addressed in multiple mandates.⁶ For example, 9 mandates pertain to trade issues and 7 mandates pertain to debt issues.

Agency Comments and Our Evaluation

We received written comments on a draft of this report from the Department of the Treasury, which are reprinted in enclosure III. Treasury agreed with the facts presented in this report. Treasury reiterates its position that the extensive legislative mandates could potentially undermine its effectiveness and influence at the Fund. In addition to their written comments, Treasury officials provided technical comments, which we incorporated in this report where appropriate.

Scope and Methodology

To assess the current process that Treasury has in place to advance congressional mandates at the IMF, we reviewed the minutes of the biweekly task force meetings from November 2000 to December 2002, which summarized major issues relating to the mandates. To determine the current number of mandates pertaining to the IMF, we analyzed Treasury's compilation of legislative mandates pertaining to the international financial institutions as well as documents obtained through our own legal research. In addition, we reviewed the instruction letters from Treasury to the U.S. Executive Director concerning new mandates for February 2001 and March 2002. We used two criteria as the basis for identifying the relevant laws for this review. These criteria were defined as (1) any current law that explicitly directs the U.S. Executive Director to the IMF to use his vote at the IMF to achieve a policy goal and (2) any current law that seeks to have the U.S. Executive Director use his voice at the IMF to promote a U.S. policy or make a policy change. To address both objectives, we also interviewed officials in Treasury's Office of International Monetary Policy and the Office of the General Counsel.

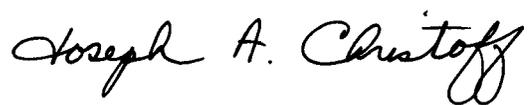
We conducted this review from November 2002 to January 2003 in accordance with generally accepted government auditing standards.

⁶Within enclosures I and II, mandates shown in bold represent mandates that were added since our last report in January 2001. Some of these mandates simply replace older mandates that had expired, while other mandates cover new topics.

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We are sending copies of this report to other interested congressional committees; the Secretary of the Treasury, the Managing Director of the International Monetary Fund, and other interested parties. Copies will be made available to others on request. In addition, this report will be available at no charge on our Web site at <http://www.gao.gov>.

If you have any questions about this report, please contact Joseph A. Christoff at 202-512-8979 and Stephanie J. May at 202-512-6293. We can also be reached by E-mail at christoffj@gao.gov and mays@gao.gov, respectively. Thomas Melito, Barbara Shields, Mary Moutsos, Mark Speight, Lynn Cothorn, and Janey Cohen made contributions to this report.



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Enclosures – 3

List of Congressional Committees

The Honorable Richard Lugar
Chairman
The Honorable Joseph R. Biden, Jr.
Ranking Minority Member
Committee on Foreign Relations
United States Senate

The Honorable Ted Stevens
Chairman
The Honorable Robert C. Byrd
Ranking Minority Member
Committee on Appropriations
United States Senate

The Honorable Mitch McConnell
Chairman
The Honorable Patrick J. Leahy
Ranking Minority Member
Subcommittee on Foreign Operations,
Export Financing, and Related Programs
Committee on Appropriations
United States Senate

The Honorable Michael G. Oxley
Chairman
The Honorable Barney Frank
Ranking Minority Member
Committee on Financial Services
House of Representatives

The Honorable Bill Young
Chairman
The Honorable David R. Obey
Ranking Minority Member
Committee on Appropriations
House of Representatives

U.S. Legislative Mandates^a Concerning the International Monetary Fund

Law and date of enactment ^b	Subject matter	Required actions	Directed vote
22 U.S.C. 262d Oct. 3, 1977	Human rights, international terrorism, religious freedom, and others, including nuclear material acquisition	The Department of the Treasury shall instruct the U.S. Executive Director (USED) to oppose loans to countries whose governments engage in a pattern of gross violations of internationally recognized human rights or provide refuge to individuals committing acts of international terrorism by hijacking aircraft, unless such assistance is directed to serve basic human needs. Severe violations of religious freedom should be considered in determining if the country has engaged in gross violations of internationally recognized human rights. Further, Treasury is to instruct the USED to consider a list of concerns when carrying out its duties, including whether recipient countries are seeking to acquire unsafeguarded special nuclear material.	Yes
22 U.S.C. 262e Oct. 3, 1977	Salaries and benefits of IMF employees	The President shall direct the USED to take all appropriate actions to keep the compensation for International Monetary Fund (IMF) employees at a level comparable to the compensation provided employees of both private business and the U.S. government in comparable positions.	No
22 U.S.C. 262h Oct. 15, 1986 (also repeated in P.L. 107-115, sec. 514, Jan. 10, 2002)	Trade, mining, and surplus commodities	Treasury shall instruct the USED to use his voice and vote on behalf of the United States to oppose any IMF assistance for the production or extraction of any commodity or mineral for export, if it is in surplus on world markets and if the assistance would cause substantial injury to the U.S. producers of the same, similar, or competing commodity.	Yes
22 U.S.C. 262k Aug. 15, 1985	Impact of country adjustment programs on industries and commodity markets	Treasury shall instruct the USED to consider, when reviewing loans, credits, or other uses of IMF resources, the effect that country adjustment programs would have on individual industries' sectors and international commodity markets including specific criteria to be considered as a basis for a vote against certain mining and related project proposals.	No
22 U.S.C. 262k-1 Sept. 30, 1996	Military spending and audits	Treasury shall instruct the USED to use his voice and vote to oppose any loan, other than for basic humanitarian needs, to any country that the Secretary of the Treasury determines does not have in place a functioning system for reporting to civilian authorities audits of receipts and expenditures that fund activities of the armed and security forces and that has not provided to the IMF information about the audit process requested by the institution.	Yes
22 U.S.C. 262k-2 Sept. 30, 1996	Female genital mutilation	Treasury shall instruct the USED to use his voice and vote to oppose any loan, other than for basic humanitarian needs, for any government that the Secretary of the Treasury determines has a known history of practicing female genital mutilation and has not taken steps to implement educational programs designed to prevent this practice.	Yes
22 U.S.C. 262n-3 Oct. 21, 1998	Trade barriers and agricultural commodities	Treasury shall instruct the USED to use aggressively his voice and vote to vigorously promote policies to encourage the opening of markets for agricultural commodities and products by requiring recipient countries to make efforts to reduce trade barriers.	No
22 U.S.C. 262o-1 Aug. 23, 1994	Military spending and good governance	Treasury shall instruct the USED to consider, when deciding whether to support a country's loan program, the extent to which IMF borrowing countries have demonstrated a	No

Enclosure I

Law and date of enactment ^b	Subject matter	Required actions	Directed vote
		commitment to (1) providing accurate and complete data on military spending; (2) establishing good and publicly accountable governance, including to end excessive military involvement in the economy; and (3) to make substantial reductions in excessive military spending and forces. The USED shall promote a policy that seeks to channel funding toward growth and development priorities and away from unproductive expenditures, including military spending.	
22 U.S.C. 262o-2 Oct. 21, 1998	Transparency, debt, private sector, trade, crisis lending, exchange rates, labor, the environment, military spending, sound banking, social safety nets, good governance, corruption, the poor, and ethnic and social strife	Treasury shall instruct the USED to use aggressively his voice and vote to enhance the general effectiveness of the IMF with respect to numerous issues, including exchange rate stability, trade liberalization, antitrust reform, core labor standards, social safety nets, sound banking principles, private sector burden-sharing, disclosure of market information, debt, crises lending, good governance, procurement reform, corruption and bribery, drug-related money laundering, excessive military spending, ethnic and social strife, environmental protection, transparency, and microenterprise lending, especially to the world's poorest, heavily indebted countries.	No
22 U.S.C. 262p-4n Nov. 5, 1990	Equal employment opportunities at the IMF	Treasury shall instruct the USED to use his voice and vote to urge the IMF to adopt policies and procedures that ensure that the IMF does not discriminate against any person on the basis of race, ethnicity, gender, color, or religious affiliation in any determination related to employment.	No
22 U.S.C. 262p-4o Aug. 23, 1994	Respect for indigenous peoples	Treasury shall direct the USED to use his voice and vote to bring about the creation and full implementation of policies designed to promote respect for and full protection of the territorial rights, traditional economies, cultural integrity, traditional knowledge, and human rights of indigenous peoples.	No
22 U.S.C. 262p-4p Aug. 23, 1994	Internationally recognized worker rights	Treasury shall direct the USED to use his voice and vote to urge the IMF to adopt policies to encourage borrowing countries to guarantee certain internationally recognized worker rights and to include the status of such rights as an integral part of the policy dialogue with each country. In addition, the USED shall urge the IMF to establish formal procedures to screen projects and programs for any negative impact in a borrowing country with respect to those rights.	No
22 U.S.C. 262p-4q Apr. 24, 1996	State support of international terrorism	Treasury shall instruct the USED to use his voice and vote to oppose any loan for a country for which the Secretary of State has made a determination that it is a terrorist state.	Yes
22 U.S.C. 262p-6 Nov. 29, 1999	Debt relief	Treasury should urge the IMF to complete a debt sustainability analysis by December 31, 2000, and determine eligibility for debt relief for as many countries under the modified Heavily Indebted Poor Countries Initiative as possible. Treasury should also instruct the USED to ensure that an external assessment of the Heavily Indebted Poor Countries Initiative takes place by December 31, 2001.	No

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Law and date of enactment ^b	Subject matter	Required actions	Directed vote
22 U.S.C. 262p-7 Nov. 29, 1999	Extended Structural Adjustment Facility reform	Treasury shall instruct the USED to use his voice and vote to promote the IMF's establishment of poverty reduction policies and procedures to support countries' efforts under programs developed and jointly administered by the World Bank and the IMF containing those components listed in the mandate.	No
22 U.S.C. 262r-5 Oct. 21, 1998	GAO audits of the IMF	Treasury shall instruct the USED to facilitate timely access by the GAO to IMF documents and information needed by GAO to perform financial reviews of the IMF that will facilitate the conduct of U.S. policy with respect to the IMF.	No
22 U.S.C. 262t Dec. 19, 1989	Personnel practices at the IMF	It shall be U.S. policy that no initiatives, discussions, or recommendations concerning the placement or removal of any personnel employed by the IMF shall be based on the political philosophy or activity of that individual.	No
22 U.S.C. 286e-8 Oct. 10, 1978	Treatment of creditors in debt rescheduling	Treasury shall instruct the USED to seek to assure that no decision by the IMF departs from U.S. policy regarding the comparability of treatment of public and private creditors in cases of debt rescheduling where official U.S. credits are involved.	No
22 U.S.C. 286e-9 Oct. 10, 1978	Investment, employment, and basic human needs	Treasury shall instruct the USED to encourage IMF staff to formulate economic stabilization programs that foster a broader base of productive investment and employment, especially in those productive activities that are designed to meet basic human needs.	No
22 U.S.C. 286e-11 Oct. 10, 1978	Countries harboring international terrorists	Treasury shall instruct the USED to work in opposition to financing for countries either harboring international terrorists or failing to take measures to prevent acts of international terrorism.	No
22 U.S.C. 286k July 31, 1945	International trade and economic stability	In considering the policies of the United States in foreign lending, the USED shall give careful consideration to progress made in reaching agreement among nations to reduce restrictions on international trade and promote international economic stability.	No
22 U.S.C. 286s Oct. 7, 1980	Basic human needs and economic adjustment programs	The USED shall recommend and work for changes in IMF guidelines to ensure the effectiveness of economic adjustment programs by considering the effect the program will have on issues such as jobs and investment. The USED shall also work toward improved coordination among the IMF, the World Bank, and other appropriate institutions in this area.	No
22 U.S.C. 286u July 31, 1945	Dollar-Special Drawing Rights substitution account	Treasury shall encourage IMF member countries to negotiate a dollar-Special Drawing Rights substitution account in which equitable burden-sharing would exist among participants in the account.	No
22 U.S.C. 286v Oct. 7, 1980	Membership for Taiwan in the IMF	The USED shall notify the IMF that it is U.S. policy that Taiwan be granted appropriate membership in the IMF.	No
22 U.S.C. 286w Oct. 7, 1980	Denial of membership for the Palestinian Liberation Organization	The USED shall notify the IMF that it is U.S. policy that the Palestinian Liberation Organization not be given membership or other status at the IMF.	No

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Law and date of enactment ^b	Subject matter	Required actions	Directed vote
22 U.S.C. 286x Oct. 7, 1980	Assistance to private sector of El Salvador, Nicaragua, and other nations	The USED shall promote the use of IMF programs to assist the private sector in any nation, though particularly El Salvador and Nicaragua, in creating an environment that will stabilize a nation's economy.	No
22 U.S.C. 286y Nov. 30, 1998	Exchange rate stability	The USED shall work for adoption of policies in the IMF to promote exchange rate stability. Also, in determining a vote of assistance to any IMF borrower, the USED shall take into account whether the borrower's policies are consistent with certain IMF requirements.	No
22 U.S.C. 286z Nov. 30, 1983	Transparency	Treasury shall instruct the USED to initiate discussions at the IMF and propose and vote for adoption of procedures to increase both the sharing of information among IMF members and the public dissemination of certain IMF information concerning international borrowing and lending.	No
22 U.S.C. 286aa Nov. 30, 1983	Denial of lending to communist dictatorships	Treasury shall instruct the USED to actively oppose any facility involving use of IMF credit by any communist dictatorship unless certain conditions are met.	Yes
22 U.S.C. 286bb Nov. 30, 1983	Elimination of predatory agricultural export subsidies	Treasury shall instruct the USED to propose and work for the adoption of an IMF policy encouraging members to eliminate all predatory agricultural export subsidies that might result in the reduction of other member countries' exports.	No
22 U.S.C. 286cc Nov. 30, 1983	Trade, bank solvency, and external debt servicing	The USED shall recommend and shall work for changes in IMF guidelines and policies that encourage countries to formulate economic adjustment programs that deal with their balance-of-payment difficulties and external debt owed to private banks. The USED shall also oppose and vote against fund assistance for a country whose annual external debt services exceed 85 percent of its annual export earnings, unless Treasury can document why an exception should be given.	Yes
22 U.S.C. 286dd Nov. 30, 1983	Bank bailouts and debt rescheduling	Treasury shall instruct the USED to oppose and vote against any IMF drawing by a member country that would be used to repay loans imprudently made by banking institutions to a member country, and to ensure that the IMF encourages borrowing countries and banking institutions to renegotiate a rescheduling of debt that is consistent with safe and sound banking practices and the country's ability to pay.	Yes
22 U.S.C. 286ee Nov. 30, 1983	International lending and external indebtedness	Treasury shall instruct the USED to propose that the IMF adopt policies with respect to international lending, including a policy to examine the trend and volume of external indebtedness of private and public borrowers in Article IV consultations.	No
22 U.S.C. 286ff Nov. 30, 1983	IMF interest rates	Treasury shall instruct the USED to propose and work for the adoption of IMF policies regarding the rate of remuneration paid on use of members' quota subscriptions and the rate of charges on IMF drawings to bring those in line with market rates.	No

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Law and date of enactment ^b	Subject matter	Required actions	Directed vote
22 U.S.C. 286gg Nov. 30, 1983	Elimination of trade and investment restrictions	Treasury shall instruct the USED to consult with the IMF to reduce obstacles to and restrictions upon international trade and investment in goods and services, eliminate unfair trade and investment practices, and promote mutually advantageous economic relations. The USED shall also work to have the IMF obtain agreement with countries to eliminate certain unfair trade and investment practices and shall take a country's progress into account in formulating its position on requests for loans for periodic financial disbursements.	No
22 U.S.C. 286kk Dec. 19, 1989	Impact of IMF programs on the poor and the environment	Treasury shall instruct the USED to seek policy changes at the IMF that will result in a review of policy prescriptions implemented by the IMF to determine both if IMF objectives were met and the social and environmental impacts of such prescriptions, and the establishment of procedures to ensure that policy options that reduce the potential adverse impact on the poor or the environment are included in future economic reform programs.	No
22 U.S.C. 286ll Oct. 24, 1992	IMF policy concerning transparency, the poor, and the environment	Treasury shall instruct the USED to promote regularly and vigorously in program and quota increase discussions a variety of policy proposals including a proposal designed to alleviate poverty, promote policy audits in the areas of poverty and the environment, and allow public access to certain IMF information.	No
22 U.S.C. 286mm Oct. 24, 1992	Measures to reduce military spending	The USED shall use his voice and vote to urge the IMF to continue to develop an economic methodology to measure the level of military spending by every developing country. The USED shall also urge the IMF to provide annual reports that estimate the level of military spending by each developing country and urge the IMF to include in every Article IV consultation with such countries an analysis on this issue.	No
22 U.S.C. 286nn Nov. 29, 1999	Debt reduction	Treasury is authorized to instruct the USED to vote to approve the sale of gold such that proceeds can be used toward debt reduction for the Heavily Indebted Poor Countries Initiative.	No
50 U.S.C. 1701 note (P.L. 103-160, sec. 1511, Nov. 30, 1993 & P.L. 104-208, sec. 540, Feb. 12, 1996)	Serbia or Montenegro	Treasury shall instruct the USED to use the voice and vote of the United States to oppose any IMF assistance to the governments of Serbia and Montenegro, except for basic human needs or unless a proper waiver or certification is made.	Yes
22 U.S.C. 2225 Dec. 30, 1974	Integration of women	Treasury is requested to instruct the USED to encourage and promote the integration of women into the national economies of IMF member countries and into professional positions within the IMF organization. In addition, Treasury is to take any progress or lack of progress into account when making contributions to the IMF.	No
22 U.S.C. 2370a Apr. 30, 1994	Expropriation of U.S. property	Treasury shall instruct the USED to vote against any use of IMF funds for the benefit of any country that has, after 1956, nationalized or expropriated U.S. property without compensation or adequate arbitration, unless the funds are directed to programs that serve the basic human needs of the citizens of that country, or the President waives this prohibition on the basis of U.S. national interests.	Yes

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Law and date of enactment ^b	Subject matter	Required actions	Directed vote
22 U.S.C. 2799aa-1 Apr. 30, 1994	Nuclear transfers and illegal exports	The U.S. government shall oppose the extension of any IMF loan or financial or technical assistance to any country that the President determines either delivers nuclear reprocessing equipment, material, or technology to any country or receives such equipment, materials, or technology from another country, or is a nonnuclear state that exports from the United States illegally any material, equipment, or technology that would contribute significantly to its ability to manufacture a nuclear explosive device and will be used for such a device.	Yes
22 U.S.C. 5605 Dec. 4, 1991	Sanctions against use of chemical and biological weapons	The United States shall oppose, in accordance with 22 U.S.C. 262d, the extension of any loan or financial or technical assistance to any country that the President determines uses chemical or biological weapons either in violation of international law or against its own nationals. The President may waive application of this section under certain conditions.	Yes
22 U.S.C. 6034 Mar. 12, 1996	Opposition to Cuban membership	Treasury shall instruct the USED to use the voice and vote of the United States to oppose admission of Cuba as a member of the IMF until the President submits a determination that a democratically elected government is in power in Cuba.	Yes
22 U.S.C. 6302 Apr. 30, 1994	Nuclear nonproliferation	Treasury shall instruct the USED to use the voice and vote of the United States to oppose any use of IMF funds to promote the acquisition of unsafeguarded special nuclear material or the development, stockpiling, or use of any nuclear explosive device by any non-nuclear-weapon state. The President may waive application of this section with respect to India and Pakistan under certain conditions. (See P.L. 106-79, Sec. 9001.)	Yes
22 U.S.C. 6445 Oct. 27, 1998	Religious freedom	The President shall instruct the USED to oppose and vote against loans primarily benefiting a foreign government, agency, instrumentality, or official determined by the President to be a violator of religious freedoms.	Yes
22 U.S.C. 6713 Oct. 21, 1998	U.S. liability, confidential business information, and chemical weapons	The United States shall oppose any IMF loan or financial or technical assistance to either a foreign government or any foreign person, officer, or employee of the Organization for the Prohibition of Chemical Weapons whose actions taken in the implementation of the Chemical Weapons Convention make the United States liable, or who knowingly divulge U.S. confidential business information, or in the case of a government, encourage or assist a person in making such disclosures.	Yes
P.L. 104-208, sec. 570, Sept. 30, 1996	Burma and human rights and democratic government	Treasury shall instruct the USED to vote against any utilization of IMF funds for Burma until such time as the President certifies to Congress that Burma has made measurable and sustainable progress in improving human rights practices and implementing a democratic government in Burma, or the President waives the sanction by certifying to Congress that the sanction is contrary to U.S. national interests.	Yes
P.L. 106-113, sec 504, Nov. 29, 1999	IMF Operational Budget	Treasury shall instruct the USED to use the voice and vote and influence of the U.S. to urge vigorously the IMF both to publish the operational budgets of the IMF on a quarterly basis, not later than one year after the end of the period covered by the budget, and to continue to forgo reimbursements of the expenses incurred by the IMF in	Yes

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Law and date of enactment ^b	Subject matter	Required actions	Directed vote
		administering the Enhanced Structural Adjustment Facility, until the Heavily Indebted Poor Countries initiative is terminated.	
P.L. 106-386, sec. 110, Oct. 28, 2000	Combat trafficking in persons	The President will instruct the USED to vote against, and to use his best efforts to deny, any loan or other use of IMF funds for the subsequent fiscal year to a country that fails to comply or is not making significant efforts to bring itself into compliance with the minimum standards for the elimination of trafficking in persons. If certain requirements are met, this mandate does not apply to humanitarian assistance, trade-related assistance, or development assistance and can be waived by the President if the continuation of assistance is in the national interest.	Yes
P.L. 106-429, sec. 545, Nov. 6, 2000	Purchase of American-made equipment and products	Treasury shall report to Congress annually on the efforts of the USED in complying with the sense of Congress that, to the greatest extent practicable, all agriculture commodities, equipment and products purchased with funds made available in the Foreign Operations, Export Financing, and Related Programs Appropriations Act, 2001, should be American made.	No
P.L. 107-115, sec. 530, Jan. 10, 2002	Compensation for the USED	No funds appropriated by the Foreign Operations, Export Financing, and Related Programs Act, 2002, may be made as payment to the IMF while the USED is compensated by the IMF at a rate that, together with the compensation the USED receives from the United States, is in excess of the rate provided for an individual occupying a position at level IV of the Executive Schedule under 5 U.S.C. 5315.	No
P.L. 106-429, sec. 537, Nov. 6, 2000	Clean coal technology	Treasury, through the USED, should, as appropriate, vigorously promote the use of U.S. clean coal technology in environmental and energy infrastructure programs, projects, and activities, such as in reconstruction assistance for the Balkans.	No
P.L. 107-115, sec. 581, Jan. 10, 2002	Countries providing sanctuary to indicted war criminals	Treasury shall instruct the USED to vote against any extension of IMF grants or financial or technical assistance to any country whose authorities have failed, as determined by the Secretary of State, to take necessary and significant steps to apprehend and transfer persons indicted by the International Criminal Tribunal for the former Yugoslavia. This section does not apply to humanitarian assistance and assistance for democratization.	Yes
P.L. 107-115, sec. 563, Jan. 10, 2002	Cambodia	Treasury should instruct the USED to use the voice and vote of the United States to oppose loans to the central government of Cambodia, except loans to support basic human needs.	Yes
P.L. 107-115, sec. 584, Jan. 10, 2002	Serbia	After March 31, 2002, Treasury should instruct the USED to support loans and assistance to the Yugoslavian government subject to certain conditions, including that the Yugoslavian government is taking steps consistent with the Dayton Peace Accord to end financial, political, security, and other support that served to maintain separate Republika Srpska institutions. With respect to such loans, 22 U.S.C. 262k-1, which requires transparency of military budgets, shall not apply.	Yes

Enclosure I

Law and date of enactment ^b	Subject matter	Required actions	Directed vote
P.L. 107-115, sec. 582, Jan. 10, 2002	User fees	Treasury shall instruct the USED to oppose any loan that would require user fees or service charges on poor people for primary education or primary healthcare, including prevention and treatment efforts for Human Immunodeficiency Virus/Acquired Immune Deficiency Syndrome, malaria, tuberculosis, and infant, child and maternal well-being, in connection with the IMF's lending program.	Yes
22 U.S.C. 286oo Nov. 6, 2000	Short- and medium-term financing, misreporting, and premium pricing	It is the policy of the United States to work to implement reforms in the IMF to achieve the following goals: primarily using short-term balance-of-payments financing, limiting the use of medium-term financing, introducing premium pricing for lending that is greater than 200 percent of a member's quota in the IMF, and redressing cases of misreporting of information in the context of IMF programs.	No
P.L. 107-56, sec. 360, Oct. 26, 2001	Terrorism	The Secretary of the Treasury may instruct the USED to aggressively use the voice and vote of the U.S. to require an auditing of IMF disbursements to ensure that no funds are paid to persons who commit, threaten to commit, or support terrorism. In addition, if the President determines that a country has committed to take actions that contribute to efforts of the U.S. to respond to, deter, or prevent acts of international terrorism, Treasury may instruct the USED to support any loan or other use of IMF funds for such country.	No
P.L. 107-99, sec. 4, Dec. 21, 2001	Zimbabwe	If the President certifies to the appropriate congressional committees that certain condition have been met in Zimbabwe, including the restoration of the rule of law and a commitment to equitable, legal, and transparent land reform, then the Treasury should direct the USED to propose to undertake financial and technical support for Zimbabwe, especially support that is intended to promote Zimbabwe's economic recovery and development, the stabilization of the Zimbabwean dollar, and the viability of Zimbabwe's democratic institutions. Until the President makes a certification, however, and except as may be required to meet basic human needs or for good governance, the Treasury shall instruct the USED to oppose and vote against any IMF loan, credit, or guarantee to the government of Zimbabwe or any cancellation or reduction of indebtedness owed by the government of Zimbabwe to the IMF.	Yes
P.L. 107-115, sec. 523, Jan. 10, 2002	Cuba, Iraq, Libya, Iran, Syria, North Korea, and China	None of the funds appropriated or otherwise made available pursuant to this Act shall be obligated to finance indirectly any assistance or reparation to Cuba, Iraq, Libya, Iran, Syria, North Korea, or the People's Republic of China, unless the President certifies that the withholding of these funds is contrary to the national interest of the United States.	No
P.L. 107-115, sec. 560, Jan. 10, 2002	Zimbabwe	Treasury shall instruct the USED to vote against any extension of any IMF loans to the government of Zimbabwe, except to meet basic human needs or to promote democracy, unless the Secretary of State determines and certifies to the Committees on Appropriations that the rule of law has been restored in Zimbabwe, including respect for ownership and title to property, freedom of speech and association.	Yes

Enclosure I

Law and date of enactment ^b	Subject matter	Required actions	Directed vote
P.L. 107-115, sec. 578, Jan. 10, 2002	Procurement and Financial Management Reform	Of the funds made available in the Foreign Operations, Export Financing, and Related Programs Appropriations Act, 2002, 10 percent of the U.S. portion or payment to the IMF shall be withheld by Treasury until it can certify to the Committees on Appropriations that the institution is meeting certain conditions, such as that the IMF is implementing procedures for annual independent external audits of central bank financial statements for countries making use of IMF resources under new arrangements or agreements with the Fund.	No
P.L. 107-245, sec. 6, Oct. 10, 2002	Sudan	After April 10, 2003, and every 6 months thereafter, if the President certifies that the government of Sudan has not engaged in good faith negotiations to achieve a permanent and just peace agreement, or has unreasonably interfered with humanitarian efforts in Sudan, then the Treasury shall instruct the USED to continue to vote against, and actively oppose, any extension of any IMF loan, credit or guarantee to the government of Sudan.	Yes
P.L. 107-228, sec. 616, Sept. 30, 2002	Tibet	Treasury shall instruct the USED to use the voice and vote of the US to support projects in Tibet, so long as the projects are designed in accordance with certain enumerated principles, such as that the project fosters self-sufficiency and self-reliance of Tibetans.	No
P.L. 107-228, sec. 633, Sept. 30, 2002	East Timor	Treasury shall instruct the USED to use the voice, vote, and influence of the United States to support economic and democratic development in East Timor.	No

Source: GAO.

Notes:

The information shown in this enclosure is based on a GAO analysis of legislative mandates concerning the IMF.

Mandates shown in bold represent mandates that were added since our last report in January 2001. Some of these mandates simply replace older mandates that had expired, while other mandates cover new topics.

As of February 4, 2003, mandates contained in FY 2002 Appropriations Acts remain in effect through February 7, 2003, under a continuing resolution (P.L. 108-04, Making Further Continuing Appropriations for the Fiscal Year 2003, and For Other Purposes).

^aTreasury puts mandates in three broad categories: “policy,” “directed vote,” and “reporting” mandates. Policy mandates direct the United States to foster or urge a certain policy at the IMF. Directed vote mandates instruct the United States to “oppose” or “vote against” loans or other IMF assistance. Reporting mandates are outside the scope of this report.

^bThis column reports the original date of enactment. However, many of these mandates were amended subsequent to this date.

Enclosure II

Examples of Broad Policies That Are Addressed in Multiple Laws^a

Broad policy objective	Law
Administrative and personnel matters	22 U.S.C. 2225 (Dec. 30, 1974) 22 U.S.C. 262e (Oct. 3, 1977) 22 U.S.C. 262t (Dec. 19, 1989) 22 U.S.C. 262p-4n (Nov. 5, 1990) P.L. 107-115, Sec. 530 (Jan. 10, 2002)
Banking	22 U.S.C. 286cc (Nov. 30, 1983) 22 U.S.C. 286dd (Nov. 30, 1983) 22 U.S.C. 262o-2 (Oct. 21, 1998)
Debt	22 U.S.C. 286e-8 (Oct. 10, 1978) 22 U.S.C. 286cc (Nov. 30, 1983) 22 U.S.C. 286dd (Nov. 30, 1983) 22 U.S.C. 286ee (Nov. 30, 1983) 22 U.S.C. 262o-2 (Oct. 21, 1998) 22 U.S.C. 286nn (Nov. 29, 1999) 22 U.S.C. 262p-6 (Nov. 29, 1999)
Employment	22 U.S.C. 2225 (Dec. 30, 1974) 22 U.S.C. 286e-9 (Oct. 10, 1978)
Environment	22 U.S.C. 286kk (Dec. 19, 1989) 22 U.S.C. 286ll (Oct. 24, 1992) 22 U.S.C. 262o-2 (Oct. 21, 1998) P.L. 106-429, Sec. 537 (Nov. 6, 2000)
Exchange rate stability	22 U.S.C. 286y (Nov. 30, 1998) 22 U.S.C. 262o-2 (Oct. 21, 1998)
Governance	22 U.S.C. 262o-1 (Aug. 23, 1994) 22 U.S.C. 262o-2 (Oct. 21, 1998)
Human rights	22 U.S.C. 262d (Oct. 3, 1977) 22 U.S.C. 262p-4o (Aug. 23, 1994) P.L. 104-208, Sec. 570 (Sept. 30, 1996)
Investment	22 U.S.C. 286e-9 (Oct. 10, 1978) 22 U.S.C. 286s (Oct. 7, 1980) 22 U.S.C. 286gg (Nov. 30, 1983)
Labor	22 U.S.C. 262p-4p (Aug. 23, 1994) 22 U.S.C. 262o-2 (Oct. 21, 1998)
Poverty alleviation and education	22 U.S.C. 286kk (Dec. 19, 1989) 22 U.S.C. 286ll (Oct. 24, 1992) 22 U.S.C. 262o-2 (Oct. 21, 1998) 22 U.S.C. 262p-7 (Nov. 29, 1999) P.L. 107-115, sec. 582 (Jan. 10, 2002)
Military spending and military audit	22 U.S.C. 286mm (Oct. 24, 1992) 22 U.S.C. 262o-1 (Aug. 23, 1994) 22 U.S.C. 262k-1 (Sept. 30, 1996) 22 U.S.C. 262o-2 (Oct. 21, 1998)
Nuclear and chemical nonproliferation	22 U.S.C. 2799aa-1 (Apr. 30, 1994) 22 U.S.C. 6302 (Apr. 30, 1994) 22 U.S.C. 6713 (Oct. 21, 1998) 22 U.S.C. 5605 (Dec. 4, 1991)
Religious freedom	22 U.S.C. 262d (Oct. 3, 1977) 22 U.S.C. 6445 (Oct. 27, 1998)
Terrorism	22 U.S.C. 262d (Oct. 3, 1977) 22 U.S.C. 286e-11 (Oct. 10, 1978) 22 U.S.C. 262p-4q (Aug. 24, 1996) P.L. 107-56, sec. 360 (Oct. 26, 2001)

Enclosure II

Broad policy objective	Law
Trade	22 U.S.C. 286k (July 31, 1945) 22 U.S.C. 286bb (Nov. 30, 1983) 22 U.S.C. 286cc (Nov. 30, 1983) 22 U.S.C. 286gg (Nov. 30, 1983) 22 U.S.C. 262k (Aug. 15, 1985) 22 U.S.C. 262h (Oct. 15, 1986) (also repeated in P.L. 107-115, sec. 514 (Jan. 10, 2002)) 22 U.S.C. 262n-3 (Oct. 21, 1998) 22 U.S.C. 262o-2 (Oct. 21, 1998) P.L. 106-429, sec. 545 (Nov. 6, 2000)
Transparency	22 U.S.C. 286z (Nov. 30, 1983) 22 U.S.C. 286ll (Oct. 24, 1992) 22 U.S.C. 262o-2 (Oct. 21, 1998) 22 U.S.C. 262r-5 (Oct. 21, 1998)
Use of IMF resources	22 U.S.C. 286u (July 31, 1945) 22 U.S.C. 286ff (Nov. 30, 1983) 22 U.S.C. 286oo (Nov. 6, 2000)
Women's issues	22 U.S.C. 2225 (Dec. 30, 1974) 22 U.S.C. 262k-2 (Sept. 30, 1996)
Zimbabwe	P.L. 107-99, sec. 4 (Dec. 21, 2001) P.L. 107-115, sec. 560 (Jan. 10, 2002)

Source: GAO.

Notes:

The information shown in this enclosure is based on a GAO analysis of legislative mandates concerning the IMF.

Mandates shown in bold represent mandates that were added since our last report in January 2001. Some of these mandates simply replace older mandates that had expired, while other mandates cover new topics.

^aTreasury puts mandates in three broad categories: "policy," "directed vote," and "reporting" mandates. Policy mandates direct the United States to foster or urge a certain policy at the IMF. Directed vote mandates instruct the United States to "oppose" or "vote against" loans or other IMF assistance. Reporting mandates are outside the scope of this report.

Comments from the Department of the Treasury



UNDER SECRETARY

DEPARTMENT OF THE TREASURY
WASHINGTON, D.C.

January 30, 2003

Mr. Joseph A. Cristoff
Director, International Affairs and Trade Issues
General Accounting Office
441 G Street, N.W.
Washington, DC 20548

Dear Mr. Cristoff:

Thank you for your letter of January 21, 2003, and the opportunity to review the draft report, "Treasury Maintains Formal Process to Advance U.S. Agenda at the International Monetary Fund."

The draft report accurately assesses the process through which Treasury has worked to advance IMF policies as set out in legislation. In particular, I am pleased that the draft report recognizes the effectiveness of the internal task force on legislative mandates regarding the IMF and of the new efforts made to address upcoming issues at the IMF on a proactive basis.

In its 2001 report, "Efforts to Advance U.S. Policies at the Fund," GAO concluded that the impact on U.S. influence at the Fund of the 60 legal requirements is "uncertain." The draft report identifies seven new requirements. We remain concerned that the extensive mandates have the potential to undermine our effectiveness in influencing the institution, and we plan to propose a reduction and consolidation of legislative mandates to remove unnecessary provisions.

Finally, I extend my thanks to you and your staff for an efficient and candid review.

Sincerely,

A handwritten signature in cursive script that reads "John B. Taylor".

John B. Taylor
Under Secretary for International Affairs