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Congressional Committees

Subject: *Treasury Has Sustained Its Formal Process to Promote U.S. Policies at the International Monetary Fund*

In recent years, Congress has demonstrated significant interest in legislating U.S. policies regarding the International Monetary Fund (IMF). Currently, the administration is charged with responding to dozens of legislative mandates related to the IMF, including advocacy for certain IMF policies, instructions for U.S. voting positions on IMF assistance to borrower countries, and requirements to report to Congress on various aspects of U.S. participation in the IMF.

Since 2001, we reported that the United States had maintained nearly 70 legislative mandates prescribing U.S. policy goals at the IMF. These mandates covered a wide range of policies, including policies regarding combating terrorism, human rights, international trade, and weapons proliferation. As an international organization, the IMF 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 on the IMF's Executive Board<sup>1</sup> to pursue certain policy considerations or to vote in a particular way on IMF programs or on assistance to specific countries.

In 2000, Congress directed us to assess the Department of the Treasury's (Treasury) efforts to advance U.S. legislative mandates at the IMF. The Consolidated Appropriations Act for Fiscal Year 2000<sup>2</sup> 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 Treasury instituted a formal process in 1999 to systematically promote congressionally mandated policies at the IMF.<sup>3</sup> We also found that, although Treasury had had some influence over IMF policies, it was difficult to attribute the adoption of a policy within the IMF solely to the efforts of any one member because the IMF generally makes decisions on the basis of consensus. Since 2003, we have provided yearly updates on (1) the status of Treasury's process for

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<sup>1</sup>The Executive Board oversees the day-to-day business of the IMF. 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.

<sup>2</sup>Pub.L. No. 106-113, § 504(e), 113 Stat. 1501, 1501A-318 (1999).

<sup>3</sup>See GAO, *International Monetary Fund: Efforts to Advance U.S. Policies at the Fund*, [GAO-01-214](#) (Washington, D.C.: Jan. 29, 2001).

advancing congressional mandates at the IMF and (2) the number of U.S. legislative mandates concerning the IMF.<sup>4</sup> This report provides a similar update for 2006.

## Results in Brief

The Department of the Treasury has sustained a formal process for advancing U.S. policies at the IMF. A task force facilitates coordination between Treasury and the U.S. Executive Director and identifies early opportunities to influence decisions of IMF members. Since our September 2005 report, the task force has continued to meet on a regular basis to identify opportunities to advance legislative mandates at the IMF. Treasury continues to promote the task force as a tool for monitoring and promoting legislative mandates and other policy priorities by, for example, including discussion on crosscutting policy issues such as debt relief and focusing attention on both present and prospective IMF programs.

We have identified 70 legislative mandates that prescribe U.S. policy goals at the IMF, which is similar to the numbers we reported in our previous reports. Since our last report, 9 mandates have either replaced older mandates or represented amendments to mandates, and 1 mandate, concerning direct support to the central government of Cambodia, has expired. Treasury continues to notify the U.S. Executive Director about new mandates through instruction letters.

## Background

Treasury has the lead role within the executive branch for formulating U.S. policy toward the IMF. The U.S. Executive Director is appointed by the President and pursues U.S. policy objectives through membership on the IMF's Executive Board. Treasury's Office of International Affairs, along with the Office of the U.S. Executive Director of the IMF, formulates, evaluates, and implements Treasury policy concerning U.S. participation in the IMF, including the policy positions and directives set forth in legislative mandates.

The legislative mandates that set forth U.S. policy regarding the IMF cover a range of issues. Some of these, such as exchange rate policy, are core to the IMF's mission. This report classifies mandates into one of two broad categories: "policy" mandates and "directed vote" mandates.<sup>5</sup> Policy mandates seek to foster or advocate certain policies at the IMF by directing Treasury to instruct the U.S. Executive Director to use his or her "voice," "vote," or both, on behalf of the United States at the Executive

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<sup>4</sup>See GAO, *Treasury Maintains a Formal Process to Advance U.S. Policies at the International Monetary Fund*, [GAO-03-401R](#) (Washington, D.C.: Feb. 7, 2003); *Treasury Continues Its Formal Process to Promote U.S. Policies at the International Monetary Fund*, [GAO-04-928R](#) (Washington, D.C.: July 12, 2004); and *Treasury Continues to Maintain Its Formal Process to Promote U.S. Policies at the International Monetary Fund*, [GAO-05-1015R](#) (Washington, D.C.: Sept. 14, 2005).

<sup>5</sup>Reporting mandates that require Treasury to report to Congress on various issues related to U.S. participation in the IMF constitute a third category of legislative mandates. This report does not cover reporting mandates because they are not related to advancing U.S. policy goals at the IMF.

Board to bring about a policy change at the IMF. For example, the U.S. Executive Director is directed to encourage the IMF to adopt internationally recognized worker rights for borrowing countries. Directed vote mandates are more prescriptive, in that they instruct the United States to “oppose” or “vote against” loans or other IMF assistance to particular countries or categories of countries. For example, the U.S. Executive Director is directed to vote against financial assistance for a country that is not compliant with the Trafficking Victims Protection Act<sup>6</sup> (see enc. I, mandate 51).

### **Treasury Has a Systematic Process for Promoting U.S. Legislative Mandates**

Treasury continues to use a systematic process to advance U.S. legislative mandates at the IMF. As we reported previously,<sup>7</sup> Treasury created 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 at 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 IMF.

The task force includes 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 monthly to discuss how Treasury and the U.S. Executive Director can best apply legislative mandates based on a country’s economic circumstances.<sup>8</sup>

According to Treasury officials, the task force serves an important role as a mechanism to systematically remind Treasury officials of the need to address legislative mandates. Prior to each monthly meeting, task force members review a tentative schedule of the IMF Executive Board upcoming meetings to stay abreast of what countries will be discussed by the board. Also, Treasury officials may prepare for the meetings by obtaining information about other opportunities to attempt to influence the IMF. For example, Treasury officials may hold discussions with IMF officials when an IMF mission is planned to a particular country as part of negotiations for a new or existing program or an economic review.

At the task force meetings, members discuss opportunities to implement mandates, including mandates of potential relevance for specific countries. The aim of the discussions 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

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<sup>6</sup>22 U.S.C. § 7107 (2004).

<sup>7</sup>[GAO-01-214](#), [GAO-03-401R](#), [GAO-04-928R](#), and [GAO-05-1015R](#).

<sup>8</sup>Although 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.

pursue a mandate, Treasury officers for the specific country 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 IMF. For example, the U.S. Executive Director regularly makes oral or written statements to the board to apprise it of U.S. policy objectives regarding requests from countries for new programs, IMF reviews of existing programs, and regular IMF reviews of each members' economic policies.

Since creating the task force, Treasury has made occasional modifications to its efforts to monitor and promote legislative mandates at the IMF. For example, in March 2001, the task force expanded its agenda to include not only countries scheduled for discussion by the IMF Executive Board but also countries that might need a program in the next several months. This enabled task force participants to focus attention on countries not yet on the board's calendar. In April 2004, Treasury officials initiated efforts to make the task force more useful for participants by, for example, reorganizing the meeting agenda into a table format that clearly indicates which mandates are relevant to particular countries. They also categorized the countries under discussion by differentiating those that currently have an IMF program from those that may need one. In early 2005, Treasury began transitioning its task force meetings from a biweekly to a monthly basis, while holding periodic meetings, as needed, among the country desk officers, the Office of the General Counsel, and the Executive Director's office. The task force also added crosscutting policy discussions to the agenda. As a result, according to Treasury officials, attendance at the task force meetings increased.

### **Slight Decrease in Number of U.S. Legislative Mandates Concerning the IMF**

The number of U.S. legislative mandates concerning the IMF has remained relatively constant for the last four years. Through our legal analysis, supplemented by documentation obtained from Treasury, we identified a total of 70 IMF-related mandates as of April 2006, 1 mandate fewer than we identified in our September 2005 report. Since our last update, 9 mandates have been enacted that simply renew expired mandates or represent amendments to mandates. One mandate that instructed the U.S. Executive Director to oppose loans to the central government of Cambodia has expired.<sup>9</sup> 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 all directed vote and policy mandates that prescribe U.S. policy goals at the IMF under current federal law. The enclosure briefly describes the broad policy objectives that the mandates address and some of the actions that are required by Treasury and the U.S. Executive Director. The mandates date from 1945 to 2005, with the majority enacted in the last decade. Some mandates address multiple policy issues, sometimes overlapping each other. Enclosure II identifies some policies that

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<sup>9</sup>Pub. L. No. 108-447, § 554, 118 Stat. 2809, 3015 (2004).

are addressed in multiple mandates.<sup>10</sup> For example, 9 mandates pertain to trade and 7 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 we reprinted in enclosure III. Treasury concurred with the facts presented in this report. Treasury reiterated its position that the extensive legislative mandates could potentially undermine its effectiveness in influencing the IMF.

### **Scope and Methodology**

To describe the current process that Treasury has in place to advance congressional mandates at the IMF, we reviewed the list of topics that were discussed in the monthly task force meetings from September 2005 to May 2006, which include summaries of major issues relating to the mandates. To determine the current number of IMF mandates, we analyzed Treasury's compilation of legislative mandates pertaining to the international financial institutions and documents obtained through our own legal research. In addition, we reviewed a January 2006 memorandum from Treasury to the U.S. Executive Director concerning new mandates and Treasury's 2006 compilation of legislative mandates applying to international financial institutions. We used two criteria to identify the relevant laws for this review: (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 our review from April 2006 to June 2006 in accordance with generally accepted government auditing standards.

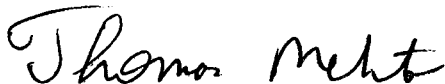
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<sup>10</sup>Within enclosures I and II, mandates shown in bold represent those that replaced expired mandates since our last report in September 2005.

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

If you or your staff have any questions about this report, please contact Thomas Melito at (202) 512-9601 or [melitot@gao.gov](mailto:melitot@gao.gov); or Stephanie J. May at (202) 512-6293 or [maysj2@gao.gov](mailto:maysj2@gao.gov). Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. GAO staff who made major contributions to this report are listed in enclosure IV.



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Enclosures

*List of Congressional Committees*

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

The Honorable Thad Cochran  
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 State, Foreign Operations,  
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 Jerry Lewis  
Chairman  
The Honorable David R. Obey  
Ranking Minority Member  
Committee on Appropriations  
House of Representatives

**Enclosure I: U.S. Legislative Mandates<sup>a</sup> Concerning the International Monetary Fund (IMF)**

	<b>Law and date of enactment<sup>b</sup></b>	<b>Subject matter</b>	<b>Required actions</b>	<b>Directed vote</b>
1	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 (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
2	22 U.S.C. 262e Oct. 3, 1977	Salaries and benefits of International Monetary Fund (IMF) employees	The President shall direct the USED to take all appropriate actions to keep the compensation for IMF employees at a level comparable to the compensation provided employees of both private business and the U.S. government in comparable positions.	No
3	22 U.S.C. 262h Oct. 15, 1986	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 export of such commodity or mineral would cause substantial injury to the U.S. producers of the same, similar, or competing commodity or mineral.	Yes
4	22 U.S.C. 262k Aug. 15, 1985	Impact of country adjustment programs on industries and commodity markets and opposition to assistance for copper refining and copper commodity export	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. Specifically, in the case of copper, Treasury shall instruct the USED to use the voice and vote of the United States to oppose any assistance using appropriated funds for the production of any copper commodity for export or for the financing of the expansion, improvement, or modernization of copper mining, smelting, and refining capacity.	No
5	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
6	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
7	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



8	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 commitment to (1) providing accurate and complete data on military spending; (2) establishing good and publicly accountable governance, including ending excessive military involvement in the economy; and (3) making 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.	No
9	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, ethnic and social strife, and money laundering and financing of terrorism	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; microenterprise lending, especially to the world's poorest, heavily indebted countries; anti-money laundering (AML); and combating the financing of terrorism (CFT) regimes.	No
10	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
11	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
12	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
13	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
14	22 U.S.C. 262p-4r Oct. 26, 2001	Terrorism	Treasury may instruct the USED to use aggressively the voice and vote of the United States 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 United States to respond to, deter, or prevent acts of international terrorism, Treasury may instruct the USED to use the voice and vote of the United States to support any loan or other use of IMF funds for such country.	No

15	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 shall make every effort (including instructing the USED) to ensure that an external assessment of the Heavily Indebted Poor Countries Initiative takes place by December 31, 2001.	No
16	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
17	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
18	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
19	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
20	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
21	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	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
23	22 U.S.C. 286u Oct. 7, 1980	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
24	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
25	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
26	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
27	22 U.S.C. 286y Nov. 30, 1983	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

28	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
29	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
30	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
31	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
32	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
33	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
34	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
35	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
36	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 whether IMF objectives were met, the social and environmental impacts of such prescriptions, and the establishment of procedures to ensure policy options that reduce the potential adverse impact on the poor or the environment are included in future economic reform programs.	No
37	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

38	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 an analysis on this issue in every Article IV consultation with such countries.	No
39	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 and to support a decision to terminate the Special Contingency Account 2 (SCA-2) and make the funds in the SCA-2 available to the poorest countries.	No
40	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
41	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
42	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
43	22 U.S.C. 2656 note (Pub. L. No. 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
44	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 transfers to a nonnuclear weapon state a nuclear explosive device or any design information or component for use in the development or manufacture of a nuclear explosive device. Additionally, the U.S. government shall oppose the extension of any IMF loan or financial or technical assistance to any nonnuclear weapon state that receives or detonates a nuclear explosive device or seeks and receives any design information or component for use in the development or manufacture of a nuclear explosive device. The President may waive application of this section with respect to India and Pakistan under certain conditions. (See Pub. L. No. 106-79, sec. 9001.)	Yes
45	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
46	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
47	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 nonnuclear weapon state.	Yes

48	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
49	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 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. The United States shall also oppose any IMF loan or financial or technical assistance to any foreign person, business entity, or country that knowingly encourages or assists such a person in disclosing U.S. confidential business information.	Yes
50	22 U.S.C. 6901 note (Pub. L. No. 107-228, sec. 616, Sept. 30, 2002)	Tibet	Treasury shall instruct the USED to use the voice and vote of the United States 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
51	22 U.S.C. 7107 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
52	50 U.S.C. 1701 note (Pub. L. No. 103-160, sec. 1511, Nov. 30, 1993 & Pub. L. No. 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 or Montenegro, except for basic human needs or unless a proper waiver or certification is made.	Yes
53	Pub. L. No. 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
54	Pub. L. No. 106-113, sec. 504, Nov. 29, 1999	IMF operational budget	Treasury shall instruct the USED to use the voice, vote, and influence of the United States to urge vigorously the IMF both to publish the operational budgets of the IMF on a quarterly basis, not later than 1 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 administering the Enhanced Structural Adjustment Facility, until the Heavily Indebted Poor Countries initiative is terminated.	No
55	Pub. L. No. 107-99, sec. 4, Dec. 21, 2001	Zimbabwe	If the President certifies to the appropriate congressional committees that certain conditions 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

56	Pub. L. No. 107-245, sec. 6, Oct. 21, 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
57	50 U.S.C. 1701 note (Pub. L. No. 108-61, sec. 5, Jul. 28, 2003)	Burmese Freedom and Democracy Act	Treasury shall instruct the USED to oppose and vote against extending any IMF loan or financial or technical assistance to Burma until certain conditions are met, including that the State Peace and Development Council has made substantial progress to end human rights violations, to implement a democratic government, and that Burma is not designated as a country that has failed demonstrably to adhere to its obligations under international counternarcotics agreements.	Yes
58	Pub. L. No. 108-11, sec. 1503, Apr. 16, 2003 (as amended by Pub. L. No. 108-106, sec. 2204, Nov. 6, 2003)	Lifting of Iraqi Sanctions	Provisions of law that direct the U.S. Government to vote against or oppose loans or other use of funds in the IMF, including for financial or technical assistance, for Iraq shall not be construed as applying to Iraq.	No
59	Pub. L. No. 108-347, sec. 5, Oct. 20, 2004	Belarus Democracy Act	Treasury should instruct the USED to use the voice and vote of the United States to oppose the extension of any financial assistance, including any technical assistance or grant, to the government of Belarus, except for loans and assistance to serve humanitarian needs.	Yes
60	Pub. L. No. 108-458, sec. 7111, Dec. 17, 2004	Membership and leadership positions	The President, acting through the Secretary of the Treasury, should use the voice, vote, and influence of the United States to (1) reform, where appropriate, the criteria for leadership and, in appropriate cases, for membership at the IMF so as to exclude countries that violate the principles of the organization; (2) make it an IMF policy that a member country may not stand in nomination for membership or in nomination or in rotation for a significant leadership position if the country is subject to sanctions imposed by the UN Security Council; and (3) work to ensure that no member country stands in nomination for membership or in nomination or in rotation for a significant leadership position if the government has been determined by the Secretary of State to have repeatedly provided support for acts of international terrorism.	No
61	Pub. L. No. 108-497 (50 U.S.C. 1701 note), Dec. 23, 2004	Comprehensive Peace in Sudan Act	Notwithstanding the certification requirement in paragraph (1) of Section 6(b) of the Sudan Peace Act (Pub. L. No. 107-245), 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
62	Pub. L. No. 109-102, sec. 501, Nov. 14, 2005	Compensation for the USED	<b>No funds appropriated by the Foreign Operations, Export Financing, and Related Programs Appropriations Act, 2006, 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, or while the alternate U.S. Director is compensated by the IMF at a rate in excess of the rate provided for an individual occupying a position at level V of the Executive Schedule under 5 U.S.C. 5316.</b>	No
63	Pub. L. No. 109-102, sec. 514, Nov. 14, 2005	Trade, mining, and surplus commodities	Treasury shall instruct the USED to use the voice and vote 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 will cause substantial injury to the U.S. producers of the same, similar, or competing commodity.	Yes

64	Pub. L. No. 109-102, sec. 526(a), Nov. 14, 2005	Burma	Treasury shall instruct the USED to oppose and vote against extending IMF loans or financial or technical assistance or any other utilization of IMF funds to and for Burma.	Yes
65	Pub. L. No. 109-102, sec. 561, Nov. 14, 2005	Countries providing sanctuary to indicted war criminals	Treasury shall instruct the USED to vote against any new project involving the extension of 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 to the International Criminal Tribunal for the former Yugoslavia all persons indicted by the Tribunal and to otherwise cooperate with the Tribunal. This section does not apply to humanitarian assistance and assistance for democratization.	Yes
66	Pub. L. No. 109-102, sec. 562, Nov. 14, 2005	User fees	Treasury shall instruct the USED to oppose any loan, grant, strategy, or policy of the IMF that would require user fees or service charges on poor people for primary education or primary health care, 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 financing program.	Yes
67	Pub. L. No. 109-102, sec. 563, Nov. 14, 2005	Serbia and Montenegro	After May 31, 2006, Treasury should instruct the USED to support loans and assistance to the government of Serbia and Montenegro subject to certain conditions, including that the government of Serbia and Montenegro 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
68	Pub. L. No. 109-102, sec. 585, Nov. 14, 2005	Extraction and export of natural resources	Treasury shall inform the management of the IMF that it is the policy of the United States that the IMF should not provide assistance for the extraction and export of oil, gas, coal, timber, or other natural resource to any country unless the government of the country has in place or is working to establish functioning systems to (1) accurately account for revenues and expenditures in connection with the extraction and export of such natural resources, (2) independently audit such accounts and disseminate the audits, and (3) verify government receipts against company payments and disseminate such payment information in a manner that does not create competitive disadvantage or disclose proprietary information.	No
69	Pub. L. No. 109-102, sec. 572, Nov. 14, 2005	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 and for freedom of speech and association.	Yes
70	Pub. L. No. 109-102, sec. 575(a), Nov. 14, 2005	Tibet	Treasury should instruct the USED to use the voice and vote of the United States to support projects in Tibet, if the projects do not provide incentives for migration and settlement of non-Tibetans into Tibet or facilitate the transfer of ownership of Tibetan land and natural resources to non-Tibetans; are based on a thorough needs-assessment; foster self-sufficiency of Tibetan people and respect Tibetan culture and traditions; and are subject to effective monitoring.	No

Source: GAO.

Notes: The information in this enclosure is based on a GAO analysis of policy and directed vote legislative mandates concerning the IMF.

Mandates shown in bold represent mandates that were enacted since our last report in September 2005 and simply replaced older mandates or represent amendments to mandates.

<sup>a</sup> Treasury 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.

<sup>b</sup> This 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<sup>a</sup>

Broad policy objective	Law
<b>Administrative and personnel matters</b>	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) <b>Pub. L. No. 109-102, sec. 501 (Nov. 14, 2005)</b>
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)
<b>Burma</b>	Pub. L. No. 104-208, sec. 570 (Sept. 30, 1996) 50 U.S.C. 1701 note (Pub. L. No. 108-61, sec. 5 (Jul. 28, 2003)) <b>Pub. L. No. 109-102, sec. 526(a) (Nov. 14, 2005)</b>
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)
Exchange rate stability	22 U.S.C. 286y (Nov. 30, 1983) 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) Pub. L. No. 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)
<b>Poverty alleviation and education</b>	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) <b>Pub. L. No. 109-102, sec. 562 (Nov. 14, 2005)</b>
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)

<b>Serbia</b>	50 U.S.C. 1701 note (Pub. L. No. 103-160, sec. 1511 (Nov. 30, 1993) and Pub. L. No. 104-208, sec. 540 (Feb. 12, 1996)) <b>Pub. L. No. 109-102, sec. 563 (Nov. 14, 2005)</b>
Terrorism	22 U.S.C. 262d (Oct. 3, 1977) 22 U.S.C. 286e-11 (Oct. 10, 1978) 22 U.S.C. 262p-4q (Apr. 24, 1996) 22 U.S.C. 262p-4r (Oct. 26, 2001) 22 U.S.C. 262o-2 (Oct. 21, 1998)
<b>Tibet</b>	22 U.S.C. 6901 note (Pub. L. No. 107-228, sec. 616 (Sept. 30, 2002)) <b>Pub. L. No. 109-102, sec. 575(a) (Nov. 14, 2005)</b>
<b>Trade</b>	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) 22 U.S.C. 262n-3 (Oct. 21, 1998) 22 U.S.C. 262o-2 (Oct. 21, 1998) <b>Pub. L. No. 109-102, sec. 514 (Nov. 14, 2005)</b>
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)
Use of IMF resources	22 U.S.C. 286u (Oct. 7, 1980) 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)
<b>Zimbabwe</b>	Pub. L. No. 107-99, sec. 4 (Dec. 21, 2001) <b>Pub. L. No. 109-102, sec. 572 (Nov. 14, 2005)</b>

Source: GAO.

Notes: The information in this enclosure is based on a GAO analysis of policy and directed vote legislative mandates concerning the IMF.

Mandates shown in bold represent mandates that were enacted since our last report in September 2005 and simply replaced older mandates or represent amendments to mandates.

<sup>a</sup> Treasury 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.

Enclosure III: Comments from the Department of the Treasury



DEPARTMENT OF THE TREASURY  
WASHINGTON, D.C. 20020

Mr. Thomas Melito  
Director, International Affairs and Trade  
Government Accountability Office  
441 G Street, N.W.  
Washington, DC 20548

Dear Mr. Melito,

Thank you for your letter of June 14, 2006 and the opportunity to review the draft report on Treasury's promotion of U.S. policies at the IMF.

We appreciate the GAO's finding that Treasury, through its internal task force, continues to play an effective role in promoting U.S. policies at the IMF. As in the past, the report recognizes that the task force effectively ensures that issues related to legislative mandates in the IMF are systematically and proactively addressed. The draft report accurately reflects the process which Treasury has in place to advance U.S. policies at the IMF.

As noted in the past, the extensive mandates tend to undermine our effectiveness in influencing the IMF. We would welcome efforts by the Congress to effect a consolidation of the legislative mandates to remove unnecessary provisions.

Sincerely,

Mark Sobel  
Deputy Assistant Secretary  
International Monetary and Financial Policy

## **Enclosure IV: GAO Contacts and Staff Acknowledgments**

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### **Staff Acknowledgments**

Cheryl Goodman (Assistant Director), Valérie Leman Nowak, J.J. Marzullo, Grace Lui, and Debbie J. Chung also made key contributions to this report.

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