IMF and Hezbollah, Iran

"'We haven't had any conversations (with Hezbollah) or provided assurances that there would be continued financing,' after the IMF's current loan to Lebanon expires next month."
Masood Ahmed, the IMF's chief for the Middle East in response to assertions that the IMF was in talks with Hezbollah over a new loan package. Wall Street Journal.
May 27, 2009

The IMF does not discuss or negotiate loan packages with political parties or other groups; it can only negotiate with government officials and only lends to recognized governments.

Iran has not had a loan from the IMF since 1962; Syria has not had a loan since 1975; and Sudan has not had a loan since 1984. Cuba is not a member of the IMF.

Under the legislation, the United States representative to the IMF is required to oppose any loan or assistance to countries, such as Iran, that have been designated by the Secretary of State as a state sponsor of terrorism.

The United States can effectively block loans that it opposes. We have 17% of the votes on the IMF's board, by far the largest block of votes held by any single member (nearly three times the vote share of the next largest shareholder, Japan), and the board operates by consensus.

IMF and National Security

"The primary near term security concern of the United States is the global economic crisis and its geopolitical implications…The financial crisis and global recession are likely to produce a wave of economic crises in emerging market nations over the next year, prompting additional countries to request IMF or other multilateral or bilateral support. Since September 2008, ten nations committed to new IMF programs intended to provide balance of payments support. All face the task of tackling economic problems in a less benign global economic environment…

Time is probably our greatest threat. The longer it takes for the recovery to begin, the greater the likelihood of serious damage to US strategic interests."

Dennis C. Blair, Director of National Intelligence
Annual Threat Assessment of the Intelligence Community
February 12, 2009

The intelligence community has identified economic instability in emerging markets as the leading security threat to the United States.

The IMF is the only institution that can effectively provide immediate financial assistance to stabilize economies in crisis.

The IMF has moved quickly to avoid economic crises in key countries like Pakistan and is lending strong support to important U.S. allies like Mexico.

IMF and U.S. Jobs

"…[T]he global economic crisis has had a severe impact on emerging markets and developing countries. As conditions deteriorate in these countries, they endanger America's own growth along with U.S. jobs and exports. The IMF is the best instrument to provide these countries with the short term loans that will enable them to weather the crisis…We urge Congress to move expeditiously on the President's request."
Statement of 15 former senior U.S. economic and foreign policy officials, including Lee Hamilton, Colin Powell, Paul Volcker, and James Baker
May 26, 2009

"While American workers and companies have been hit hard, the U.S. economic recovery may be undermined by even more severe difficulties in some emerging markets. It is squarely in the U.S. national interest to support efforts to help these countries as they confront the financial crisis."
U.S. Chamber of Commerce
June 2, 2009

The United States' economic recovery depends on strong exports, and exports depend fundamentally on the health of our trading partners.

Last year exports accounted for over 2/3s of the growth in U.S. output.

The strongest growth in U.S. exports is to emerging markets. Last year 51 percent of our exports went to these countries, and between 2000 and 2008, exports to emerging markets accounted for 60 percent of the increase in U.S. merchandise exports.

Capital flows to emerging markets declined from $716 billion in 2007 to $447 billion in 2008 and are expected to drop to near zero this year. In the past a collapse in external financing has resulted in currency crises and sharp declines in trade in emerging markets.

As global capital flows have declined, access to financing from international institutions has become critical to support global growth. Thus, the United States supports efforts by the world leaders to ensure that these institutions have sufficient resources to help stem the deepening of the crisis.

IMF and Poor Countries

"Poor countries have been hit hard by the global economic downturn due to decreasing exports, remittances and commodity prices…United States assistance to fight global poverty and disease is a reflection of our nation's moral and humanitarian values and also a strategic tool in our foreign policy to help prevent conflict, instability, and migration. We applaud provisions in the FY2009 supplemental to enhance these efforts."
David Lane, President & CEO, ONE, an anti-poverty advocacy group founded by Bono, Bob Geldof, and Bobby Shriver
June 4, 2009

"Recent [IMF]-supported programs in countries hard hit by the global crisis have sought to protect the poorest and most vulnerable members of society. We have specifically designed social conditionality that protects social programs assisting the poor or provides for increases in such social spending."
Dominique Strauss-Kahn, Managing Director, IMF
April 8, 2009

Poor countries are particularly vulnerable to the global economic crisis. The IMF estimates that these countries will face external financing needs of as much as $138 billion as a result of the crisis.

Leading global poverty experts indicate the total social and economic cost of this crisis could exceed $1 trillion in the developing world.

The legislation will ensure that a substantial amount of the IMF's resources, at least $4 billion, will be designated to leverage additional IMF assistance to these particularly vulnerable countries of up to $17 billion, which will help to bolster food, health, and education spending in these countries. These funds will come from the IMF's own resources, including the gold proceeds authorized in the legislation, and will not require additional funding from the United States.

In 2008, IMF Manager Director Strauss-Kahn moved to disassociate the IMF from anti-labor features of a major World Bank initiative, the "Doing Business" report. The IMF's pro-labor stance ultimately helped to convince the World Bank to work with the International Labor Organization and others to reform the initiative.

A More Effective IMF

"[T]he crisis has invigorated the IMF. Under its capable managing director, Dominique Strauss-Kahn, the Fund has been one of the few official agencies ahead of – instead of behind – the curve."
Dani Rodrik, JFK School of Government, Harvard University, and a leading critic of the IMF's policies and programs during the Asian financial crisis of the 1990s
April 10, 2009

As part of the IMF's income and expenditure reforms, Managing Director Strauss-Kahn slashed the IMF's administrative budget by $100 million and eliminated 500 staff positions, making the institution leaner and more efficient.

The IMF has moved aggressively to retool its lending programs to make them responsive to the current crisis. Conditions on loans have been properly focused on factors critical to restoring long term growth in crisis countries.

IMF programs today are overwhelmingly focused on supporting government expenditures in low income countries, rather than constraining them, and the IMF has moved to explicitly protect social safety nets in crisis countries.

The legislation requires additional reforms at the IMF to protect critical food, health, and education spending in poor countries.

IMF and the Budget

"In the most likely situations, the IMF would draw against a small portion of the U.S. commitment and, CBO assumes, the likelihood of those funds being promptly repaid would be high. Thus, the cost of the U.S. commitment would be close to zero…"
Congressional Budget Office
May 19th, 2009

Under the legislation, the United States is increasing its line of credit to the IMF through the "New Arrangements to Borrow", but actual resources will be provided only if the line of credit is drawn upon. Any such drawings will be a claim on the IMF by the United States, and therefore a reserve asset of the United States that will earn interest.

CBO scored the budgetary cost of the expanded line of credit at $5 billion citing the very unlikely case in which the IMF drew on all of the line of credit provided for in the package and those funds were not repaid in full.

The interest earnings and appreciation of assets resulting from U.S. contributions to the IMF has historically exceeded our cost of borrowing. The United States has earned $2.79 billion from cumulative net interest and the change in the value of our assets in the IMF during the FY2000-2008 period.

IMF foreign exchange lending provides a significantly cheaper form of support internationally than if the United States were to seek to address international financial instability bilaterally, since it would require the U.S. to finance substantially larger foreign exchange holdings.

OTHER SUPPORT FOR POOR COUNTRIES IN SUPPLEMENTAL

SUPPLEMENTAL AUTHORIZES U.S. PARTICIPATION IN THE WORLD BANK'S IDA-15 REPLENISHMENT, WHICH WOULD RELEASE $1.1 BILLION U.S. DOLLARS ALREADY APPROPRIATED FOR DEBT RELIEF AND ANTI-POVERTY EFFORTS IN WORLD'S POOREST COUNTRIES.

IF TREASURY DOES NOT MAKE ITS FIRST ANNUAL IDA PAYMENT BEFORE JUNE 30, 2009, THE UNITED STATES WILL FAIL TO MEET ITS COMMITMENT TO FUND ITS SHARE OF THE COSTS OF THE MULTILATERAL DEBT RELIEF INITIATIVE (MDRI), WHICH PROVIDES CRITICAL DEBT RELIEF TO THE WORLD'S POOREST COUNTRIES.

SUPPLEMENTAL INCLUDES ADDITIONAL FUNDING FOR THE GLOBAL FUND TO FIGHT HIV/AIDS, TB, AND MALARIA, A CRITICAL MULTILATERAL FUND FOR TACKLING THESE THREE DEADLY BUT TREATABLE DISEASES.

SUPPLEMENTAL INCLUDES ADDITIONAL FUNDING FOR EMERGENCY HUMANTIARIAN RELIEF TO ADDRESS EMERGENCY HUMANITARIAN SITUATIONS, INCLUDING FOOD AID, DISASTER RESPONSE, AND REFUGEE RELIEF.