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ALIGNING IMF POLICIES WITH U.S. ECONOMIC AND STRATEGIC INTERESTS

SUMMARY

With the largest share of voting power at the International Monetary Fund (IMF), the U.S. has a unique role to play in shaping global economic policies. The U.S. investment has proven to be cost-effective, with IMF lending facilities providing a high-quality alternative to coercive capital from sources like China. The IMF has provided a venue for the U.S. to further its own foreign policy and global security interests and maintain financial stability in the markets of key trading partners. And its policies have served the interests of American businesses—IMF loans to countries experiencing economic problems have required them to protect foreign investment. Indeed, the U.S. Chamber of Commerce regularly urges Congress to fully fund Administration appropriations requests for the IMF.

The U.S.'s influence at the IMF is arguably needed now more than ever as more countries turn to the Fund for financing. Debt levels around the world are quickly reaching unsustainable levels that haven't been seen since the 1990s. There is no other venue that affords the U.S. this type of leverage to shape the policies that will determine the economic outcome in markets around the world. With more than half of low-income countries in or at high risk of debt distress, and estimates placing at least 25 percent of middle-income countries at risk, this is a critical juncture for the Fund in preventing the spread of a global financial crisis.

Debt is also becoming more expensive to service. Studies have shown that over the past decade, developing economies have seen interest payments increase by approximately 64 percent, and in Africa, an increase of 132 percent over the same period. This forces governments to cut spending and divert revenue to pay down their balances, depriving critical sectors like healthcare, education, and infrastructure of needed investment. Between 2019 and 2021, 25 African countries spent more on interest payments than on health.

As of March 2025, the IMF has over 70 active financing arrangements in over 40 countries. In many of the programs, the loan agreements negotiated by the Fund contain a variety of conditions—structural benchmarks—that governments must meet to receive payment. Historically, the requirements have largely focused on growth factors such as economic output, inflation, and interest rates, among others, but in recent years, there has been an increase in provisions related to governance and financial transparency.

A myriad of factors contributed to the failure over the past two decades of financing to build sustainable economies, but none more central nor widespread than corruption. The lack of any meaningful governance reforms and enforceable accountability measures in loan agreements dating back to 2000 gave license to the abuse and misuse of financing. In a 2024 study, Transparency International U.S. found that countries in or at risk of debt distress perform significantly worse in governance-related indices than those able to manage their debt.

EXAMPLES

Currently, Kenya has three separate loan programs with the IMF worth over $4 billion, placing the total number of IMF arrangements at 23. The country's debt currently stands at over $80 billion. Almost 50% of its budget is allocated to servicing its debt, far outpacing any other single line item such as health or education. As the current loan programs are set to conclude in 2025, the Kenyan government is already negotiating a new loan with the IMF. Local independent experts point to serious shortfalls in the country's public financial management and massive irregularities in state funded projects, arguing that lending without serious governance and accountability reforms is irresponsible and only pushes the country further into the debt trap.

Sri Lanka is currently undergoing their 17th IMF loan program, worth $3 billion and negotiated following the collapse of the country's economy in 2022. Financial mismanagement and corruption among Sri Lankan leaders led to what experts have labeled as the worst financial crisis in the country since its independence in 1948. The Sri Lankan government committed to a number of governance reforms under the program, but local independent experts have identified serious loopholes in their implementation, such as unnecessary redactions in the country's asset declaration system for government leaders and opaque processes for drafting new public procurement legislation.

CONCLUSION AND RECOMMENDATIONS

As the largest stakeholder to the Fund, and equipped with veto power over major decisions, the U.S. should leverage its influence to ensure accountability in lending and move the Fund to prioritize governance as a key feature in active and future loan programs. The U.S. representation to the IMF should support, and recruit other investor nations to support, requirements to ensure that loan funds are used for their intended purposes. A commitment to elevating governance and accountability in lending will both safeguard U.S. investments and strengthen regional economic stability, aligning with American foreign policy interests.

Some specific recommendations for the U.S. to promote to the IMF include:

- Ensuring that governments receiving the loans make specific, measurable, and time-bound commitments to strengthen governance and public financial management as a part of loan agreements, with consequences for noncompliance;
- Engaging in-country experts throughout the programs to better inform IMF staff assessments of priorities and gaps in implementation;
- Leveraging existent IMF channels to elevate these issues, including publishing more country-specific Governance Diagnostics, in-depth assessments of corruption risk and governance vulnerabilities across core state functions, and adopting the diagnostics' recommendations as structural benchmarks;
- Clearly stating expectations by including a list of structural benchmarks included in current loan programs on IMF country pages; and,
- Holding governments accountable to those expectations and ensuring that they credibly carry out commitments, refraining from issuing waivers of non-observance for benchmarks related to governance and financial integrity due to lack of political will, and publish audits promptly.

By ensuring responsible lending practices, the U.S. can advance the development of strong and resilient open markets. Without baseline measures of accountability in place, lending continues policies of the past that have, all too often, failed to achieve self-reliance and shared prosperity.

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