

118TH CONGRESS
2D SESSION

H. R. 7902

To support a review of surcharge policy at the International Monetary Fund.

IN THE HOUSE OF REPRESENTATIVES

APRIL 9, 2024

Mr. GARCÍA of Illinois (for himself, Mrs. BEATTY, Ms. PETTERSEN, Mr. CLEAVER, Mr. VARGAS, Ms. WILLIAMS of Georgia, Ms. TLAIB, Ms. PRESSLEY, and Ms. JAYAPAL) introduced the following bill; which was referred to the Committee on Financial Services

A BILL

To support a review of surcharge policy at the International Monetary Fund.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Stop Onerous Sur-
5 charges Act”.

6 **SEC. 2. UNITED STATES SUPPORT FOR A REVIEW OF SUR-** 7 **CHARGE POLICY AT THE INTERNATIONAL** 8 **MONETARY FUND.**

9 (a) FINDINGS.—The Congress finds the following:

1 (1) The International Monetary Fund (IMF)
2 imposes a surcharge, in addition to standard interest
3 and service fees, of 200 basis points on outstanding
4 credit provided through its General Resources Ac-
5 count that exceeds 187.5 percent of the IMF coun-
6 try quota, and an additional 100 basis points if that
7 credit has been outstanding for over 36 or 51
8 months, depending on the facility.

9 (2) According to the IMF, “These level and
10 time-based surcharges are intended to help mitigate
11 credit risk by providing members with incentives to
12 limit their demand for Fund assistance and encour-
13 age timely repurchases while at the same time gen-
14 erating income for the Fund to accumulate pre-
15 cautionary balances.”.

16 (3) Surcharges substantially increase the cost of
17 borrowing from the IMF, constituting, on average,
18 an estimated 39 percent of conventional charges
19 paid by affected countries in the past 5 years. Over
20 the next 5 years, surcharges will make up an esti-
21 mated 39 percent of Ecuador’s nonprincipal pay-
22 ments on its IMF lending program, and 24 percent
23 of Egypt’s.

24 (4) Despite Russia’s illegal invasion, Ukraine
25 remains one of the countries most heavily burdened

1 by surcharges. From 2024 to 2028, Ukraine is ex-
2 pected to pay the IMF approximately
3 \$1,500,000,000 in surcharges alone.

4 (5) The James M. Inhofe National Defense Au-
5 thorization Act for Fiscal Year 2023 (Public Law
6 117–263), which became law on December 23, 2022,
7 included language derived from the Ukraine Com-
8 prehensive Debt Payment Relief Act of 2022. The
9 Ukraine Comprehensive Debt Payment Relief Act of
10 2022 requires the Department of Treasury to make
11 efforts to secure debt relief for Ukraine, and was
12 passed by the House of Representatives on May 11,
13 2022, with overwhelming bipartisan support.

14 (6) As a result of the war in Ukraine and other
15 factors, in January 2024, the World Bank forecast
16 that the world would experience the worst 5-year pe-
17 riod of growth in 30 years. The external public debt
18 of developing economies is at record levels, and the
19 World Bank, IMF, and United Nations have all
20 warned of coming defaults and a potential global
21 debt crisis. Due to conflict, economic conditions, and
22 environmental factors, the World Food Program es-
23 timates that 783,000,000 people are facing extreme
24 hunger, and more than 333,000,000 people are fac-
25 ing acute levels of food insecurity.

1 (7) Official data shows that the number of
2 countries paying surcharges to the IMF has nearly
3 tripled since 2019, and many more countries are es-
4 timated to have debt burdens near the threshold.

5 (8) In a 2022 statement, dozens of former
6 heads of state and government from across the polit-
7 ical spectrum, including United States allies such as
8 the United Kingdom and Ukraine, have called for
9 the immediate suspension of IMF surcharges.

10 (9) An April 2022 brief from the United Na-
11 tions Global Crisis Response Group on Food, En-
12 ergy, and Finance on the impacts of the war in
13 Ukraine on developing countries called for the imme-
14 diate suspension of surcharge payments for a min-
15 imum of 2 years, because “[s]urcharges do not make
16 sense during a global crisis since the need for more
17 financing does not stem from national conditions but
18 from the global economy shock”.

19 (10) In October 2023, International Monetary
20 and Financial Committee Chair Nadia Calviño stat-
21 ed that the Fund “will consider a review of sur-
22 charge policies”.

23 (11) According to Deputy Under Secretary for
24 International Finance Brent Neiman, “China be-
25 came the world’s largest official creditor in 2017,

1 surpassing the claims of the World Bank, IMF, and
2 all Paris Club official creditors combined.”. By dra-
3 matically increasing the cost of borrowing from the
4 IMF, surcharges may incentivize developing nations
5 to seek financing from alternative sources like
6 China.

7 (b) REVIEW OF SURCHARGE POLICY AT THE INTER-
8 NATIONAL MONETARY FUND.—The Secretary of the
9 Treasury shall instruct the United States Executive Direc-
10 tor at the International Monetary Fund (IMF) to use the
11 voice and vote of the United States to—

12 (1) initiate an immediate review by the IMF of
13 its surcharge policy, to be completed, and its results
14 and underlying data published, within 365 days; and

15 (2) suspend and waive surcharge payments dur-
16 ing the pendency of the review.

17 (c) COMPONENTS OF THE REVIEW OF SURCHARGE
18 POLICY.—The review referred to in subsection (b) shall
19 include the following:

20 (1) A borrower-by-borrower analysis of sur-
21 charges in terms of cost and as a percentage of na-
22 tional spending on debt service on IMF loans, food
23 security, health, and education for the 5-year period
24 beginning January 1, 2018.

1 (2) Evaluation of the policy’s effectiveness at
2 achieving its goals of—

3 (A) disincentivizing large and prolonged re-
4 liance on IMF credit;

5 (B) mitigating the credit risks taken by
6 the IMF;

7 (C) improving borrower balance of pay-
8 ments and debt sustainability, particularly dur-
9 ing periods of contraction, unrest, public health
10 emergency, high interest rates, and high global
11 prices of commodities; and

12 (D) promoting fiscally responsible policy
13 reforms.

14 (3) Evaluation of the policy’s potential unin-
15 tended consequences of—

16 (A) incentivizing borrowers to seek opaque
17 and potentially predatory bilateral loans; and

18 (B) hindering the ability of borrowers to
19 repay private creditors and access the private
20 credit market.

21 (4) Recommendations for—

22 (A) identifying alternative sources of fund-
23 ing for the IMF’s precautionary balances that
24 prioritize stable funding sources and equitable
25 burden-sharing among IMF members; and

1 (B) determining whether the Fund should
2 maintain, reform, temporarily suspend, or elimi-
3 nate the use of surcharges.

4 (5) Extensive consultation with relevant ex-
5 perts, particularly those from countries that are cur-
6 rently paying or have recently paid surcharges.
7 These experts should include government officials re-
8 sponsible for overseeing economic development, fiscal
9 policy, health care and other social services, and de-
10 fense, as well as experts in global financial policy,
11 global risk analysts, academics, and civil society rep-
12 resentatives.

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