

AMENDMENT TO RULES COMMITTEE PRINT 117-

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OFFERED BY MR. GARCÍA OF ILLINOIS

Page 1262, after line 23, insert the following:

1 **SEC. ____ . REVIEW OF IMF LOAN SURCHARGE POLICY.**

2 (a) FINDINGS.—The Congress finds as follows:

3 (1) The International Monetary Fund (in this
4 section referred to as the “IMF”) imposes a sur-
5 charge, in addition to standard interest and service
6 fees, of 200 basis points on outstanding credit pro-
7 vided through its General Resources Account that
8 exceeds 187.5 percent of the IMF country quota,
9 and an additional 100 basis points if that credit has
10 been outstanding for over 36 or 51 months, depend-
11 ing on the facility.

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

1 (3) According to the European Network on
2 Debt and Development, surcharges increase the av-
3 erage cost of borrowing from the IMF by over 64
4 percent for surcharged countries. Surcharges have
5 increased Ukraine's borrowing costs on its IMF
6 lending program by nearly 27 percent, Jordan's by
7 72 percent, and Egypt's by over 104 percent.

8 (4) As a result of Russia's invasion, the World
9 Bank predicts that Ukraine will experience an eco-
10 nomic contraction of 45 percent in 2022. Yet
11 Ukraine is expected to pay the IMF an estimated
12 \$483,000,000 in surcharges from 2021 through
13 2027.

14 (5) The Ukraine Comprehensive Debt Payment
15 Relief Act of 2022 (H.R.7081), which requires the
16 Department of Treasury to make efforts to secure
17 debt relief for Ukraine, was passed by the House of
18 Representatives on May 11, 2022, with over-
19 whelming bipartisan support, by a vote of 362 Yeas
20 to 56 Nays.

21 (6) As a result of the war in Ukraine and other
22 factors, the World Bank predicts that global growth
23 rates will slow to 2.9 percent in 2022, down nearly
24 half from 2021. External public debt of developing
25 economies is at record levels, and the World Bank,

1 IMF, and United Nations have all warned of coming
2 defaults and a potential global debt crisis. As food
3 and energy prices rise, the World Food Program es-
4 timates that 750,000 people are at immediate risk
5 of starvation or death, and 323,000,000 people may
6 experience acute food insecurity before the end of
7 the year.

8 (7) Since 2020, the number of countries paying
9 surcharges to the IMF has increased from 9 to 16.
10 A December 2021 IMF policy paper, notes that
11 under the IMF’s model-based World Economic Out-
12 look scenario “the number of surcharge-paying
13 members would increase to 38 in FY 2024 and FY
14 2025” and that under the Fund’s “adverse scenario,
15 the number of surcharge-paying members and the
16 amount of surcharge income would increase even
17 more sharply”.

18 (8) An April 2022 brief from the United Na-
19 tions Global Crisis Response Group on Food, Energy
20 and Finance on the impacts of the war in Ukraine
21 on developing countries called for the immediate sus-
22 pension of surcharge payments for a minimum of 2
23 years, because “[s]urcharges do not make sense dur-
24 ing a global crisis since the need for more financing

1 does not stem from national conditions but from the
2 global economy shock”.

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

8 (1) initiate an immediate review by the IMF of
9 the surcharge policy of the IMF to be completed,
10 and its results and underlying data published, within
11 365 days; and

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

14 (c) COMPONENTS OF THE REVIEW OF SURCHARGE
15 POLICY.—The review referred to in subsection (b) shall
16 include the following:

17 (1) A borrower-by-borrower analysis of sur-
18 charges in terms of cost and as a percentage of na-
19 tional spending on debt service on IMF loans, food
20 security, health, and childcare for the 5-year period
21 beginning at the start of the COVID-19 pandemic.

22 (2) An evaluation of the overall effectiveness of
23 the IMF surcharge policy at—

24 (A) disincentivizing large and prolonged re-
25 liance on Fund credit;

1 (B) incentivizing early repayment;

2 (C) supporting the accumulation of pre-
3 cautionary balances by the IMF;

4 (D) mitigating the credit risks taken by
5 the IMF;

6 (E) improving borrower balance of pay-
7 ments and debt sustainability, particularly dur-
8 ing periods of contraction, unrest, and pan-
9 demic;

10 (F) promoting fiscally responsible policy
11 reforms;

12 (G) disincentivizing borrowers from seek-
13 ing opaque and potentially predatory bilateral
14 loans from the China Development Bank and
15 other Chinese state-owned lenders); and

16 (H) improving the ability of borrowers to
17 repay private creditors and access the private
18 credit market.

19 (3) Recommendations for—

20 (A) Identifying alternative sources of fund-
21 ing for the IMF's precautionary balances that
22 prioritize stable funding sources and equitable
23 burden-sharing among IMF members;

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

4 (4) The review process must incorporate exten-
5 sive consultation with relevant experts, including
6 government officials, United Nations officials, eco-
7 nomic research institutes, academics, and civil soci-
8 ety organizations, particularly from countries that
9 are paying or have recently paid surcharges to the
10 IMF.

