[DISCUSSION DRAFT]

118TH CONGRESS
2D SESSION

H. R. ______

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

IN THE HOUSE OF REPRESENTATIVES

Mr. GARCÍA of Illinois introduced the following bill; which was referred to the Committee on ______________________________

A BILL

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

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.

This Act may be cited as the ''Stop Onerous Surcharges Act''.

SEC. 2. UNITED STATES SUPPORT FOR A REVIEW OF SURCHARGE POLICY AT THE INTERNATIONAL MONETARY FUND.

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

(1) The International Monetary Fund (IMF) imposes a surcharge, in addition to standard interest and service fees, of 200 basis points on outstanding credit provided through its General Resources Account that exceeds 187.5 percent of the IMF country quota, and an additional 100 basis points if that credit has been outstanding for over 36 or 51 months, depending on the facility.

(2) According to the IMF, ''These level and time-based surcharges are intended to help mitigate credit risk by providing members with incentives to limit their demand for Fund assistance and encourage timely repurchases while at the same time generating income for the Fund to accumulate precautionary balances.''.

(3) Surcharges substantially increase the cost of borrowing from the IMF, constituting, on average, an estimated 39 percent of conventional charges paid by affected countries in the past 5 years. Over the next 5 years, surcharges will make up an estimated 39 percent of Ecuador's nonprincipal payments on its IMF lending program, and 24 percent of Egypt's.

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

by surcharges. From 2024 to 2028, Ukraine is expected to pay the IMF approximately $1,500,000,000 in surcharges alone.

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

(6) As a result of the war in Ukraine and other factors, in January 2024, the World Bank forecast that the world would experience the worst 5-year period of growth in 30 years. The external public debt of developing economies is at record levels, and the World Bank, IMF, and United Nations have all warned of coming defaults and a potential global debt crisis. Due to conflict, economic conditions, and environmental factors, the World Food Program estimates that 783,000,000 people are facing extreme hunger, and more than 333,000,000 people are facing acute levels of food insecurity.

(7) Official data shows that the number of countries paying surcharges to the IMF has nearly tripled since 2019, and many more countries are estimated to have debt burdens near the threshold.

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

(9) An April 2022 brief from the United Nations Global Crisis Response Group on Food, Energy, and Finance on the impacts of the war in Ukraine on developing countries called for the immediate suspension of surcharge payments for a minimum of 2 years, because ‘‘[s]urcharges do not make sense during a global crisis since the need for more financing does not stem from national conditions but from the global economy shock’’.

(10) In October 2023, International Monetary and Financial Committee Chair Nadia Calviño stated that the Fund ‘‘will consider a review of surcharge policies’’.

(11) According to Deputy Under Secretary for International Finance Brent Neiman, ‘‘China became the world's largest official creditor in 2017,

surpassing the claims of the World Bank, IMF, and all Paris Club official creditors combined.''. By dramatically increasing the cost of borrowing from the IMF, surcharges may incentivize developing nations to seek financing from alternative sources like China.

(b) REVIEW OF SURCHARGE POLICY AT THE INTERNATIONAL MONETARY FUND.—The Secretary of the Treasury shall instruct the United States Executive Director at the International Monetary Fund (IMF) to use the voice and vote of the United States to—

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

(2) suspend and waive surcharge payments during the pendency of the review.

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

(1) A borrower-by-borrower analysis of surcharges in terms of cost and as a percentage of national spending on debt service on IMF loans, food security, health, and education for the 5-year period beginning January 1, 2018.

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

(A) disincentivizing large and prolonged reliance on IMF credit;

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

(C) improving borrower balance of payments and debt sustainability, particularly during periods of contraction, unrest, public health emergency, high interest rates, and high global prices of commodities; and

(D) promoting fiscally responsible policy reforms.

(3) Evaluation of the policy's potential unintended consequences of—

(E) incentivizing borrowers to seek opaque and potentially predatory bilateral loans; and

(F) hindering the ability of borrowers to repay private creditors and access the private credit market.

(4) Recommendations for—

(A) identifying alternative sources of funding for the IMF's precautionary balances that prioritize stable funding sources and equitable burden-sharing among IMF members; and

(B) determining whether the Fund should maintain, reform, temporarily suspend, or eliminate the use of surcharges.

(5) Extensive consultation with relevant experts, particularly those from countries that are currently paying or have recently paid surcharges. These experts should include government officials responsible for overseeing economic development, fiscal policy, health care and other social services, and defense, as well as experts in global financial policy, global risk analysts, academics, and civil society representatives.