



DEPARTMENT OF THE TREASURY
WASHINGTON, D.C.

ASSISTANT SECRETARY
FOR LEGISLATIVE AFFAIRS

February 11, 2022

The Honorable Jesús G. “Chuy” García
U.S. House of Representatives
Washington, DC 20515

Dear Representative García:

Thank you for your letter dated January 10. Treasury shares your concern about the impact of this pandemic on the developing world and the disparities in recovery between advanced and low-income and developing countries. We agree that the IMF has an important role to play in mitigating this divergence and supporting a robust global recovery.

Treasury strongly supports the IMF’s efforts to provide critical financing in response to the pandemic. This includes over \$170 billion in new IMF financing over the last two years. Of this total, the IMF provided approximately \$17 billion of concessional financing to the poorest countries. In addition, the IMF’s Catastrophe and Containment Relief Trust provided \$727 million in debt relief to 29 countries between 2020 and 2021. The IMF also continues to provide technical assistance and policy advice to help countries determine the appropriate economic policy responses to recover from the pandemic.

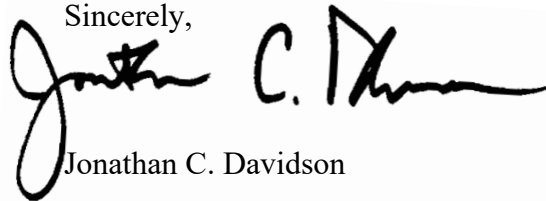
Treasury supported the \$650 billion allocation of IMF Special Drawing Rights (SDRs), that took place in August 2021. Low-income and emerging market countries, excluding China, received about \$232 billion from that allocation. Treasury is now leading international efforts by countries with strong economies to “channel” their excess SDRs to vulnerable economies to boost their impact. In late 2021, President Biden and G20 leaders agreed to a global goal of channeling \$100 billion worth of SDRs in this effort. As part of this effort, the IMF’s newly proposed Resilience and Sustainability Trust (RST), which would provide highly concessional financing in support of longer-term investments to bolster pandemic preparedness and climate change mitigation. Treasury has requested authorization in the FY22 budget to lend up to \$21 billion worth of SDRs to the RST as well as the Poverty Reduction and Growth Trust (PRGT), which supports IMF lending to the poorest countries, and \$102 million in appropriations to cover the budget cost of this lending. These requests will enable the IMF to continue providing concessional lending to help countries address the pandemic, economically recover, and make longer-term structural reforms to mitigate climate and pandemic risks.

Your letter raises the issue of IMF surcharges. IMF surcharges are aimed at addressing the increased risk to shareholders involved in lending large sums to member countries. Surcharges apply only to outstanding credit above normal thresholds of lending. Most importantly, surcharges do not apply to IMF borrowing under the PRGT and therefore are not paid by the

poorest countries. Even with surcharges, the rates applied to IMF loans are generally below market rates. For example, the current maximum interest rate applied to borrowing is 4.09 percent. Revenue from surcharges for those countries who do pay them helps build precautionary balances to protect the IMF's shareholders against potential losses. In Treasury's view, surcharges need to be considered in the context of the overall balance sheet of the IMF, most importantly its ability to absorb potential losses from nonrepayment of its lending.

Thank you again for your letter and I hope this information is helpful. Should you have questions or require additional information, please reach out to the Office of Legislative Affairs at LegAffairs@treasury.gov.

Sincerely,

A handwritten signature in black ink that reads "Jonathan C. Davidson". The signature is fluid and cursive, with the first name being particularly prominent.

Jonathan C. Davidson

Identical letter sent to:

The Honorable Alexandria Ocasio-Cortez
The Honorable Pramila Jayapal

cc The Honorable Adriano Espaillat
The Honorable Ilhan Omar
The Honorable Rashida Tlaib
The Honorable Eleanor Holmes Norton
The Honorable Earl Blumenauer
The Honorable Jan Schakowsky
The Honorable Raúl M. Grijalva
The Honorable Barbara Lee
The Honorable James P. McGovern
The Honorable Betty McCollum
The Honorable Sara Jacobs
The Honorable Karen Bass
The Honorable Mondaire Jones
The Honorable Ro Khanna
The Honorable Judy Chu