

## **IMF Surcharges are Unfair, Counterproductive and a Threat to an Equitable Global Economic Recovery. They Should be Eliminated Immediately.**

On Jan. 17, UNSG Antonio Guterres delivered a grim warning to the world, stating that “at this critical moment, we are setting in stone a lopsided recovery.” The latest economic forecasts back up his words. The International Monetary Fund (IMF) [projects](#) that GDP growth for low- and middle-income countries (excluding China) in 2024 is expected to be 5.5 percent below the pre-pandemic trend; for low-income countries, this gap is 6.7 percent.

Increasing sovereign debt levels is one of the main challenges threatening the prospect of a global, equitable and ecologically sustainable recovery. The [IMF](#), the [World Bank](#) and the [UN](#) are among the voices alerting of the need for [urgent action](#) in the face of increasing [risks of disorderly defaults](#). Growing debt payments, rising interest rates and, consequently, financing constraints are forcing many global south countries to [withdraw policy support for the recovery](#) and [cut vital health and social spending](#).

**In light of this alarming situation, we are deeply concerned that the IMF continues to levy punitive fees on countries facing debt distress while struggling against the effects of the pandemic. The Fund has ignored repeated appeals<sup>1</sup> from development experts, civil society groups, governments and national legislators to urgently review its practice of imposing surcharges on loans and seriously consider the immediate suspension or outright elimination of this policy.**

The surcharges policy<sup>2</sup>, requiring countries with high levels of conventional IMF debt to pay onerous additional fees, was already patently unfair and counterproductive in the pre-pandemic era. In the context of today’s global economic and public health crisis, surcharges are particularly cruel and self-defeating, and violate the [Fund’s core mission](#) of providing temporary funding for countries “without resorting to measures destructive of national or international prosperity.”

As stressed by former UN Independent Expert (IE) on foreign debt and human rights, Juan Pablo Bohoslavsky, in an [open letter](#), the practice is in violation of international human rights law, as discrimination against states—not treating them equally without a legitimate reason—is not

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<sup>1</sup> See:

<https://www.nytimes.com/2022/01/14/business/economy/imf-surcharges.html>

<https://www.devex.com/news/should-imf-ditch-surcharges-some-economists-and-lawmakers-think-so-102568>

<https://voxeu.org/article/imf-surcharges-lose-lose-policy-global-recovery>

<https://www.brettonwoodsproject.org/2021/12/imfs-punishing-surcharges-strain-covid-19-response-and-recovery-efforts/>

<sup>2</sup> See:

<https://cepr.net/report/imf-surcharges-counterproductive-and-unfair/>

<https://cepr.net/wp-content/uploads/2021/12/CEPR-Surcharges-Fact-Sheet.pdf>

<https://www.bu.edu/gdp/2021/10/04/understanding-the-consequences-of-imf-surcharges-the-need-for-reform/>

[https://www.eurodad.org/a\\_guide\\_to\\_imf\\_surcharges](https://www.eurodad.org/a_guide_to_imf_surcharges)

permissible under international law. International financial institutions must ensure that the terms of their transactions do not undermine the borrower state's ability to respect, protect and fulfil its human rights obligations.

IMF surcharges are procyclical and regressive. They jeopardize the recovery of countries facing severe economic difficulties, forcing them to use scarce resources to meet these additional payments, rather than for critical domestic expenditures, such as purchasing vaccines, fighting gender inequality, addressing climate change or funding anti-poverty programs.

To put this into perspective, Egypt, for example, is expected to spend around US \$1.8 billion on surcharges between 2019 and 2024, which is three times the US \$602 million it would cost to fully vaccinate all Egyptians. In Tunisia and Pakistan, surcharges add up to roughly a third of their entire health-sector fiscal efforts during the pandemic.

Ukraine, which is experiencing capital flight and a sharp depreciation of its national currency as a result of recent tensions with Russia, will be required to pay \$423 million in surcharges between 2021 and 2023, equivalent to 25% of its entire health-sector fiscal effort during the pandemic. The climate vulnerable island nation of Barbados will pay millions of dollars in surcharge payments rather than investing this money in climate adaptation.

These are but a few examples of how surcharges are draining government spending in countries that are struggling to address the fallout of the pandemic and inequality and climate crises. Alarmingly, many more countries can be expected to have to pay surcharges in the years to come. Already, the number of developing countries facing surcharges has risen from 9 to 16 since the pandemic began. By 2025, the [IMF projects](#) that that number will have skyrocketed to 38.

It's worth noting that governments aren't always fully aware of the existence of surcharges, and they are hidden from public scrutiny, as the IMF doesn't identify them in their staff reports or their publicly available financial statements. Surcharges resemble the hidden fees that credit cards charge desperate consumers.

Surcharges have turned the pandemic into a profit opportunity for the IMF, which collected over \$2 billion in surcharge fees in 2021, compared to \$1 billion in 2019. The [IMF expects](#) that its total surcharges income will increase beyond SDR 2 billion by 2027. The Fund is using this income to replenish its own capital reserves that are already significantly above the Board-mandated floor.

The IMF should rely on fairer and less harmful sources of financing for its precautionary balances, such as small SDR contributions from high-income countries or an updated valuation of a portion of IMF gold reserves. As Nobel laureate economist [Joseph Stiglitz](#) observed, "surcharges are going exactly against

what [the IMF is] supposed to be doing. It's supposed to be helping countries... not extracting extra rents from them because of their dire need."

The IMF has claimed in the past that surcharges provide incentive for countries to repay their loans early and limit their reliance on the IMF. In fact, given the intrusive conditionalities attached to lending programs and the domestic tensions they typically trigger, it is highly unlikely that countries would choose to borrow from the IMF as anything but a last resort. The IMF also claims that surcharges help reduce credit risk even though the Fund's own sustainability analyses show that a lower debt burden is more likely to ensure a timely repayment of loans. **At the end of the day, there is simply no reasonable justification for imposing surcharges.**

In June of 2020, IMF Managing Director [Kristalina Georgieva](#) told the world that the Fund would "support our members however we can" in responding to the pandemic. But charging struggling nations harmful and unnecessary fees that violate international human rights law does not reflect that sentiment. **We call on the IMF's Executive Board to carry out an immediate review of surcharge policy, ensure transparency around past and future surcharge payments, and align the institution with its mandate by supporting the complete elimination of surcharges.**