

To Support the Global Economy, G7 Should Call for IMF to Remove Harmful Surcharges

Developing economies are currently facing what the United Nations has [described as](#) a “perfect storm.” The ongoing COVID-19 pandemic, a looming global debt crisis, and now, rising food, fertilizer, and energy prices as a result of the war in Ukraine threaten to “throw up to 1.7 billion people — over one-fifth of humanity — into poverty, destitution and hunger on a scale not seen in decades,” according to UN Secretary-General António Guterres.

Beginning on June 26, the leaders of the G7 countries will meet in Germany to discuss, in part, what to do about these dire global challenges. **We, the undersigned organizations, urge the G7 to take action to support debt-distressed economies by calling for the International Monetary Fund (IMF) to immediately end its harmful surcharge policy.**

Surcharges — opaque, punitive fees levied on countries with high levels of outstanding IMF debt, on top of regular fees and service charges — have been widely denounced by [leading economists](#) and [lawmakers](#) as “[counterproductive and unfair](#).” By adding to the debt burdens of economies already struggling with balance of payments problems, these surcharges, in [the words of](#) Nobel laureate economist Joseph Stiglitz, go “exactly against what [the IMF is] supposed to be doing.”

More and more countries are having to pay surcharges primarily because of external economic shocks for which they bear no responsibility. Since the pandemic began, the number of countries paying surcharges has risen from nine to 16. By the IMF’s [projections](#), that number is predicted to jump to 38 in the next three years. This is an unacceptable burden to impose on debt-distressed economies at any time, but all the more so when their economic challenges are driven by exogenous forces. A recent report by the UN Global Crisis Response Group on Food, Energy and Finance — which just weeks prior had received a declaration of [support](#) from the G7 finance ministers — [recommends](#) that “IMF interest rate surcharges should be suspended for at least two years.”

In advance of this year’s IMF and World Bank spring meetings, over 180 civil society organizations from more than 65 countries — including those heavily impacted by surcharges such as Argentina, Ecuador, Egypt, Pakistan, and Ukraine — [called on](#) the IMF 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.” The IMF has so far refused to respond to this request.

Surcharges siphon valuable resources that could otherwise be spent responding to the COVID-19 pandemic, strengthening food security, or investing in economic recovery. Between 2019 and 2024, for example, Egypt will pay in surcharges more than three times the cost of a full course of vaccinations for the entire country. From 2021 to 2023, while struggling to survive the Russian invasion, Ukraine will be expected to pay over \$400 million in surcharges — about a quarter of its entire health-sector fiscal effort during the pandemic. As with other forms of debt and fiscal constraints, the costs of these diverted resources will be felt most acutely [by women](#) and other vulnerable groups.

In a moment of spiking food, fertilizers and energy prices, diverting vital resources to the IMF while they could be used to secure people's survival is a clear infringement on human rights. In fact, UN Independent Expert on foreign debt and human rights Juan Pablo Bohoslavsky considers IMF surcharges to be [in violation](#) of international human rights and other international law.

The IMF typically justifies its surcharge policy as a disincentive toward reliance on IMF loans, and a necessary source of income for the Fund's precautionary balances. Neither argument has merit. As a result of the IMF's harmful loan conditions, and the domestic political costs associated with them, countries only turn to the IMF as a last resort, and are required by the IMF's preferred creditor status to prioritize its repayment. Furthermore, surcharges have not, in fact, incentivized the top five borrowers to repay early. Rather, surcharges have compounded to these countries' rolled over debt to the IMF. Relying on those facing balance of payments crises to finance the IMF's operations, meanwhile, runs directly counter to the purpose of the Fund, and the IMF's own projections indicate that, if surcharge payments were halted, its precautionary balances [would still grow](#) well above the floor set by the Fund. Even if surcharges are fully removed, the Fund's projected yearly net earnings will remain positive.

The IMF's surcharge policy serves no purpose but to place an onerous burden on some of the very economies least equipped to pay. They become a punishment in times of dire need. They undermine the ability of developing countries to respond to COVID-19, hunger, energy shortages, climate change, and even, in the case of Ukraine, war. Economists, lawmakers, UN experts, and civil society organizations from around the world have called for their elimination, but the IMF board has turned the other way.

As the G7 leaders meet to discuss how to confront the perfect storm of multiple global crises, they should call on the IMF to immediately suspend surcharges, and conduct a thorough review of the policy, with an eye to its elimination.

Signers:

Al Hayat Center, Jordan

Arab Watch Coalition

Asociación Civil por la Igualdad y la Justicia (ACIJ), Argentina

Association Talassemiane pour environnement et développement (ATED) Chefchaouen
Maroc

Association Tunisienne de Gouvernance Locale " ATGL ", Tunisia

Association jeune pour jeune, Maroc

Bank Information Center

Bretton Woods Project

Campaign of Campaigns

Cátedra Abierta Plan Fénix, Argentina

Caribbean Policy Development Centre, Barbados

Center for Economic and Policy Research (CEPR)

Centre for Economic Strategy, Ukraine

Centre for Financial Accountability, India

Centro de Estudios Legales y Sociales (CELS), Argentina

Debt Justice Norway, Norway

Equidad de Género: Ciudadanía, Trabajo y Familia, Mexico

Erlassjahr.de - Entwicklung braucht Entschuldung (Jubilee Germany), Germany
Espace de Solidarité et de Coopération de l'Oriental, Maroc
European Network on Debt and Development (Eurodad)
Friends of the Earth US
Fundación SES, Argentina
GoAct Tunisia
Grupo de Estudios en Finanzas Internacionales (GEFI) / Universidad Nacional de Rosario (UNR), Argentina
Institute of Analysis and Advocacy (IAA), Ukraine
International Accountability Project
International Development Economics Associates (IDEAS)
LGBT Centre, Mongolia
Oyu Tolgoi Watch, Mongolia
Phenix Center for Economic Studies, Jordan
Rasid Center, Jordan
Red Latinoamericana por Justicia Económica y Social (LATINDADD)
Rivers without Boundaries Coalition, Mongolia
Talassemtane pour environnement et développement, Maroc
Third World Network
Twerwaneho Listeners' Club - (TLC), Uganda
Wedyan Association For Society Development, Yemen
Yemeni Observatory Association for social and economic rights, Yemen