



IMF PUNISHES STRUGGLING ECONOMIES WITH SURCHARGES

In the Mediterranean region, Tunisia, Egypt and Jordan are paying hefty additional fees for IMF loans just because they are economies under serious strain. The funds used to pay for the fees are desperately needed to invest in socio-economic rights enjoyment and environmental protection.

What are the surcharges?

Surcharges are additional payments, on top of regular interest payments and other fees, that countries are required to pay to the IMF if they have high levels of IMF debt. The additional cost is based on size and length of loans and can more than double countries' loan costs.



Who is subject to surcharges?

Worldwide, 14 countries are impacted by surcharges, all in severe financial despair and in debt crisis. In the MENA region, it is Jordan, Egypt and Tunisia. Both Egypt and Tunisia are among the top five countries in the world most at risk of defaulting on their debt.¹

EGYPT

Total loan cost: \$ 2,941 millions

\$ 1,437 \$ 1,504

Debt to the IMF in 2023 (millions of \$)

\$ 18,108

JORDAN

Total loan cost: \$ 273 millions

\$ 159 \$ 114

Debt to the IMF in 2023 (millions of \$)

\$ 1,971

TUNISIA

Total loan cost: \$ 207 millions

\$ 163 \$ 44

Debt to the IMF in 2023 (millions of \$)

\$ 2,067

Loan costs (millions of USD),
2021-2029

Surcharges (millions of USD),
2021-2029²

WHY DOES THE IMF APPLY SURCHARGES?

According to the IMF, to increase countries' motivation to repay their loans.

It is also framed as a needed contribution to the IMF's

WHY SHOULD THE IMF NOT APPLY SURCHARGES?

Given the unfavorable loan conditions, countries are not likely to keep up IMF assistance if they are not in dire need.

It is not fair that the crisis-stricken countries are the ones shouldering the responsibility of increasing the IMF's precautionary balances.

Surcharge income makes up around 0,18% of the IMF's total resources available for lending.³ Therefore, such income does not impact the Fund's lending power.

¹ See Bloomberg, "Why Developing Countries Are Facing a Debt Default Crisis", July 2022

² See Eurodad, "A Guide To IMF Surcharges", December 2021

³ See CEPR.net, "IMF Surcharges Can Be Removed as Precautionary Balances Are Safely Within Target", December 2022

WITHOUT EXTRA FEES...

EGYPT COULD PULL MILLIONS OUT OF POVERTY

With the 167.1 million USD in surcharges every year, Egypt could...

- ✓ Include more than 688 000 Egyptian families into the Takaful programme.⁴
- ✓ This would lift 2.75% of all Egyptian households above the poverty rate, decreasing the number of poor by more than 9.2%.⁵

Ending surcharges would relieve pressure on the country's capital accounts, which has heightened pressure on citizens as food imports rose leading to an inflationary wave that increased poverty.



JORDAN COULD INCREASE ITS ENVIRONMENTAL PROTECTION EFFORTS

With the 16 million USD in surcharges every year, Jordan could...

Extend its environmental protection measures by 45.5%.⁶



SURCHARGES ARE VIOLATING HUMAN RIGHTS AND IMF POLICY

Surcharges are in breach of the IMF's Article 1, which states that IMF lending cannot be "destructive of national or international prosperity".⁷

Surcharges also contravene international human rights law dictating that countries should not be discriminated against on the basis of their economic status.⁸ International financial institutions must not undermine the ability of states to generate, allocate and use their resources to the maximum potential for investment to achieve human rights, as they are required to do under international human rights law.⁹

Recently, the Executive Board of the IMF discussed the role of the surcharge policy, but rich countries like the US and Germany ruled against any changes.¹⁰

END UNFAIR IMF FEES THAT PUNISH STRUGGLING ECONOMIES!

WITH THE GLOBAL ECONOMIC CRISIS, NOW IS THE TIME TO END THIS OUTDATED AND UNFAIR PRACTICE!

⁴ A conditional and targeted cash transfer programme.

⁵ Calculation by Egypt Social Justice Platform, at a current exchange rate of 1 USD to 30.88 EGP. Arab Alternatives Forum for Studies: "Social Protection Policies in Egypt under Austerity".

⁶ Calculation done by Phenix Center for Informatics, based on the budget of the Jordanian National Fund and Environment Protection as stated in Jordan's national budget.

⁷ Article 1, v. Articles of Agreement of the International Monetary Fund (imf.org)

⁸ The Declaration on Principles of International Law Concerning Friendly Relations and Cooperation Among States in Accordance with the Charter of the United Nations stated already in 1970 that "[a]ll States enjoy sovereign equality. They have equal rights and duties and are equal members of the international community, notwithstanding differences of an economic, social, political or other nature."

⁹ International Covenant on Economic, Social and Cultural Rights (Art.2)