ANNEX 7

SURCHARGES

Surcharges are additional charges to the basic rate of charge levied by the IMF on loan amounts that surpass certain threshold levels relative to a member country's quota.[1] Surcharges apply only to non-concessional resources from the IMF's General Resources Account (GRA). There exist two types of surcharges: level-based and time-based.

Surcharges were first introduced in 1997 with the establishment of the Supplemental Reserve Facility (SRF).[2] At the time, they applied to the SRF only and had a time-based structure. In 2000, level-based surcharges were introduced on purchases in the credit tranches and under extended arrangements starting at 200 percent of quota to discourage unduly high access.[3] The purpose of time- and level-based surcharges was to discourage, respectively, the prolonged or unduly large use of Fund resources.

In 2009, surcharges were streamlined and aligned across facilities to simplify the structure of charges and to eliminate sources of misalignment of terms across facilities. The new single level-based threshold was set at the previous upper step of 300 percent of quota and the surcharge rate was set at 200 basis points. At the same time, the time-based repurchase expectation policy was eliminated and replaced by applying time-based surcharges of an additional 100 basis points on credit outstanding above 300 percent of quota for more than 36 months under all GRA facilities, which was deemed more effective and transparent. The reform also eliminated the SRF.

Surcharges were further reviewed in 2016, once the Fourteenth General Review of Quotas became effective doubling members' quotas. In the February 2016 review, the threshold for the 200 basis point level–based surcharge was revised to 187.5 percent of quota. The review also extended the trigger for the time-based surcharge to 51 months in the case of credit outstanding under the EFF, while keeping it unchanged at 36 months under the credit tranches.

Presently, the level-based and time-based surcharges apply as follows. Level-based surcharges are imposed at a rate of 200 basis points for the portion of credit exceeding 300 percent of the member's quota, and time-based surcharges of 75 basis points are applied to credit that remains outstanding beyond 36 months for purchases in the credit

[1] The cost of borrowing from the GRA facilities includes the basic charge (based on the market-determined SDR interest rate—which has a minimum floor of 5 basis points—plus a margin established by the IMF Executive Board every two years), surcharges (level- and time-based), commitment fee (for the undisbursed portion of a loan), and service charge (a fixed charge on each amount drawn).

[2] Prior to 1981, when a flat rate of charge was introduced for all IMF credit financed with ordinary resources, the IMF operated a graduated structure of charges based on the level and duration of credit outstanding. Different rates of charge continued to apply on financing from borrowed resources until 1993 (IMF, 2018).

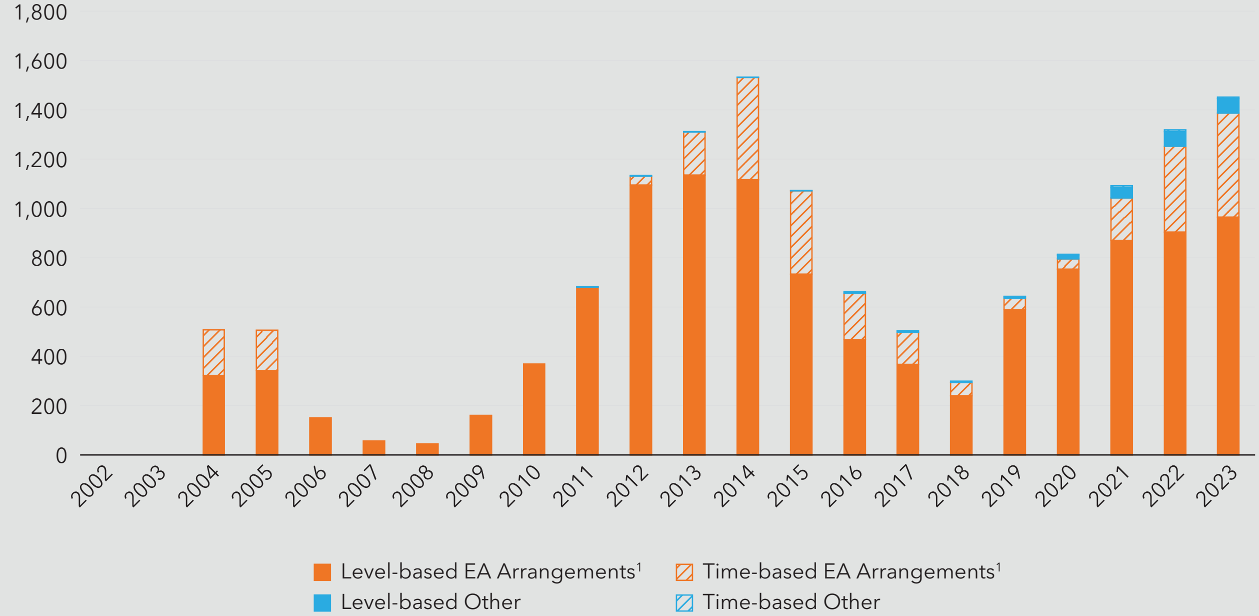
[3] At the time, the Executive Board also considered the thresholds of 300 percent (as per the NA limit) and a lower 100 percent threshold. A threshold in between—starting at 200 percent of quota and increasing after 300 percent of quota of credit outstanding—was adopted.

tranches, or beyond 51 months for purchases under the EFF.[4] The different time-based surcharge trigger for credit outstanding under the EFF aims to achieve alignment of the surcharges with the scheduled start of repurchases (54 months under extended arrangements) and the longer-term nature of the BOP needs specific to the EFF.

In terms of surcharges paid, the largest amounts were paid after the Global Financial Crisis and during the European sovereign debt crisis (Figure A7.1). Since their introduction, surcharges have generated SDR 14.3 billion for the Fund, of which SDR 11.6 billion is from level-based and SDR 2.7 billion from time-based surcharges (as of end-2023). The five largest payers have been Argentina, Greece, Portugal, Ukraine, and Ireland, which together account for SDR 8.1 billion (level-based) and SDR 2.0 billion (time-based). In 2023, surcharges generated SDR 1.5 billion, with the five largest payers being Argentina, Egypt, Ukraine, Ecuador, and Pakistan.

Although surcharges initially mainly aimed to discourage unduly long or large use of Fund resources, they have become an important source of the Fund's income. Surcharges have become inextricably tied to the Fund's income model and contribute to the IMF's precautionary balances.

FIGURE A7.1. EVOLUTION OF SURCHARGES PAID, 2002–23
(In SDR millions)



Sources: IMF Finance Department; IEO calculations.
Note: EA = Exceptional Access; SDR = Special Drawing Right.
[1]Members with at least one EA arrangement between 2002 and 2023.

[4] These charges became effective November 1, 2024, following the Fund's 2024 review of its charges and surcharges policy. Prior to this change and during the evaluation period, surcharges were higher, with the threshold for level-based surcharges at 187.5 percent of quota and the rate for time-based surcharges at 100 basis points.