

THE ROLE OF SPECIAL DRAWING RIGHTS

**Prepared for the G-24 Panel
July 1st, 2020**

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CHARACTERISTICS OF SDRs

- ❖ They are an important reserve asset, particularly for emerging and developing countries, and can play a counter-cyclical role, as they did in 2009.
- ❖ It's the only means by most countries share in the “seigniorage” of issuing international money.
- ❖ They are both an asset and a liability, effectively operating as an unconditional overdraft facility.
- ❖ Criteria for allocation: *long-term* needs of a global character, to *complement* other reserve assets.
- ❖ Most estimates indicate that allocations of \$200b a year would be acceptable (some up \$400b).
- ❖ It's one of the most under-utilized instruments of international cooperation.

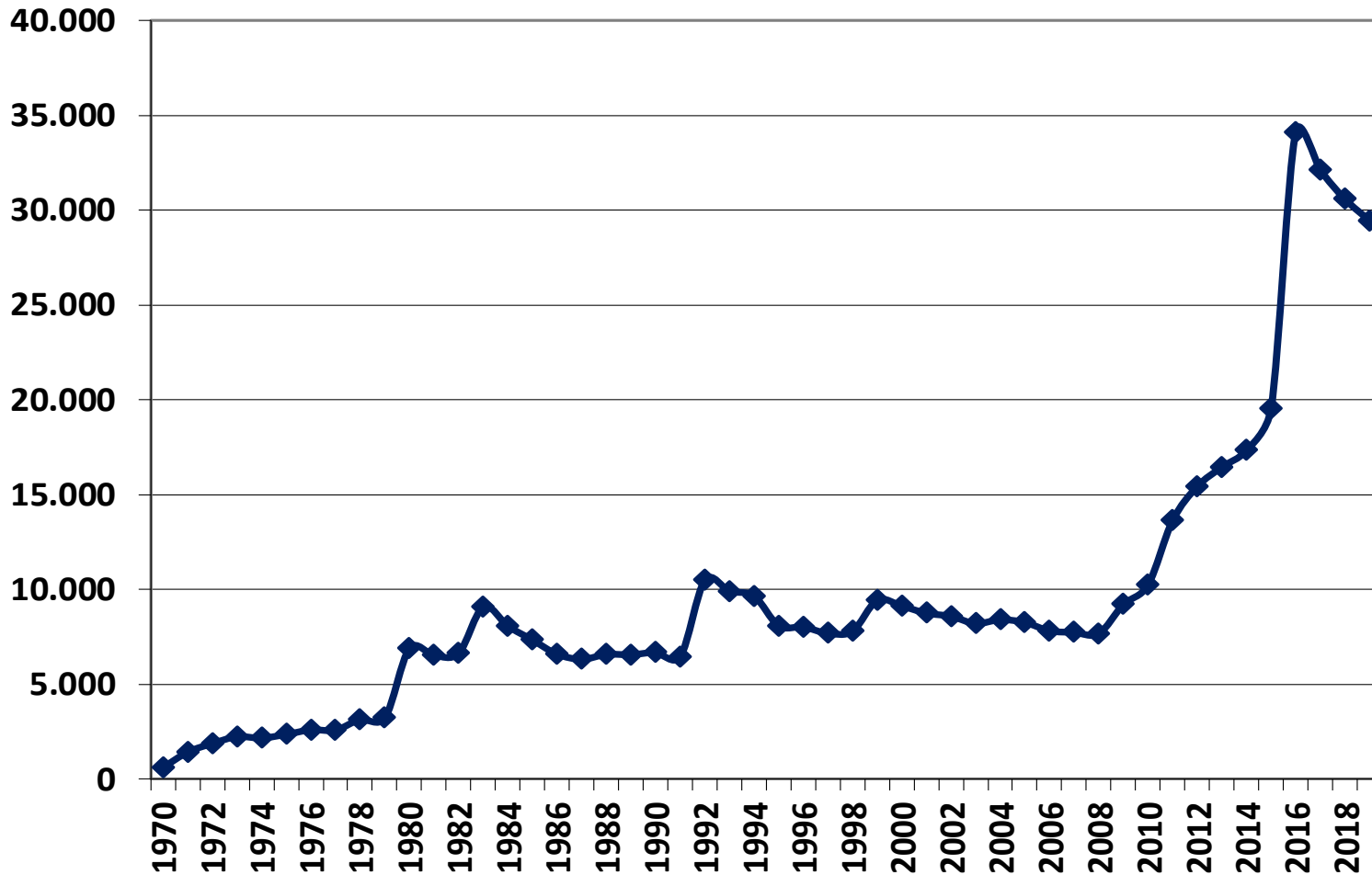
DEVELOPING COUNTRIES GET CLOSE TO TWO-FIFTHS OF SDR ALLOCATIONS

SDR allocations by level of development (in millions of SDRs)

	Allocations (in million SDRs)			Share in total allocations		
	1970-72	1979-81	2009	1970-72	1979-81	2009
High income: OECD	6.796	7.906	108.879	73,6%	65,8%	59,6%
United States	2.294	2.606	30.416	24,8%	21,7%	16,6%
Japan	377	514	11.393	4,1%	4,3%	6,2%
Others	4.125	4.786	67.070	44,7%	39,8%	36,7%
High income: non-OECD	17	127	3.588	0,2%	1,1%	2,0%
Gulf countries	0	78	2.057	0,0%	0,7%	1,1%
Excluding Gulf countries	17	49	1.531	0,2%	0,4%	0,8%
Middle income	1.488	2.730	54.173	16,1%	22,7%	29,6%
China	0	237	6.753	0,0%	2,0%	3,7%
Excluding China	1.488	2.493	47.420	16,1%	20,7%	26,0%
Low income	933	1.254	16.095	10,1%	10,4%	8,8%
Total allocations	9.234	12.016	182.734	100,0%	100,0%	100,0%

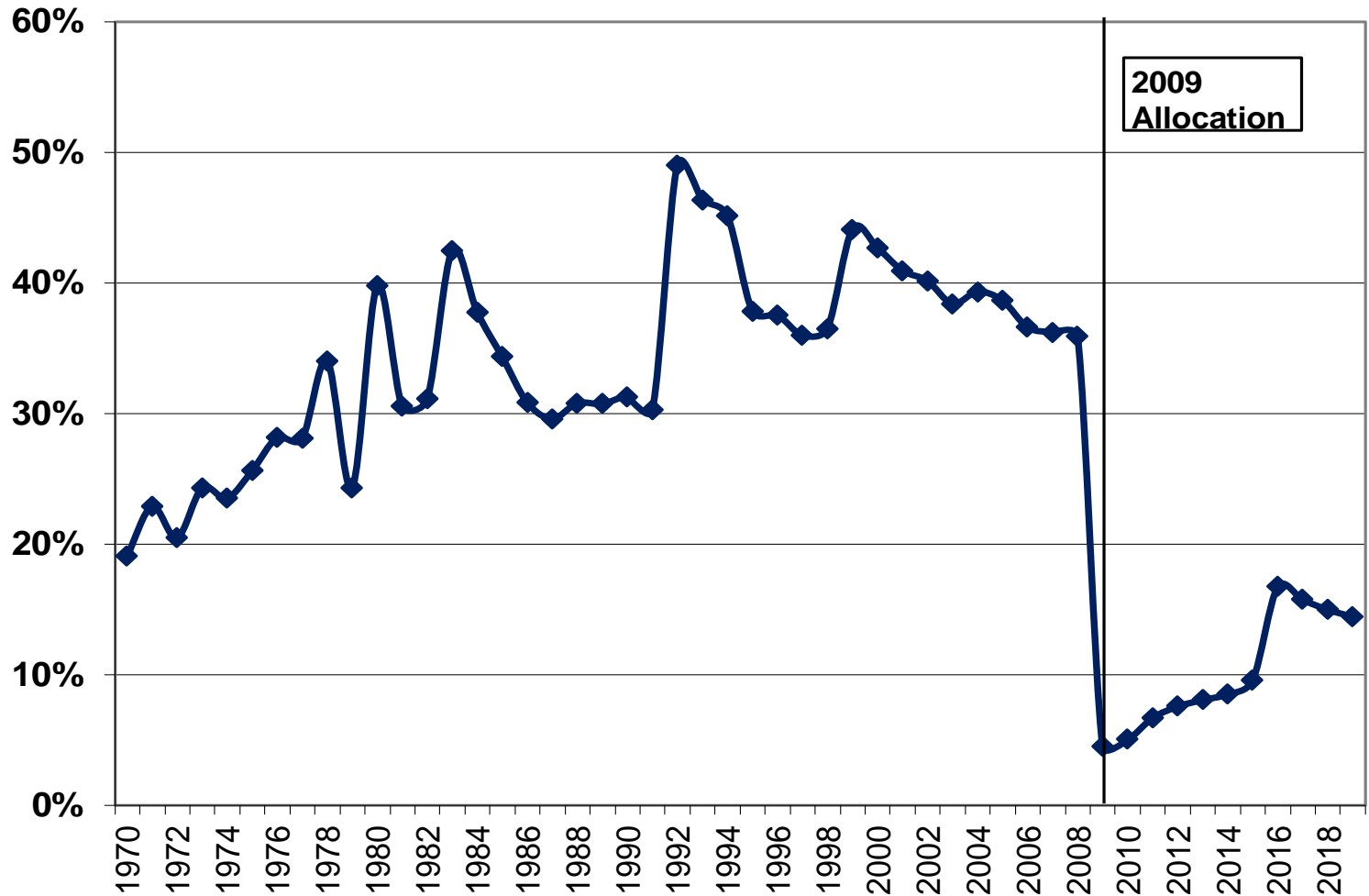
THE “MARKET” FOR SDRs IS SMALL BUT ACTIVE (1)

Total Net Drawings of SDRs (in millions of SDRs)



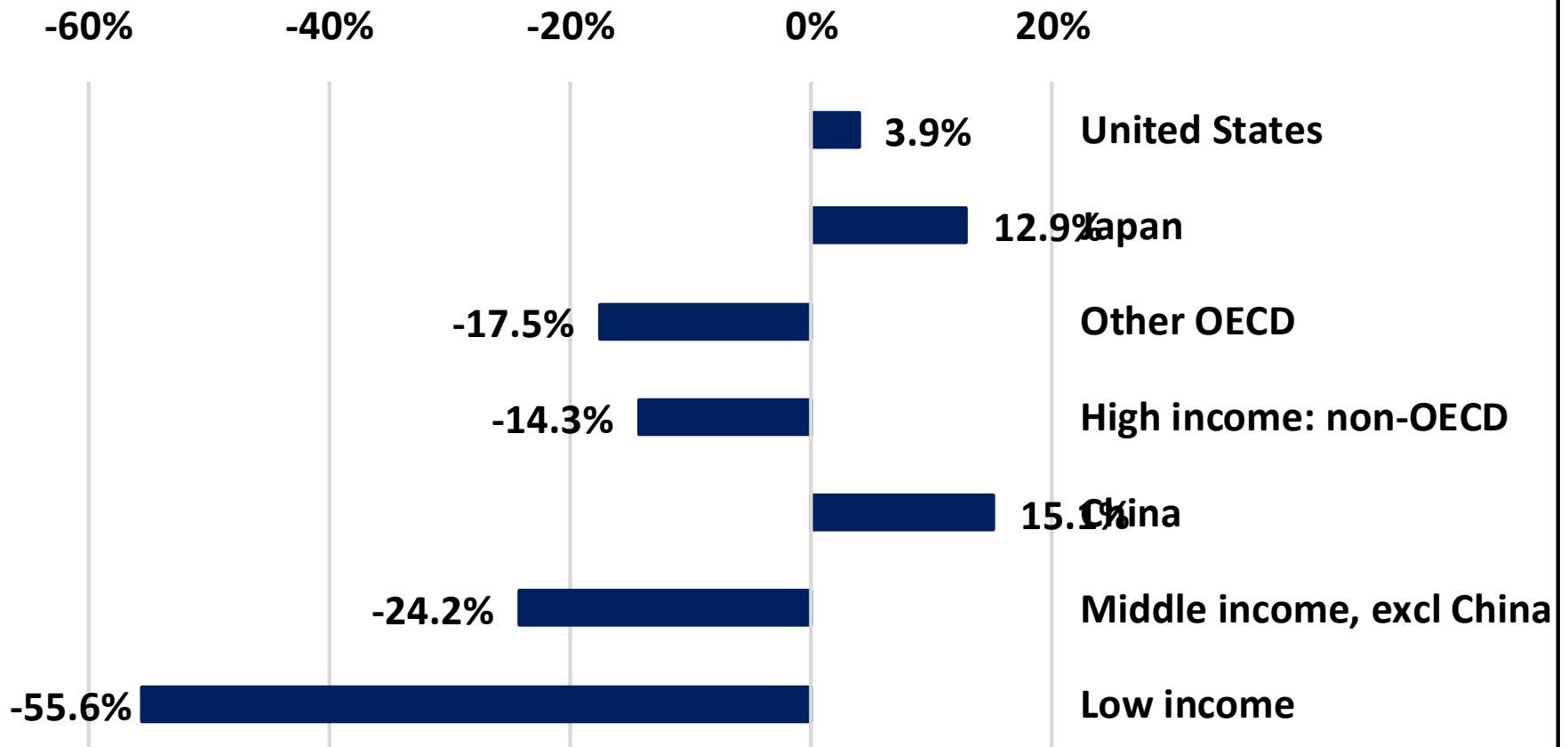
THE “MARKET” FOR SDRs IS SMALL BUT ACTIVE (2)

Total Net Drawings as Percent of Total Allocations



MIDDLE AND LOW-INCOME COUNTRIES ARE THE MOST ACTIVE USERS OF SDRs

Net holdings of SDRs as % of allocations, 2019



EXPANDED USE OF SDRs

- ❖ Countries that don't use their allocations can place them in trusts (such as PRGT), finance debt relief (CCRT and similar mechanisms), or for development assistance in general...
- ❖ ... or in a fund complementary to the New Arrangements to Borrow.
- ❖ A more radical reform: consider them as deposits in the IMF that it can use to finance its programs.
- ❖ Asymmetric allocation of SDRs, increasing the share of developing countries, or include the demand for reserves as one of the criteria for SDR allocation.
- ❖ Allowing private holdings, even in a limited way.

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