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

<table>
<thead>
<tr>
<th>SDR allocations by level of development (in millions of SDRs)</th>
<th>Allocations (in million SDRs)</th>
<th>Share in total allocations</th>
</tr>
</thead>
<tbody>
<tr>
<td>High income: OECD</td>
<td></td>
<td></td>
</tr>
<tr>
<td>United States</td>
<td>2.294</td>
<td>2.606</td>
</tr>
<tr>
<td>Japan</td>
<td>377</td>
<td>514</td>
</tr>
<tr>
<td>Others</td>
<td>4.125</td>
<td>4.786</td>
</tr>
<tr>
<td>High income: non-OECD</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gulf countries</td>
<td>0</td>
<td>78</td>
</tr>
<tr>
<td>Excluding Gulf countries</td>
<td>17</td>
<td>49</td>
</tr>
<tr>
<td>Middle income</td>
<td>1.488</td>
<td>2.730</td>
</tr>
<tr>
<td>China</td>
<td>0</td>
<td>237</td>
</tr>
<tr>
<td>Excluding China</td>
<td>1.488</td>
<td>2.493</td>
</tr>
<tr>
<td>Low income</td>
<td>933</td>
<td>1.254</td>
</tr>
<tr>
<td>Total allocations</td>
<td>9.234</td>
<td>12.016</td>
</tr>
</tbody>
</table>
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)
MIDDLE AND LOW-INCOME COUNTRIES ARE THE MOST ACTIVE USERS OF SDRs

Net holdings of SDRs as % of allocations, 2019

-60% -40% -20% 0% 20%

-55.6% -24.2% -14.3% -17.5% 3.9%

United States
Japan
Other OECD
High income: non-OECD
China
Middle income, excl China
Low income
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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