IMF special drawing rights allocations for global economic recovery

SUMMARY

On 2 August 2021, the International Monetary Fund (IMF) announced that an exceptionally large allocation of special drawing rights (SDRs), worth US$650 billion (€550 billion), had been approved with effect from 23 August 2021. The SDR allocation, the largest in the IMF’s history, would serve to ‘boost global liquidity’ and help all members ‘address the long-term global need for reserves’. The initiative complies with the IMF’s mission of monitoring and promoting stability on the international monetary markets and mitigating balance-of-payment crises.

SDRs are not a currency per se, but a ‘reserve currency’, the value of which is determined by a basket of the five freely and most traded currencies; SDRs can be exchanged for currencies among the IMF member countries. The SDR allocation is made in proportion to the IMF quotas of the individual member countries. Interest is paid on SDRs utilised, and the rate is calculated according to the interest rates paid on the currencies included in the SDR basket; it is thus substantially lower than that otherwise charged for a riskier country.

Even before this approval, concerns were raised that the funds may not be channelled to those countries – especially highly indebted and less wealthy ones – that are most in need of support to fight the pandemic and recover from it. For this reason, an initiative was launched to help re-channel the SDRs to such countries, and the IMF is setting up a Resilience and Sustainability Trust (RST) that IMF members may stock up with funds, using their SDR allocations on a voluntary basis. The IMF will monitor these funds and ensure that these SDRs are distributed to members on the condition that they implement the necessary economic policies.

The EU supports the re-channelling process, in the awareness of the looming risks for the stability of the international monetary system if highly indebted and less wealthy countries are not supported in fighting the pandemic and attaining economic recovery.

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Introduction

The Covid-19 crisis has had major impacts on international monetary and financial markets: liquidity has dried up and further threats have loomed based on the unpredictable economic context. In response to the troubles experienced by the international markets and in a bid to support central banks in their monetary missions, on 2 August 2021, the International Monetary Fund (IMF), announced that an exceptionally large allocation of special drawing rights (SDR) equivalent to US$650 billion (€550 billion) had been approved, effective as of 23 August 2021. IMF chief Kristalina Georgieva explained that the allocation sought to ‘boost global liquidity’ and help all members to ‘address the long-term global need for reserves, build confidence, and foster the resilience and stability of the global economy. It will particularly help most vulnerable countries struggling to cope with the impact of the Covid crisis’. The allocation was made in line with the existing SDR quotas of the IMF member countries. According to the IMF, about US$275 billion will go to emerging and developing countries; low-income countries will receive about US$21 billion, equivalent to as much as 6 % GDP for some of them.

Concerns have been voiced that the SDRs would not benefit the countries that are mostly in need – typically less wealthy and highly indebted countries – as they would receive a share that is proportionate to their quotas, while larger wealthier countries would receive larger shares regardless of their level of debt. For this reason, after investigating a number of options, on 18 April 2022 the IMF executive board approved the establishment of the Resilience and Sustainability Trust (RST), with effect from 1 May 2022, to re-channel SDRs. Monitored by the IMF, the RST is a fund that will ‘complement the IMF’s existing lending toolkit by focusing on longer-term structural challenges’.

The International Monetary Fund

Origin and missions

The IMF currently has 190 member countries. It was established together with the International Bank for Reconstruction and Development (IBRD) in July 1944 at the United Nations Bretton Woods Conference and that is why the two institutions are also referred to as the ‘Bretton Woods institutions’. The aim of the conference was to build a framework for international economic cooperation and avoid repeating the competitive currency devaluations that contributed to the economic crisis of the 1930s. In 1946, the IBRD was incorporated into the World Bank Group together with other four institutions.

The distinction between the World Bank’s and IMF’s missions is essential to appreciate the SDR allocation decision and the role of the IMF in the international monetary and financial architecture. While each of the World Bank institutions has its own missions and governing bodies, the primary mission of the World Bank is to provide funding for development and reduce poverty. The purposes of the IMF are enshrined in Article I of its Articles of Agreement (IMF AA) and include:

- promoting ‘international monetary cooperation’ (Article I (i));
- facilitating the ‘expansion and balanced growth of international trade’ with a view to enhance employment and wealth (Article I (ii));
- promoting stability in foreign exchange markets, maintaining orderly exchange arrangements, and avoiding ‘competitive exchange depreciation’ (Article I (iii));
- assisting in the establishment of a multilateral system of payments in respect of current transactions and in the elimination of foreign exchange restrictions (Article I (iv));
- making the resources of the IMF ‘temporarily available to them under adequate safeguards’ to ‘correct maladjustments in their balance of payments without resorting to measures destructive of national or international prosperity’ (Article I (v));
- shortening the duration and lessening the degree of disequilibrium in the international balances of payments (Article I (vi)).
Governance structure

The highest decision-making body in the IMF governance structure is the Board of Governors (BoG), composed of one governor and one alternate governor for each member country. Typically, the governor is the country’s minister of finance or the governor of the central bank. The BoG may delegate to the Executive Board authority to exercise most of its conferred powers. The latter is responsible for conducting the day-to-day business and is composed of 24 directors elected by the member countries. The executive board selects the managing director who is ‘chief of the operating staff and ‘conducts, under the direction of the Executive Board, the ordinary business’ (IMF AA Article XII, Section 4), and serves as chair of the Executive Board. Kristalina Georgieva has served as managing director since October 2019.

There are some exceptions to the BoG’s ability to delegate powers, which are explicitly outlined in the IMF AA. In particular, it retains the right to approve quota increases, SDR allocations, the admittance of new members, compulsory withdrawal of members, and amendments to the IMF AA. In normal times, the BoG meets once a year. Quotas and voting powers follow rules based on economic size and population.¹

Figure 1 – Board of Governors voting powers and IMF quotas (22 May 2022).

Data source: IMF; author’s compilation.

Special drawing rights

Description and general purpose

IMF Resolution 23-5 adopted in May 1968 amended the IMF AA and established the SDRs in order to address the need for a ‘supplement to existing reserve assets’. SDRs function like reserves that the IMF delivers to its member countries, whereby the latter may claim their conversion in actual currencies of reference. A participant designated by the IMF shall provide the currencies on demand to a participant using SDRs (‘obligation to provide currency’). SDRs are comparable to an overdraft facility that allows the holder of a bank account to withdraw money beyond the amount held in the account. The IMF allocates SDRs according to its members’ respective quota and economic size, and pays them interest if the available SDR is above the allocated amounts, and receives interest payments from them if the amount is below that threshold. The interest rate paid on SDRs is based on the interest rate paid in each currency composing the SDR basket. There is no interest transfer if the amount held by the IMF member is at par with its quota.
SDRs can only be held by IMF members. They can be exchanged for the underlying basket of currencies, which can then be used in return for purchases of own currency to support the value of the latter (see box), or for purchases of non-domestic goods such as vaccines and medical devices.

The composition of the SDR basket is reviewed every five years to ensure that the weights reflect the importance of currencies in the world’s financial system. These weights remain unchanged over the five-year SDR valuation period and the overall value of the SDR is determined by the market exchange rates. The last review was concluded in November 2015. Due to the exceptional economic circumstances caused by the coronavirus pandemic, the IMF Executive Board delayed the review of the SDR valuation basket from September 2021 to May 2022; the amounts of each of the five currencies will be calculated on 29 July and will go into effect on 1 August 2022.

### Decision-making process

The decisions on the SDRs allocation amounts, rates and duration are made by the BoG based on proposals of the managing director agreed upon by the Executive Board (Article XVIII (4)). The managing director should ensure that the allocation ‘meets the long-term global need to supplement existing reserve assets’ so that it avoids ‘economic stagnation and deflation as well as excess demand and inflation in the world’ (Article XVIII (1)). The managing director should then take into account the ‘collective judgement’ that there is global need for the allocation, and the decision to allocate SDRs is then taken by the BoG on a rule of 85% of the total voting power.

### Utilisation of SDRs to fight the pandemic

In a column on the IMF Blog published on 16 February 2022, IMF Managing Director Kristalina Georgieva pointed out that some IMF members had already started using their SDR reserves: Nepal to import vaccines, North Macedonia for health and pandemic lifelines, and Senegal to boost its vaccine production capacities. According to a study published by the Center for Economic and Policy Research (CEPR), as of March 2022, 98 low- and middle-income countries had used their SDRs for the purposes of acquiring hard currency (totalling US$ 17 billion), obtaining IMF debt relief (US$ 8 billion), and/or settling fiscal matters (US$ 81 billion).
'Re-channelling' SDRs to countries in need

In the column cited above, Kristalina Georgieva also encouraged the channelling of SDRs through the IMF’s Poverty Reduction and Growth Trust (PRGT), which provides concessional financing to low-income countries. Moreover, in a note published on 14 October 2021 and a blog post published on 20 January 2022, among others, Ceyla Pazarbasioglu and Uma Ramakrishnan – respectively, director and deputy director of the IMF’s Strategy, Policy, and Review Department (SPR) – reviewed the options to create the Resilience and Sustainability Fund (RST), which would permit the orderly re-channelling of SDRs with its own mechanisms. On 13 April 2022, the IMF approved the establishment of the RST, with effect from 1 May, providing the institutional details.7

The overall objective of the RST is to ‘complement the IMF’s existing lending toolkit by focusing on longer-term structural challenges’, which include ‘climate change and pandemic preparedness’. The RST will function as a mechanism to transfer the SDRs of countries with ‘strong external positions’ to countries where the ‘needs are the greatest’, and the funding of the RST will be made on a voluntary basis by the countries willing to transfer their SDRs. The RST will grant loans that will only be accessible to low-income countries, developing and vulnerable small countries, as well as lower middle-income countries, under exceptionally convenient terms.8

Access to loans will be conditioned on the countries' 'reforms strength and debt sustainability considerations', and lending will be capped to 150 % of a country’s quota or SDR 1 billion (roughly €1.3 billion). The loans will i) support policy reforms that reduce risks associated with 'longer-term structural challenges'; and ii) 'augment policy space and financial buffers to mitigate the risks arising from these longer-term structural challenges.' In addition, the RST loan will be part of a policy and financing framework for structural transformation that is consistent with macroeconomic stability.

The RST is planned to be operational once a critical mass of resources from a broad base of contributors is reached and sufficiently robust financial systems and processes are in place, which is expected by the end of the year.

The use of SDRs in the global gateway EU-Africa investment package

The global gateway Africa – Europe investment package aims to support Africa in its strong, inclusive, green and digital recovery and transformation by accelerating the green and digital transitions, and sustainable growth. It also aims to strengthen health systems and improve education and training.

Substantial parts of the EU’s SDRs are envisaged to be 're-channelled' to Africa and other vulnerable countries. The SDRs will be mostly channelled by EU Member States on a voluntary basis as loans through the Poverty Reduction and Growth Trust Fund and the new Resilience and Sustainability Trust Fund.

The G20 debt suspension initiative

The SDR initiative comes alongside the IMF’s Catastrophe Containment and Relief Trust and the debt service suspension initiative (DSSI) set up by the G20 in May 2020 to help countries channel their resources towards fighting the pandemic. Some 48 out of 73 eligible countries benefitted from this initiative before it expired at the end of 2021. From May 2020 to December 2021, the initiative suspended US$12.9 billion in debt-service payments owed by participating countries to their creditors. DSSI borrowers committed to using the new resources to increase social, health, or economic spending in response to the pandemic.
Table 1 – Top 10 potential DSSI savings as a share of gross domestic product (GDP)

<table>
<thead>
<tr>
<th>Country</th>
<th>Risk of external debt distress</th>
<th>Risk of overall debt distress</th>
<th>% of GDP</th>
<th>US$ million</th>
</tr>
</thead>
<tbody>
<tr>
<td>Maldives</td>
<td>High</td>
<td>High</td>
<td>4.9</td>
<td>272.5</td>
</tr>
<tr>
<td>Djibouti</td>
<td>High</td>
<td>High</td>
<td>4.3</td>
<td>143.5</td>
</tr>
<tr>
<td>Mozambique</td>
<td>In distress</td>
<td>In distress</td>
<td>3.7</td>
<td>565.1</td>
</tr>
<tr>
<td>Angola</td>
<td>...</td>
<td>...</td>
<td>3.2</td>
<td>2,900.2</td>
</tr>
<tr>
<td>Mauritania</td>
<td>High</td>
<td>High</td>
<td>2.8</td>
<td>218.1</td>
</tr>
<tr>
<td>Tonga</td>
<td>High</td>
<td>High</td>
<td>2.8</td>
<td>14.3</td>
</tr>
<tr>
<td>Congo, Rep.</td>
<td>In distress</td>
<td>In distress</td>
<td>2.7</td>
<td>343.8</td>
</tr>
<tr>
<td>Zambia</td>
<td>High</td>
<td>High</td>
<td>2.3</td>
<td>529.2</td>
</tr>
<tr>
<td>Samoa</td>
<td>High</td>
<td>High</td>
<td>2.1</td>
<td>18.0</td>
</tr>
<tr>
<td>Pakistan</td>
<td>...</td>
<td>...</td>
<td>1.9</td>
<td>5,231.0</td>
</tr>
<tr>
<td>Cabo Verde</td>
<td>High</td>
<td>High</td>
<td>1.7</td>
<td>34.3</td>
</tr>
<tr>
<td>Cameroon</td>
<td>High</td>
<td>High</td>
<td>1.7</td>
<td>672.0</td>
</tr>
<tr>
<td>Senegal</td>
<td>Moderate</td>
<td>Moderate</td>
<td>1.5</td>
<td>338.5</td>
</tr>
</tbody>
</table>


The G20 also endorsed on 13 November 2020 the common framework initiative 'together with the Paris Club, which recognises that 'debt treatments beyond the Debt Service Suspension Initiative (DSSI) may be required on a case-by-case basis' to 'facilitate timely and orderly debt treatment for DSSI-eligible countries.' In particular, the common framework requires that the debtor country requesting a debt treatment would provide the necessary information regarding all public-sector financial commitments (debt) to the IMF, the World Bank and creditors, and that all official creditors to the requesting country will participate in the debt treatment.

**EU response**

**European Council**

In a communique published on 13 October 2021, following the G20 summit which took place on 10 October 2021, the EU together with the G20 leaders welcomed the SDR issuance, and declared that they would work on finding ways to create mechanisms to allow for the 'voluntary channelling' of a part of the allocated SDRs towards 'vulnerable countries'. A similar position was reiterated at the summit between the European Council and the African Union on 18 February 2022, where EU leaders called for voluntary contributions in order to achieve the total global ambition of at least US$100 billion liquidity worth of 'support to the countries most in need'. EU and African Union leaders welcomed the US$55 billion that had already been pledged from the new SDR allocation, including US$13 billion from EU countries. They also encouraged more EU Member States to contribute to this global effort.
European Commission

At the high-level meeting on the international debt architecture and liquidity on 29 March 2021, the European Commission President, Ursula von der Leyen, stated that the EU supports the SDR allocation, 'with a focus on low-income countries in need'. The support is justified by the threat that the pandemic has posed especially to developing countries, including debt crises, education crises, and rising inequalities, both between countries and within countries. There is the real risk of a climate crisis, if investment in a green recovery is insufficient. The Commission President emphasised that 'every country in the world should be able to focus on both the fight against the pandemic for which the global vaccination campaign needs more investment, a green economic recovery, with the Sustainable Development Goals (SDG) at its core'.

In his remarks at the Economic and Financial Affairs Council (ECOFIN) press conference on 11 September 2021, Commission Executive Vice-President, Valdis Dombrovskis, highlighted that the ministers discussed ways to channel IMF SDRs to help countries in need to support their economies and keep fighting the Covid-19 crisis. The Council and the Commissioner strongly welcomed this boost in global reserves to help vulnerable countries. Since EU countries are among the largest SDR beneficiaries, many of them should be able to contribute on a voluntary basis, encourage countries to give their support and take part in this initiative.

European Parliament

The European Parliament has not made specific statements with respect to the SDR allocation or the role of the allocation. In a 2011 resolution on global economic governance, the Parliament stated that of all international governance bodies, the IMF and G20 were the most effective. It urged IMF members to refrain from manipulating their exchange rates and to reconsider the use of SDRs as a possible replacement for the dollar as the world's reserve currency in order to stabilise the global financial system. Parliament also asked the IMF to explore further allocations as well as a broader use of SDRs in particular for enhancing the multilateral exchange rate system.

In its resolution of 17 April 2018 on enhancing developing countries’ debt sustainability, Parliament pointed out that responsible and predictable credit facilities are an essential means of ensuring a ‘dignified future for developing countries’, adding that debt financing should be a ‘complement and second-best option’ to other financing instruments. In addition, Parliament voiced concern about the ‘substantial increase in both private and public debt’ in developing countries and their resulting lessened ability to finance ‘health, education and infrastructure expenditures as well as combating climate change.’ Finally, it emphasised that debt relief measures must not be liable to impede the provision of basic services, respect for human rights and development.

In its resolution of 25 November 2020 on improving development effectiveness and the efficiency of aid, Parliament stressed that aid programmes should be combined with an analysis of debt sustainability. It furthermore emphasised the need for donors to ‘prioritise grant-based financing, especially to less-developed countries, in a context where, before the Covid-19 pandemic outbreak, poorer countries were already spending more money on debt service payments than on health services’. In addition, it argued that debt relief measures should be linked to additional mobilisation of official development aid (government aid that promotes and specifically targets the economic development and welfare). Parliament also called for the inclusion of multilateral and commercial debt in the G20 DSSI, stressing the need to ‘secure the participation of all creditors, including the World Bank and other multilateral development banks, as well as private creditors’.

European Economic and Social Committee

In April 2020, Luca Jahier, then president of the European Economic and Social Committee (EESC), declared that the EU should be a ‘frontrunner to avoid Africa's corona boomerang’. To this purpose, the EU needs to adopt a strategy that enhances humanitarian, social and economic aid, because it is in mutual interest and aligned with the new EU-Africa strategy. In this context, the EESC welcomed
the idea of injecting liquidity in the form of SDRs. 'Equally welcome' was the idea of alleviating debts of the countries in particular difficulty.

Other positions

In a note from 1 April 2021, the US Department of the Treasury (USDT) states that the SDR allocation will support low-income countries, the global economy and the US. It argues that SDR allocation would 'help build reserve buffers, smooth adjustments, and mitigate the risks of economic stagnation in global growth. Importantly, it could also enhance liquidity for low-income and developing countries to facilitate their much-needed health recovery efforts. Containing the pandemic across the globe is paramount to a robust economic recovery.' Nevertheless, the USDT does not consider SDR allocation a stand-alone solution as it is part of a package of international support, including IMF and multilateral development banks financial support and debt relief. The G20 DSSI and common framework, as well as financial support for the Covid-19 Vaccines Global Access (COVAX) Facility, 'all remain integral to help prevent long-term scarring from the pandemic and worsening global wealth divergence'.

In a Financial Times article from July 2020, Yi Gang, the governor of the People's Bank of China, voiced strong support for the SDR allocation, arguing that it would 'boost all members' foreign reserves and their purchasing power', and that it is 'a quick, practical, fair and cost-effective response to this once-in-a-century crisis'. Yi also mentioned that SDR allocations should be tailored to the needs of IMF member countries' rather than to the size of their IMF quotas. Moreover, considering that the pandemic is an exogenous (having an external cause or origin) shock, it would be wrong to insist on structural reforms during a global health crisis when there are liquidity shortages, so that SDRs should come without conditions.

In a statement made in April 2021, Japan's finance minister announced that his country would back the new SDR allocation, but pointed out that SDRs should not be used for 'paying back debts to China', making implicit reference to China's extensive lending to low-income countries. Later, in October 2021, Shunichi Suzuki, the IMF governor for Japan, declared that Japan welcomes the SDR allocation along with the introduction of measures to enhance transparency and accountability in the use of SDRs. He added that Japan would contribute to the re-channelling to support vulnerable countries, especially by scaling up the Poverty Reduction and Growth Trust (PRGT), and would welcome the creation of the RST. Moreover, the governor emphasised that the SDR allocation is not a 'cure-all solution for the global economy' that has suffered extensively from the pandemic, but the balanced reallocation of the SDRs would mitigate the danger for 'vulnerable people at risk of famine and malnutrition in the middle of the Covid-19 pandemic'.

In a statement of 27 October 2021, the Vulnerable Twenty (V20) Group recommends that a larger share of the RST funds be allocated to climate-vulnerable countries, in order to allow them to manage the macro-financial risks stemming from the 'physical and transition impacts of climate change'. In addition, the RST should be reviewed in scope and potentially expanded over time to anticipate the needs of climate-vulnerable developing countries. The group also recommends that the RST be eligible to low- as well as middle-income countries facing 'high climate physical or transition risks', and that the RST funds should not be confined to countries with existing IMF programmes. Access to funds should not be limited to 100% of quota or US$1 billion per country and funds could potentially be pledged as security (collateral) to restructured debts.

Selected stakeholder and expert opinions

In a joint policy note published in October 2021 by the International Institute for Environment and Development (IIED) and the Center for Sustainable Finance (CSF) and approved by a meeting of senior V20 officials, the authors demand that climate-vulnerable countries be given a greater share of SDRs allocations since there is a strong rationale that the RST should be focused on enhancing macro-financial resilience to climate change. Through the RST, the IMF could play an important role
in supporting climate-vulnerable countries, with transparent eligibility criteria. Moreover, the RST is a valuable new instrument that complements ordinary project-oriented programmes.

At a stakeholder panel discussion held in October 2021, Nadia Daar (Head of Oxfam international’s Washington DC Office) argued that while it is positive that the RST will be accessible to a wide range of countries, including vulnerable middle-income countries hit hard by the coronavirus pandemic, it is vital that the IMF deliver these funds on ‘terms that are as close to grants as possible’. Daar furthermore considers it unacceptable that ‘the RST will likely hinge on countries having a separate IMF loan program in place, bound by conditions like freezing public sector wages and raising taxes on the poorest, which will worsen inequality and poverty’.

In a blog post of the Center for Global Development (CGD), David Andrews and Mark Plant, both former directors at the IMF, suggest that the IMF RST could be the instrument to redistribute the SDRs, conditional on the implementation of policy reforms to ‘help build resilience and sustainability especially in low-income countries, small states, and vulnerable middle-income countries’. The author argue that conditionalities on RST funds is the wrong debate.

In a blog post, the European Network on Debt and Development (Eurodad) declares that the IMF should adopt a ‘do no harm’ approach, relying on ex-ante impact assessments to prevent that suggested reforms have negative effects on human rights, gender and economic equality. Indeed, to the author, unlike the traditional IMF loan programmes that are meant to tackle short-term balance of payments disruption, the RST is designed for achieving a developmental impact; therefore, there should be explicit support to countries to achieve the United Nations sustainable development goals and meet their nationally determined contributions under the Paris Agreement.

In an article of April 2020, Christopher Collins and Edwin Truman at the Peterson Institute for International Economics (PIIE) expressed support for the SDR allocation as it instantly increases IMF members’ foreign reserves, thereby benefitting poorer countries and building confidence in international cooperation. The authors argue that the ‘scramble for the US dollar’ during the pandemic showed the need for international liquidity, and that, just as during the global financial crisis, inflation was unlikely to be an issue. Moreover, the lack of conditions associated with SDR allocation is the ‘number one approach being used by countries’ in the pandemic and the countries without needs of using SDRs would simply not use them. The authors also emphasise the swiftness of the SDR allocation.

At the same time, in a Brookings article, Ali Zafar, Jan Muench, and Aloysius Uche Ordu argue that the SDR allocation should not prevent addressing the more complex questions raised ‘in the context of conventional debt or more permanent financial transfers’. The authors posit that SDRs remain an ‘imperfect substitute for a financing package able to serve both specific pandemic relief and long-term development objectives’ and that they are a ‘second-best solution to a complex problem, with clear advantages and clear shortcomings’.

**MAIN REFERENCES**

International Monetary Fund (IMF), *Special Drawing Right (SRDs)*, IMF website, 2022.

International Monetary Fund (IMF), *Articles of Agreements*, latest amendment effective on 26 January 2016.
ENDNOTES

1 Voting power is the outcome of a mix between quota shares and equal voting right. Voting is described in Article XII, Section 5 (voting), paragraph (a). The total votes of each member are the sum of its 'basic votes' and 'quota-based votes'. The latter are those consistent with the SDR allocation. The basic votes are calculated as the sum of voting powers distributed equally among members. This rule increases (decreases) the voting power of smaller (larger) countries. The voting power may be adjusted by the use of SDRs in specific and rare exceptions (paragraph (b)).

2 For specificity purposes, SDRs are held by ‘members that deposit with the Fund’ (IMF AA Art. XVII(1)). The IMF may prescribe non-members as holders, conditional on a total voting power of 85 % ((IMF AA Art. XVII(3)).

3 Effective from 1 October 2016, China’s renminbi (RMB) was included in the SDR basket. At the time, some critics argued that the renminbi did not meet the criteria, especially in terms of convertibility and actual use as a currency reserve. The IMF responded that China had delivered major reforms with a view to obtaining SDR inclusion.

4 New weights are as follows: US dollar 43.38 %; euro 29.31 %; Chinese renminbi 12.28 %, Japanese yen 7.59 %; Pound sterling 7.44 %.

5 As shown in Figure 1, the fact that the US holds 16.5 % of total votes provides it with a veto right.

6 Concessional loans are loans extended on terms substantially more generous than those for market loans. They either charge lower interest rates or provide for (long) periods without payments (‘grace period’), or both. See also the IMF Guide for compilers and users.

7 The IMF proposal of 18 April 2022 provides extensive details.

8 The loans will have a 20-year maturity and a 10.5-year grace period. The interest rate will equal the three-month SDR rate plus the ‘most concessional financing terms’ provided to the poorest countries.

9 The resources needed to start operations are estimated to be worth about SDR33 billion (roughly €42 billion). On 27 May 2022, the IMF announced that it had already secured US$ 40 billion.

10 The G20 is a platform connecting the world’s major developed and emerging economies. Together, the G20 member countries represent more than 80 % of world gross domestic product (GDP), 75 % of international trade and 60 % of global population. Starting in 1999 as a meeting for the finance minister and central bank governors, the G20 has evolved into a yearly summit involving the heads of state or government. The G20 members are Argentina, Australia, Brazil, Canada, China, France, Germany, Italy, India, Indonesia, Japan, Mexico, Republic of Korea, Russia, Saudi Arabia, South Africa, Turkey, United Kingdom, United States, and the EU. The EU is represented at G20 summits by the President of the European Commission and the President of the European Council.

11 The Vulnerable Twenty (V20) Group is a group of ministers of finance of the Climate Vulnerable Forum, a dedicated cooperation initiative of economies systemically vulnerable to climate change. The V20 works through dialogue and action to tackle global climate change. The group has 48 members.

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