The Challenges to SDR Accounting

Seminar on
Promoting Equity and Accountability in IMF Special Drawing Rights
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What are SDRs?

- **Reserve asset** of the central bank issued to countries by the IMF
- Each **SDR is a claim** on any of the IMF's reserve currencies – convertible on demand: SDR **1 = US$1.41 (£ 1.02)**
- **The ownership of SDRs varies across countries** – held at the country's central bank

What can countries do with SDRs?

- **SDRs are not money** – they are a promise of access to hard currency (dollars, euro, …)

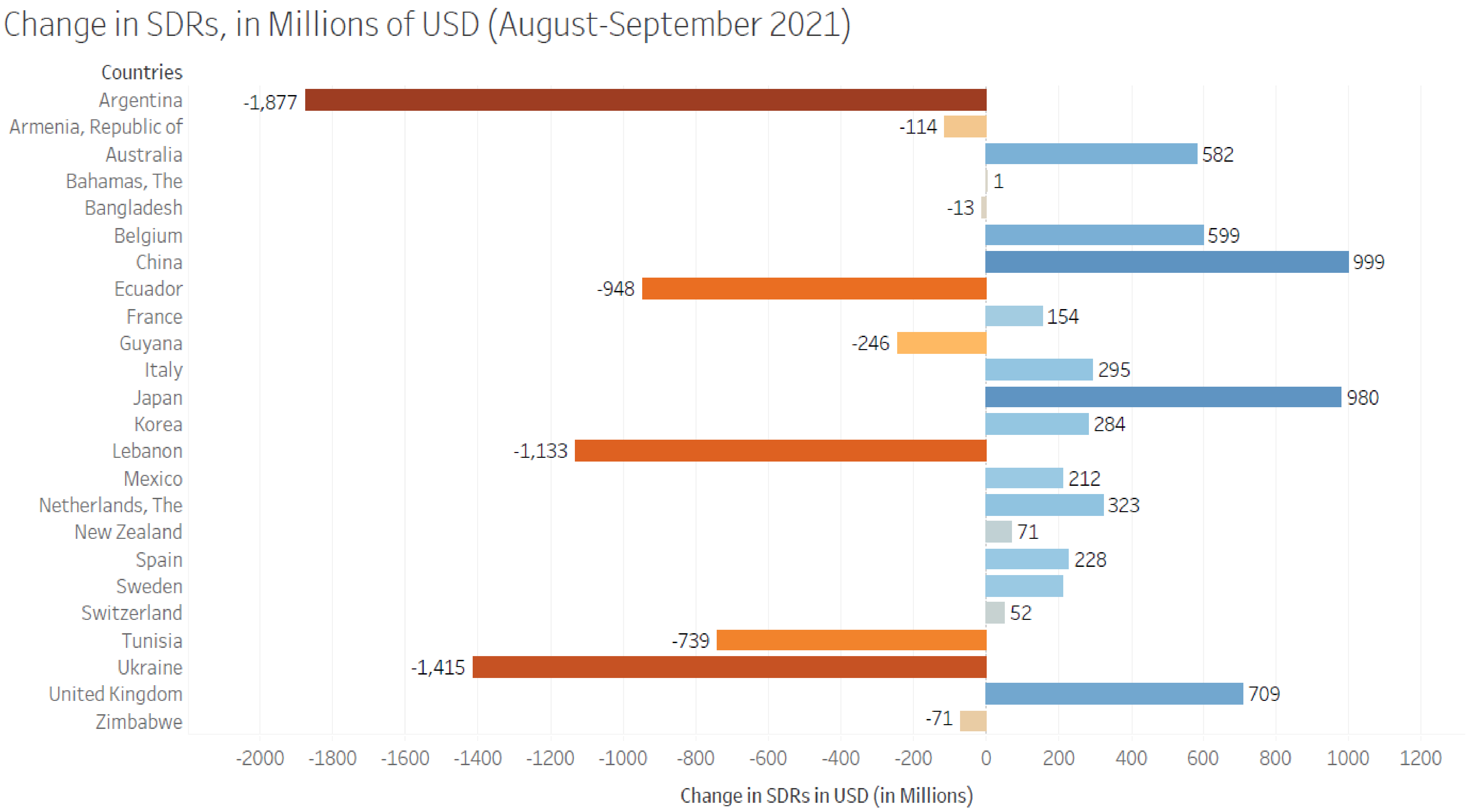
- **Hold them** as reserves – reinforces the strength of central bank balance sheets
- **Pay debts** to designated holders of SDRs – 190 IMF member countries and 15 institutions
- **Donate them** to other member countries or designated institutions
- **Convert them** to useable currencies through IMF brokered agreements

But **it costs something to use SDRs**:

- Every country has an allocated amount of SDRs
- Each country holds its SDRs in an account at the IMF
- If holdings are less than allocation, the country pays interest (now 0.05 percent)
- If holdings are greater than allocation, the country earns interest (now 0.05 percent)
- The interest rate is significantly lower than other borrowing from official or non-official sources

Where can you get information on SDRs?

- The IMF has indicated they will publish information on SDR operations more frequently and more transparently than in the past in their financial reports
  - See https://www.imf.org/en/About/FAQ/special-drawing-right
- Allocations and holdings for each country are available on the IMF website every month
  - See https://www.imf.org/external/np/fin/tad/extsdr1.aspx --
  - Click on year, then month to get a full list of countries, like this: https://www.imf.org/external/np/fin/tad/extsdr2.aspx?date1key=2021-09-30
- Transactions are published less frequently but can be deduced in part from above



Change in SDRs, in Millions of USD (August-September 2021)
Countries
Argentina
Armenia, Republic of
Australia
Bahamas, The
Bangladesh
Belgium
China
Ecuador
France
Guyana
Italy
Japan
Korea
Lebanon
Mexico
Netherlands, The
New Zealand
Spain
Sweden
Switzerland
Tunisia
Ukraine
United Kingdom
Zimbabwe
-1,877
-114
582
1
-13
599
999
-948
154
-246
295
980
284
-1,133
212
323
71
228
52
-739
-1,415
709
-71
-2000
-1800
-1600
-1400
-1200
-1000
-800
-600
-400
-200
0
200
400
600
800
1000
1200
Change in SDRs in USD (in Millions)

Four considerations in SDR use and accounting

Center for Global Development

- **SDRs are fungible with other reserves**
    - (example – debt payments)
- **The ability of SDRs to increase fiscal space for government is limited**
    - Import power is increased
        - (example – solar power investment)
    - Domestic spending power is not necessarily increased
        - (example teachers' salaries)
- **SDRs can be used indirectly, for example to facilitate private sector imports**
    - (example oil imports)
- **SDR depletion has a cost – who will bear it?**