The Challenges to SDR Accounting

Seminar on Promoting Equity and Accountability in IMF Special Drawing Rights
October 28, 2021

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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
  - 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
Four considerations in SDR use and accounting

- 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?