



THE PARLIAMENTARY NETWORK

On The World Bank & International Monetary Fund

Maximising SDRs to Build Back Better, 16 November 2021

On 16 November 2021, took place the virtual event on Maximising Special Drawing Rights (SDRs) to Build Back Better, jointly organized by the Parliamentary Network on the World Bank and IMF, and the International Monetary Fund. During the discussion, over 50 legislators and experts from the IMF gathered to discuss on how to maximise the effectiveness of the recent SDR allocation and its channeling to recover from the COVID-19 pandemic and reach the objectives set by the Paris agreement.



The Rt Hon. Liam Byrne MP, UK

The Rt Hon. Liam Byrne MP, Chair of the Parliamentary Network and moderator of the meeting, welcomed the participants by highlighting the current state of the global economy, as well as the urgency of using the SDR allocation to build back better. Hon. Byrne explained that, following a \$19 trillion amount of lost output of the global economy during the pandemic, the world is facing an opportunity to generate \$9 trillion in cumulative income in the years to come. To reach this objective, he underscored the need of channeling SDRs surpluses to countries that need them the most.

*“The crisis is now. We cannot delay in getting the channeling process on the road.” –
The RT Hon. Liam Byrne MP, UK*

Guillaume Chabert, Deputy Director of the Strategy, Policy and Review Department of the IMF, presented the current state of IMF loans to low-income countries (LICs) and the IMF lending reform of July 2021. Mr. Chabert explained that the IMF augmented considerably his support to LICs during 2020 (by \$13.2 billion) to help them face the negative impact of the COVID-19 pandemic. He stressed out the impact of the crisis on the rising demand for IMF lending programmes in the years to come. During the July reform package, he added that the Fund is establishing measures to enhance the lending capacity for LICs and putting in place a funding strategy, as well as increasing by 45% the access to the Poverty Reduction and Growth Trust (PRGT).



Guillaume Chabert, Deputy Director, IMF



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Charleen Gust, Chief of the Concessional Financing Division, IMF

Charleen Gust, Chief of the Concessional Financing Division of the IMF's Finance Department, explained the working mechanisms of the PRGT. She said that the IMF Board approved a fundraising campaign and a review programme of PRGT financing to face the growing demand for IMF lending.

Hon. Aboubakry Ngaide MP, Senegal, made a call to developed economies to settle necessary means to channel SDRs to the most vulnerable countries, notably through donations and concessional loans. **Hon. Redha Faraj MP, Bahrain**, underscored the common global responsibility of helping countries exit the crisis. He then exhorted governments to collaborate with the IMF and LICs to tackle vaccine inequalities and repair the damage dealt by the COVID-19 pandemic.

Hon. Shakeel Shabbir Ahmed MP, Kenya, highlighted the need of channeling SDRs in a fair and just manner, while taking into account morality, equity, and solidarity. He then stressed the importance of maintaining an inclusive approach in the SDR allocation, as well as using these assets to boost vaccination campaigns and provide economic relief.



Hon. Shakeel Shabbir Ahmed MP, Kenya



Hon. Redha Faraj MP, Bahrain

Uma Ramakrishnan, Deputy Director of the Strategy, Policy and Review Department of the IMF, explained that SDRs are aimed at supplementing member countries' currency reserves and their allocation is based on a fraction of countries' share of the IMF. She stated that in August 2021, \$650 billion allocation was the greatest in the history of the Fund, with the objective of providing fiscal space to countries and help them manage their reserves.



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Uma Ramakrishnan, Deputy Director, IMF

Ms. Ramakrishnan highlighted the importance of good governance, transparency, and accountability regarding the management of SDRs, as well as the need to channel the allocation where is needed the most. She then presented the enlargement of the PRGT, the creation of a new Resilience and Sustainability Trust (RST) within the IMF, and passing through multilateral development banks as the 3 possible options to better channel the SDRs allocation. Ms. Ramakrishnan underscored the role of the RST in facilitating long-term financing and help countries meet development targets in the future.

Christian Mumssen, Deputy Director of the Finance Department of the IMF, presented some of the challenges concerning the channeling of SDRs. He explained that the limited mandate of central banks in development finance and financial risks associated with lending are two major constraints for SDR channeling. Mr. Mumssen also highlighted the RST as a mean to facilitate the sharing of SDRs and to finance long-term development objectives through over 10 years maturity loans.



Christian Mumssen, Deputy Director, IMF