

ECA Workshop on Debt

Management

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**Allocation and Use of Special
Drawing Rights in Africa**

Presentation by

Daouda Sembene, PhD





1- How were SDR Allocations Distributed in Africa Countries

2- How were SDRs used by African Countries

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- SDR uses for fiscal purposes
 - SDR uses for acquisition of hard currency and IMF debt relief
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- Summary: Overall SDR allocation and use in Africa



1- HOW WERE SDR ALLOCATIONS DISTRIBUTED TO AFRICAN COUNTRIES

- The cumulative quota shares of African countries currently totals about 5 percent, the continent is thus entitled to receive an equivalent proportion of any IMF general allocation of SDRs.
- Under the \$650 billion general allocation of SDRs that was enacted by the IMF in August 2021, Africa secured a total of about \$33 billion
- Table 1 illustrates how this amount was distributed across countries, regions, and income groupings on the continent.

The following uneven distributional patterns were noteworthy:

Table 1: Africa--IMF Quota Shares and SDR Allocations by Region, and Income

Member	Number of countries	Quotas (In % of total)	\$650 bn SDR Allocations (In \$ billion)
AFRICA	54	5,12	33,28
South Africa and Nigeria Top 9 recipients*	2 9	1,16 3,11	7,54 20,22
By Region			
North Africa	6	1,51	9,82
Sub-Saharan Africa	48	3,61	23,47
Excl. Nigeria and South Africa	46	2,45	15,93
By Income			
Low-income countries (LICs)	23	1,01	6,58
Lower-middle income countries (LMICs)	23	2,94	19,12
Upper-middle-income countries (UMICs)	6	1,13	7,35
High-income countries (HICs)	2	0,04	0,23

- Cumulatively, the top nine recipients on the continent secured 20 billion which is equivalent to about 60 percent of Africa's total allocation. These 9 countries were allocated each over \$1 billion in SDRs and included: South Africa, Nigeria, Egypt, Algeria, Libya, DRC, and Zambia.
- Sub-Saharan Africa received about \$28.5 billion, of which more than one-fifth (7.5 billion) benefited South Africa and Nigeria alone.
- The 23 African low-income countries (LICs) were allocated a total of about 1 percent of the total IMF SDR allocation (about 6.5 billion), which was less than either the combined proceeds of South Africa and Nigeria alone or the allocation of the 6 African upper middle-income countries

2. How were SDRs Used by African Countries

There are four ways SDRs could be used, including :

- i. Boosting reserves,
- ii. Securing hard currencies,
- iii. Supporting national budgets, notably by funding public expenditure or paying down non- IMF debt,
- iv. Reducing debt to the IMF



While exploring how countries around the world used the SDRs from the time of the latest general allocation on August 23rd, 2021 until July 31st, 2022, Arauz and Cashman (2022) reached the following conclusions:

- Overall, 105 countries used SDRs, of which 104 were low- and middle-income countries.
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- Excluding the use of SDRs as reserves, 15 countries used SDRs in three ways, 27 countries in two ways, and 58 countries in one way.
 - 42 countries exchanged SDRs for hard currency for a total of \$16.3 billion.
 - 79 countries used \$10.9 billion worth of SDRs as debt payments due to the IMF to some degree, including 34 countries using \$8.9 billion for this purpose to a significant degree.
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- With respect to Africa, the analysis suggests that the continent used Special Drawing Rights the most, both by number of countries and take up rate. In Sub-Saharan Africa, aggregate fiscal use totaled about 77 percent in proportion of the SDR allocation, while SDRs used for hard currency exchange and IMF debt relief totaled 14 percent and 3 percent respectively.

Table 2: Africa-SDR Uses for Fiscal Purposes, August 2021–July 2022 (USD millions)

Country	Amount of 2021 Allocation (in million US\$)	Fiscal use		In % of 2021 allocation
		Amount in US Dollars	In % of 2021 allocation	
Congo, Republic of	221	278	128	128
Benin	169	166	100,0	100,0
Burkina Faso	164	162	100,0	100,0
Cabo Verde	32	32	100,0	100,0
Chad	191	184	100,0	100,0
Cote d'Ivoire	888	873	100,0	100,0
Guinea-Bissau	39	38	100,0	100,0
Kenya	741	728	100,0	100,0
Liberia	353	347	100,0	100,0
Madagascar	334	328	100,0	100,0
Malawi	189	181	100,0	100,0
Mali	255	250	100,0	100,0
Mozambique	310	305	100,0	100,0
Niger	180	177	100,0	100,0
Nigeria	3351	3294	100,0	100,0
Rwanda	219	215	100,0	100,0
Sao Tomé and Príncipe	20	20	100,0	100,0
Senegal	442	434	100,0	100,0
Seychelles	31	31	100,0	100,0
South Africa	4165	4094	100,0	100,0
Togo	200	197	100,0	100,0
Zambia	1335	1313	100,0	100,0
Equatorial Guinea	215	210	100,1	100,1
Ethiopia	410	404	101,3	101,3
Tunisia	744	643	102,1	102,1
Sierra Leone	283	56	20	20
Gambia, The	85	20	24	24
Zimbabwe	965	281	29,6	29,6
Ghana	1007	330	33,3	33,3
Central African Republic	152	140	41,2	41,2
Somalia	223	84	43,1	43,1
Angola	1010	497	50,0	50,0
Congo, Democratic Republic of	1455	503	50,0	50,0
Uganda	493	242	50,0	50,0
Guinea	292	150	52,2	52,2
Cameroon	377	213	57,9	57,9
South Sudan	336	210	63,7	63,7
Egypt	2781	2118	83,1	83,1
Mauritania	176	166	97,6	97,6
Comoros	24	24	99,9	99,9
TOTAL	27089	19938	83,2	83,2

Table 2 reports a more granular account of the use of SDRs for **fiscal purposes in Africa**. The following trends are noteworthy:

- The use of SDRs for budgetary purposes dominated across countries on the continent.
- 40 countries used at least part of their 2021 SDR allocation for fiscal purposes, with such use averaging 83 percent.
- About 26 countries used virtually all their allocation—and even more in some cases—to this end.
- 79 countries used \$10.9 billion worth of SDRs as debt payments due to the IMF to some degree, including 34 countries using \$8.9 billion for this purpose to a significant degree.
- Of the SDR allocation equivalent to \$27 billion that were allocated to these 47 African countries, about \$20 billion were used for fiscal purposes, that is about 74 percent of their allocations of SDRs.
- More specifically, most countries in Sub-Saharan Africa allocated part of their SDR holdings to address their needs in terms of pandemic response or social spending. According to Arauz, Cashman, and Merling (2022), at least 41 Sub-Saharan countries made use of SDRs for various public spending, including vaccine procurement and pandemic relief, ration cards, welfare payments, and wages, and budget support.

Table 3: Africa-SDR Uses for Currency Exchange or IMF Debt Relief August 2021-July 2022 (USD millions)

Country	Amount of 2021 Allocation (in million US\$)	Amount of exchanged SDRs		Amount of debt relief		SDRs holdings use in % of 2021 allocation
		Amount in US Dollars	In % of 2021 allocation	Amount in US Dollars	In % of 2021 allocation	
Angola	1010	0	0,0	83	8,2	8,2
Benin	169	0	0,0	4	2,4	2,1
Burkina Faso	164	0	0,0	15	9,1	9,1
Burundi	210	80	38,1	0	0,0	38
Cabo Verde	32	32	100,0	0	0,0	98
Cameroon	377	213	56,5	1	0,3	56,7
Central African Republic	152	140	92,1	4	2,6	94,5
Chad	191	184	96,3	7	3,7	99,5
Comoros	24	24	100,0	0	0,0	97,5
Congo Democratic Republic	1455	503	34,6	0	0,0	34,6
Congo, Republic of	221	278	125,8	0	0,0	125,6
Cote d'Ivoire	888	0	0,0	186	20,9	21
Djibouti	43	43	100,0	1	2,3	100,4
Egypt	2781	2118	76,2	566	20,4	96,5
Equatorial Guinea	215	210	97,7	1	0,5	98
Eswatini, The kingdom of	107	0	0,0	1	0,9	1,1
Ethiopia	410	404	98,5	5	1,2	99,5
Gabon	295	71	24,1	30	10,2	34,2
Gambia, The	85	0	0,0	2	2,4	1,8
Ghana	1007	0	0,0	123	12,2	12,2
Guinea	292	284	97,3	5	1,7	99
Guinea-Bissau	39	0	0,0	2	5,1	4,2
Kenya	741	0	0,0	99	13,4	13,4
Lesotho	95	0	0,0	5	5,3	5,7
Liberia	353	0	0,0	10	2,8	2,7
Madagascar	334	0	0,0	9	2,7	2,6
Malawi	189	181	95,8	5	2,6	98,3
Mali	255	0	0,0	10	3,9	3,8
Mauritania	176	166	94,3	9	5,1	99,5
Morocco	1221	0	0,0	23	1,9	1,9
Namibia	261	0	0,0	2	0,8	0,9
Niger	180	0	0,0	11	6,1	6
Nigeria	3351	0	0,0	38	1,1	1,1
Rwanda	219	0	0,0	22	10,0	10,3
Sao Tomé and Príncipe	20	20	100,0	1	5,0	101,2
Senegal	442	0	0,0	4	0,9	0,9
Seychelles	31	0	0,0	2	6,5	5,5
Sierra Leone	283	0	0,0	14	4,9	4,9
Somalia	223	84	37,7	0	0,0	37,6
South Africa	4161	0	0,0	13	0,3	0,3
South Sudan	336	210	62,5	0	0,0	62,6
Tanzania	520	520	100,0	0	0,0	100,0
Tunisia	744	643	86,4	105	14,1	100,6
Zimbabwe	965	281	29,1	0	0,0	29,1
TOTAL	27609	6689		1418		42,5

Table 3 illustrates the extent to which the SDRs allocated in August 2021 were used for **acquisition of hard currency and IMF debt relief** in 44 African countries.

- 44 African countries used on average 42 percent of their SDR allocation to acquire hard currency or for IMF debt relief, with 13 countries virtually using all their allocation—more than 90 percent—for these purposes.
- 22 African countries exchanged over \$6 billion for hard currency. Half of them virtually used all of their allocation for this purpose, including Cabo Verde, Central African Republic, Chad, Comoros, Djibouti, Equatorial Guinea, Ethiopia, Guinea, Malawi, Mauritania, Sao Tome & Principe, Tanzania. The Republic of Congo used more than its SDR allocation for currency exchange.
- 35 countries on the continent used \$14 billion to pay down debt due to the IMF, with none of them using more than 20 percent of its SDR allocation for this purpose.

Table 4 : Africa-Summary of SDR Uses for Fiscal Purposes, Foreign exchange, and IMF debt relief (August 2021–July 2022; USD millions)

Country	Amount of 2021 Allocation (In million US\$)	Fiscal use		Amount exchanged SDRs		Amount IMF debt relief	
		Amount in US Dollars	In % of 2021 allocation	Amount in US Dollars	In % of 2021 allocation	Amount in US Dollars millions	In % of 2021 allocation
Algeria (1)	2665	0	0	0	0	0	0
Angola	1010	0	0,0	83	8,2	83	8,2
Benin	169	0	0,0	4	2,4	4	2,4
Botswana	189	0	0	0	0,0	0	0,0
Burkina Faso	164	0	0,0	15	9,1	15	9,1
Burundi	210	80	38,1	0	0,0	0	0,0
Cabo Verde	32	32	100,0	0	0,0	0	0,0
Cameroon	377	213	56,5	1	0,3	1	0,3
Central African Republic	152	140	92,1	4	2,6	4	2,6
Chad	191	184	96,3	7	3,7	7	3,7
Comoros	24	24	100,0	0	0,0	0	0,0
Congo Democratic Republic	1455	503	34,6	0	0,0	0	0,0
Congo, Republic of	221	278	125,8	0	0,0	0	0,0
Cote d'Ivoire	888	0	0,0	186	20,9	186	20,9
Djibouti	43	43	100,0	1	2,3	1	2,3
Egypt	2781	2118	76,2	566	20,4	566	20,4
Equatorial Guinea	215	210	97,7	1	0,5	1	0,5
Eritrea (1)	15	0	0	0	0,0	0	0,0
Eswatini, The kingdom of	107	0	0,0	1	0,9	1	0,9
Ethiopia	410	404	98,5	5	1,2	5	1,2
Gabon	295	71	24,1	30	10,2	30	10,2
Gambia, The	85	0	0,0	2	2,4	2	2,4
Ghana	1007	0	0,0	123	12,2	123	12,2
Guinea	292	284	97,3	5	1,7	5	1,7
Guinea-Bissau	39	0	0,0	2	5,1	2	5,1
Kenya	741	0	0,0	99	13,4	99	13,4
Lesotho	95	0	0,0	5	5,3	5	5,3
Liberia	353	0	0,0	10	2,8	10	2,8
Madagascar	334	0	0,0	9	2,7	9	2,7
Malawi	189	181	95,8	5	2,6	5	2,6
Mali	255	0	0,0	10	3,9	10	3,9
Mauritania	176	166	94,3	9	5,1	9	5,1
Mauritius (1)	142	0	0	0	0,0	0	0,0
Morocco	1221	0	0,0	23	1,9	23	1,9
Mozambique	310	305	100,0	0	0,0	0	0,0
Namibia	261	0	0,0	2	0,8	2	0,8
Niger	180	0	0,0	11	6,1	11	6,1
Nigeria	3351	0	0,0	38	1,1	38	1,1
Rwanda	219	0	0,0	22	10,0	22	10,0
Sao Tomé and Príncipe	20	20	100,0	1	5,0	1	5,0
Senegal	442	0	0,0	4	0,9	4	0,9
Seychelles	31	0	0,0	2	6,5	2	6,5
Sierra Leone	283	0	0,0	14	4,9	14	4,9
Somalia	223	84	37,7	0	0,0	0	0,0
South Africa	4161	0	0,0	13	0,3	13	0,3
South Sudan	336	210	62,5	0	0,0	0	0,0
Sudan (1) (2)	604	0	0	0	0,0	0	0,0
Tanzania (1) (3)	520	520	100,0	0	0,0	0	0,0
Togo	200	197	100,0	0	0,0	0	0,0
Tunisia	744	643	86,4	105	14,1	105	14,1
Zambia	1335	1313	100,0	0	0,0	0	0,0
Zimbabwe	965	281	29,1	0	0,0	0	0,0
TOTAL	33392	19938		6712		1418	

Table 4 summarizes the various types of uses of SDR allocations across all 54 African countries.






- 48 out of 54 African countries appear to have used part or all their SDR allocation to acquire hard currencies, support national budgets, and/or reduce debt to the IMF.
- 10 countries used more than 90 percent of their SDR allocations to boost reserves. These include 6 countries that used their entire allocation to this end: Algeria, Botswana, Eritrea, Libya, Mauritius, and Tanzania). Other countries that used more than 90 percent of their SDR allocation for reserve buildup include Eswatini, Lesotho, Morocco, and Namibia
- Sudan was unable to access its SDR holdings due to sanctions.
- Overall, fiscal use of SDRs was predominant across the continent and amounted to about \$20 billion of Africa's total allocation of \$33 billion
- Currency acquisition claimed about \$6.7 billion and \$14 billion were used to pay debt due to the IMF
- Based on the estimates reported in Table 4, it appears that about \$5 billion of Africa's SDR allocation were used to boost reserves. However, this estimate could be overestimated, as exchange or debt relief uses of SDRs are not necessarily additive with fiscal uses.

SUMMARY

1- HOW WERE SDR ALLOCATIONS DISTRIBUTED TO AFRICAN COUNTRIES

- Cumulatively, the top nine recipients on the continent secured 20 billion which is equivalent to about 60 percent of Africa's total allocation. These 9 countries were allocated each over \$1 billion in SDRs and included: South Africa, Nigeria, Egypt, Algeria, Libya, DRC, and Zambia.
- Sub-Saharan Africa received about \$28.5 billion, of which more than one-fifth (7.5 billion) benefited South Africa and Nigeria alone.
- The 23 African low-income countries (LICs) were allocated a total of about 1 percent of the total IMF SDR allocation (about 6.5 billion), which was less than either the combined proceeds of South Africa and Nigeria alone or the allocation of the 6 African upper middle-income countries

2. How were SDRs Used by African Countries

- 48 out of 54 African countries  hard currencies, support national budgets, and/or reduce debt to the IMF
- 10 countries used more than 90 percent of their SDR allocations  to boost reserves.
- Sudan was unable to access its SDR holdings due to sanctions
- fiscal use of SDRs was predominant  \$20 billion of Africa's total allocation of \$33 billion
- Currency acquisition  \$6.7 billion and \$1 billion were used to pay debt due to the IMF4
- \$5 billion of Africa's SDR allocation  to boost reserves. However, this estimate could be overestimated

Thank You !

