

The role of SDRs for global stability and sustainable economic transformation

Date: December 5, 2025

CONCEPT NOTE

Special Drawing Rights (SDR) are interest-bearing international reserve assets created by the International Monetary Fund in 1969. At the time, the goals of SDRs as stated in the IMF's Article of Agreements (AoA) were to preserve the Bretton Woods regime of fixed exchange rates by aiming to supplement the growth of IMF members' reserves and provide liquidity in the global economy. With the end of fixed exchange rates in 1973, the SDR was redefined as equivalent to the value of a basket of world currencies—currently five currencies. In 1978, an amendment to the AoA allowed more flexibility in the use of SDRs and called for the SDR to become “the principal reserve asset in the international monetary system”¹. However, in practice, after the initial two allocations in the early and late ‘70s, the broadened system was not used and no SDR allocation took place until 2009, in the wake of the global financial crisis.

To date, there have been five allocations of SDRs totaling an amount of SDR 660.7 billion (equivalent to US \$935.7 billion). The last allocation that took place in August 2021 was the largest in the IMF's history, with an equivalent of US \$650 billion allocated to address the economic impacts of the COVID-19 pandemic and foster global resilience and stability.

As per the SDR allocation procedure, countries receive a share of SDRs proportional to their quotas in the Fund. Considering that over 60% of the 2021 allocation went to advanced economies, most of which neither need nor use them, the IMF encouraged the voluntary rechanneling of SDRs from countries with strong external positions to countries most in need. To maximize the effectiveness of this SDR allocation and amplify its impact, the Resilience and Sustainability Trust (RST) was created at the IMF to act as an SDR rechanneling vehicle. In practice, however, effective SDR rechanneling since 2021 has fallen short of the G20's rechanneling pledge. As of September 2024, only an estimated US\$ 6.5 billion out of the US\$ 100 billion pledged has been effectively rechanneled through the RST and Poverty Reduction and Growth Trust (PRGT) facilities. Additionally, domestic regulatory restrictions in many countries limited the fiscal use of SDRs and their role in recovery. Only 95 of 191 members have spent their SDRs in any way since the 2021 allocation.

The key question these observations raise is to what extent the current institutional arrangements enable the creation of global liquidity when needed, and how much do they undermine the full effectiveness of SDR issuance. Are there institutional and legal reforms that would improve the impact of SDR allocations?

The last two allocations suggest that SDRs have primarily been used as a crisis-response tool. However, despite guidance from the AoA allowing for broader use beyond crisis management, it is important to examine whether the current system governing SDR is functioning effectively and explore whether SDRs should be used for other purposes, such as a tool for financing sustainable economic transformations as

¹IMF, Articles of Agreement, Article IX, Section 7.

part of the efforts to prevent future balance of payment crises, which is part of the IMF's mandate, as well as an instrument that can be rechanneled to increase the lending capacity of multilateral development banks.

Another important consideration for the field of international monetary economics is the consequences that regular SDR allocations would have for addressing the problem of global effective demand that is created by countries' accumulating of foreign exchange reserves as a precautionary measure in a world defined by imperfect insurance and lack of trust in the capacity to have access to a lender of last resort.

We also aim to explore what reforms (both in domestic legislation and at the international institutions) are needed, to remove constraints for SDR uses that impair the role that SDR are supposed to play.

We invite submission of papers that critically assess the workings of the SDR system and its potential evolution. Papers may analyze the legal and political constraints that are currently limiting the optimal use of SDRs by IMF members, both at the domestic level (e.g., Central Banks' domestic legislations or regulations related to reserve management) and at the international level, identifying key challenges in utilizing SDRs for counter-cyclical and sustainable financing. We encourage the submission of papers that are grounded in economic theory as well as empirical contributions and offer when possible innovative insights and actionable solutions to strengthen the effectiveness and impact of SDRs. Submissions will be considered for a special issue of the Journal of Globalization and Development.

This roundtable is co-organized by the Initiative for Policy Dialogue (IPD) and the Institute of Global Politics (IGP) at Columbia University on Friday, December 5, 2025, at the School of International and Public Affairs (SIPA) at Columbia University, Room 1501.

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