Options Paper for Channeling China's SDRs to Africa

Development Reimagined
During the 8th FOCAC in November 2021, China committed to reallocate 10 billion USD equivalent of its SDRs to African countries - i.e. 25% of its new SDR allocation.
African Views on SDRs

African Priorities

Distribution and Use of SDRs

Strategic Considerations
## Chinese Views on SDR

### Strategic Considerations

In October 2016, the IMF formally added the RMB to the basket of currencies that define the value of the SDR, which was perceived as a milestone of RMB internationalization.

### Institutional Landscape

A critical analysis of the role of different institutions in China and their role in the country's planning and execution of SDR policies.

### China's Priorities in Africa

A break down of China's regional priorities in the continent including the Dakar Declaration and the 2035 Vision for China-Africa Cooperation.
There are in general 5 options on how China can reallocate SDRs to the African continent:

1. Reallocation through Bilateral Transfers
2. Reallocation through the African Development Bank
3. Reallocation through the World Bank
4. Reallocation through IMF Instruments (e.g. RST, PGRT)
5. Reallocation through non-prescribed holders (e.g. LSF)
Assessment Criteria

1. Distribution of Financing
2. Transparent allocation Process
3. Numbers and Types of Countries Benefiting
4. Maintains Sovereignty
5. Results Monitoring feasible
Option 1: Bilateral Transfers
Option 2: Reallocating through AfDB Instruments

**Hybrid Capital Instrument**
The African Development Bank has creating a proposal for the IMF that would allow member countries to reallocate their SDRs through the Hybrid Capital Instrument (HCI).

**Africa Growing Together Fund**
A 10 year co-financing facility between the AfDB and PBoC that supports projects across the African continent.

**ADF Climate Action Window**
A funding instrument part of the ADF-16 replenishment dedicated towards financing climate projects and activities across ADF countries.
Option 3: Reallocating through IMF Instruments

Poverty Reduction and Growth Trust (PRGT)

Resilience and Sustainability Trust (RST)
Option 4: Reallocating through the World Bank

- No reallocation with the IBRD and IDA to-date
- SDR denominated bonds
Option 5: Reallocation through Non-Prescribed Holders

Example:
The Liquidity and Sustainability Facility

Eurobond repurchasing facility (also known as a “repo market”) with the goal of providing liquidity to African sovereign borrowers and improving these borrowers’ attractiveness to international bond markets.
### Our Scoring and Recommendations

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<th>Numbers and Types of Countries Benefiting</th>
<th>Distribution of Finance towards growth-inducing projects</th>
<th>Clear SDR Reallocation Process</th>
<th>Results Monitoring</th>
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Thank you

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