

## *I.M.F. Board Backs \$650 Billion Aid Plan to Help Poor Countries*

The expansion of emergency reserves to help fund vaccines and pay down debt is politically contentious in the United States.



By Alan Rappeport

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VENICE — The International Monetary Fund took a step on Friday toward easing widening global inequality and helping poor nations get access to vaccines, saying its executive board approved a plan to issue \$650 billion worth of reserve funds that countries can use to buy vaccines, finance health care and pay down debt.

The decision comes at a pivotal moment as Covid-19 infections continue to spread among populations that have not been inoculated and as more contagious variants of the coronavirus are posing new health threats. The pandemic has drained the fiscal resources of poor countries over the past year, and the I.M.F. projected this week that faster access to vaccinations for high-risk populations could save 500,000 lives in the next six months.

The new allocation of so-called Special Drawing Rights would be the largest such expansion of currency reserves in the I.M.F.'s history. If approved by the group's board of governors, as is expected, the reserves could become available by the end of next month.

“This is a shot in the arm for the world,” Kristalina Georgieva, managing director of the I.M.F., said in a statement. “The S.D.R. allocation will help every I.M.F. member country — particularly vulnerable countries — and strengthen their response to the Covid-19 crisis.”

Ms. Georgieva made the announcement as finance ministers and central bank governors of the Group of 20 nations were gathering in Venice to discuss international tax policy, climate change and the global economic response to the pandemic. The I.M.F., established in 1944 to try to broker economic cooperation, has warned of a two-track economic recovery, with poor countries being left behind while advanced economies experience rapid expansions.

Ahead of the meetings, Treasury Department officials said expanding access to vaccines would be a central topic of discussion. It is also a potentially contentious one, as some developing countries have suggested that advanced economies are not doing enough to

ensure fair distribution of vaccines.

“The immediate priority for developing countries is widespread access to vaccines that match their deployment programs,” David Malpass, president of the World Bank, said in a speech in Venice on Friday.

Mr. Malpass called on G20 countries to share doses and remove all trade barriers to exporting finished vaccines and their components. He noted that the pandemic had aggravated structural weaknesses that had dogged developing countries for years.

“Even as that is accomplished,” Mr. Malpass said of expanded vaccine distribution, “development faces years of setback and struggle.”

Narrowing the gap between the fortunes of advanced and developing economies was a central topic on the first day of the G20 meetings in Venice. Bruno Le Maire, France’s finance minister, told reporters on Friday that inequality was a risk to the stability and security of Europe that could lead to an influx of refugees. He argued that it must be urgently addressed.

It remains to be seen how far the \$650 billion will go to help developing countries as they race to vaccinate people before new variants of the virus take hold, including the Delta variant, which has plunged many countries back into a health crisis.

The United Nations Conference on Trade and Development called this year for \$1 trillion worth of Special Drawing Rights to be made available by the I.M.F. as a “helicopter money drop for those being left behind.”

Jubilee USA Network, a nonprofit organization that advocates debt relief for poor countries, praised the move by the I.M.F. and called on wealthy countries to do more to help.

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“This is the biggest creation of emergency reserve funds that we’ve ever seen, and developing countries will immediately receive more than \$200 billion,” said Eric LeCompte, executive director of Jubilee USA Network. “Wealthy countries who receive emergency reserves they don’t need should transfer those resources to developing countries struggling through the pandemic.”

The I.M.F., the World Bank, the World Health Organization and the World Trade Organization have created a new vaccine task force and called for an additional \$50 billion investment to

broaden access to supplies. The groups have also called on G20 countries to set a goal of having 40 percent of their populations vaccinated by the end of this year and 60 percent by the middle of next year.

The United States has thrown its support behind the expansion of the I.M.F. reserves, reversing a Trump administration policy and angering Republican lawmakers in the process.

The Trump administration balked at the proposal last year and prevented it from moving forward. It argued at the time that boosting the emergency reserves was an inefficient way to provide aid to poor countries and that doing so would provide more resources to advanced economies that did not need the help, like China and Russia.

Republican lawmakers have since accused the Biden administration of bolstering the fortunes of adversaries, while doing little to actually help developing nations. Although Republicans have introduced legislation that would put restrictions on how the I.M.F. reserves were used if they were authorized, such proposals are unlikely to pass with Democrats in control of Congress.

Under Treasury Secretary Janet L. Yellen, the United States has taken a different view from the Trump administration, and the United States supports the allocation. Ms. Yellen believes that rich countries will have little use for the S.D.R.s but that developing economies will be able to use them to get enough money to vaccinate their people.



Treasury Secretary Janet Yellen, center, arriving for the Group of 20 finance ministers and central bank governors meeting in Venice on Friday. Andrea Merola/EPA, via Shutterstock

Special Drawing Rights work by allowing member countries of the I.M.F. to cash the asset in for hard currency. Their value is based on a basket of international currencies and is reset every five years.

Each of the 190 countries that is a member of the I.M.F. gets an allotment of S.D.R.s based on its shares in the fund, which tracks with the size of a country's economy. The new reserves would also be distributed under this formula, with the largest economic powers like the United States gaining the biggest tranche.

The drawing rights cannot be used to buy things on their own, but they can be traded for currencies that can. If two countries agree, they can trade their Special Drawing Rights for cash, with the I.M.F. acting as a middleman to facilitate the trade.

That has prompted some criticism that the program will not work unless rich countries voluntarily transfer their holdings to poorer nations.

“It is a legitimate concern that new S.D.R.s will end up mostly in the hands of large and rich countries that have little use for them rather than in the hands of the smaller and poorer countries that really need them,” said Eswar Prasad, the International Monetary Fund's former China chief. “A reallocation of S.D.R.s toward the latter group, in addition to increasing the overall volume of S.D.R.s, would be helpful in dealing with stresses to the global financial system.”

To address some of those concerns, the I.M.F. is working to develop a new trust fund where rich countries can channel their excess S.D.R.s. The goal is to create a \$100 billion pot of money that poor countries take loans from so they can expand health care systems or address climate change in conjunction with existing I.M.F. programs.

The United States has previously indicated it will make available about one-fifth of its allocation, worth about \$20 billion. At the urging of the United States, the I.M.F. is also working to create greater transparency around how the assets are being used so that it is clear that American adversaries are not benefiting from the proceeds.

The I.M.F.'s board of governors is expected to hold its vote in early August.