

G20 FINANCIAL PACKAGE UNPACKED

The G20 communiqué announced \$1.1 trillion for the International Financial Institutions. It also committed to provide \$50 billion to “safeguard development in low-income countries”.

Finance package breakdown

Amount	Channel	Source/details	New amount for low-income countries
\$250 billion	IMF Special Drawing Rights	Equivalent to printing money at international level.	\$19 billion.
\$500 billion	Contributions to the IMF for on-lending	\$250 billion now and the other \$250 billion at the end of the year. (\$100bn of the first amount comes from Europe; \$100bn was pledged in November by Japan; \$40bn comes from China; the remaining \$250bn will be raised through New Arrangements to Borrow)	This stream of funding will be provided through New Arrangements to Borrow (NABs). These funds are used, in principle, for non-concessional lending only. However, there is agreement to double IMF’s concessional resources up to \$4 billion.
\$250 billion	Trade finance from export credit agencies, private companies and regional development banks	(\$50 billion of which through a new World Bank trade liquidity facility). Most money is probably re-pledged from existing ECA budgets, World Bank net income, etc.	Unclear. Little additional, and little to low-income countries. Official sources estimate \$12 billion will be available for LICs
\$100 billion*	Multilateral Development Banks	Source unclear. Possibly to be raised on the bond market. A share of it could also come from extra pledges from donors**	If bond issuance will be for IBRD countries only. Official sources estimate that \$6 billion could go to LICs
\$6 billion	IMF gold sales	To be agreed at the Spring meetings.	Official sources estimate that this could go to LICs, but spread over the next 2-3 years

* Commitment to increase to \$300bn over the next three years.

** In case that donors make extra pledges to the MDBs, this will mean extra money channeled through these institutions, but not necessarily “fresh” money. Donors may just decide to channel a share of their committed aid through MDBs, but this amount may not come in additions to existing commitments.

Special Drawing Rights: \$250 billion, out of which \$90 for developing countries

Low Income Countries: \$19 billion, plus \$2 billion from the SDR 4th Amendment

Middle Income Countries: \$71 billion

Key facts on SDRs from the [IMF website](#): The SDR is neither a currency, nor a claim on the IMF. Rather, it is a potential claim on the freely usable currencies of IMF members. Holders of SDRs can obtain these currencies in exchange for their SDRs in two ways: first, through the arrangement of voluntary exchanges between members; and second, by the IMF designating members with strong external positions to purchase SDRs from members with weak external positions. Under its [Articles of Agreement](#), the IMF may allocate SDRs to members in proportion to their IMF quotas. **General allocations of SDRs** have to be based on a long-term global need to supplement existing reserve assets. A proposal for a **special one-time allocation of SDRs** was approved by the IMF’s Board of Governors in September 1997 through the proposed Fourth Amendment of the Articles of Agreement. This Amendment had not become effective as the US had not approved it yet.

Contributions to the IMF for on-lending: \$500 billion

Key facts on New Arrangements to Borrow from the IMF website: While quota subscriptions of member countries are its main source of financing, the IMF can supplement its resources through borrowing if it believes that resources might fall short of members' needs. Through the General Arrangements to Borrow (GAB) and the New Arrangements to Borrow (NAB), a number of member countries and institutions stand ready to lend additional funds to the IMF. The NAB is a set of credit arrangements between the IMF and 26 members and institutions. Commitments from individual participants are based predominantly on relative economic strength, as measured by IMF quotas. An IMF member or institution that is not currently a participant in the NAB may be accepted as a participant at the time of a renewal of the decision, if the IMF and participants representing 80 percent of the total credit arrangements agree.

Commitments:

Japan committed to lend up to \$100 billion, February 2009

The EU committed \$100 billion, March 2009

China committed \$40 billion, April 2009

What does this mean for LICs? If calculated according current IMF quotas, low income countries could have access to \$25 billion. However, **it is important to note that these are, in principle, resources which are used for non-concessional lending only.**

IMF gold sales: \$6 billion

Sales of some of the IMF's gold reserves, together with surplus income, will provide \$6 billion in loans over the next 2-3 years. In principle, this could be channeled to low income countries.

For more information on IMF Resources and the G-20 Summit please see:

<http://www.imf.org/external/np/exr/faq/sdrfaqs.htm#q8>

Trade finance: \$250 billion, out of which \$50 for developing countries

Commitments:

- Germany: \$60 billion
- Other voluntary bilateral contributions made at the G20: \$3-4 billion
- IFCs own resources: \$1.5 billion

Channeled through:

- a) World Bank Global Trade Liquidity Facility: \$50 billion (over the next three years); according to official estimations: \$12 billion will be available for LICs
 - IFC's Expanded Trade Finance Program \$1.5 billionNOTE: A March 16th says the under the Global Trade Liquidity Pool Program the IFC investment would be up to \$2 billion, which will be match funded with \$6 billion from other Development Finance Institutions (DFIs) and IFIs, and several international banks with an established footprint in emerging markets trade finance".
- b) African Development Bank Trade Finance Program: \$1 billion
- c) Asian Development Bank Increased guarantees for trade financing: \$2.1 billion

Multilateral Development Banks: \$100 billion, out of which \$6 billion for LICs

The source of the \$100 billion is unclear, as it is the share that may go to LICs. Official sources estimate that \$6 billion could be available for low-income countries.