

Letter

An aid idea Britain should champion at the G7

From Mark Henstridge, Chief Executive, Oxford Policy Management, Oxford, Oxfordshire, UK

Martin Wolf (“A windfall for poor countries is within reach”, Opinion, June 2) sets out a strong case for using a new issue of special drawing rights by the IMF “to support governments that have credible plans to recover lost development ground”.

However, the IMF has not, at least not yet, come up with a way to seize this opportunity. Variants of on-lending via the IMF have been floated. They help a bit but not a lot and not to the scale needed.

There is another option. It is for the richer countries to donate part of their new SDRs to the International Development Association, the concessional arm of the World Bank.

This has major advantages. It gets to scale fast. Just under 30 per cent of the G7 countries’ share of new SDRs is equivalent to \$80bn – the same as the last IDA replenishment. It is more concessional: IDA can make grants. IMF on-lending is unattractive to low-income countries already at risk of debt distress.

Replenishment normally requires a lot of Official Development Assistance cash. But an IDA replenishment financed by SDRs does not have to be scored as ODA, which is pertinent for the UK. In principle this could free up ODA cash for recovery from the pandemic, such as strengthening the funding to accelerate global vaccination through Covax. This is the agency set up last year by the World Health Organization, Gavi and the Coalition for Epidemic Preparedness Innovations to ensure equitable distribution of vaccines.

The UK could lead such an initiative, and use its G7 presidency at next week’s summit to encourage other rich countries to ensure that new SDRs do “help the poorest, most vulnerable and hardest-hit countries in the world”.

Mark Henstridge

Chief Executive, Oxford Policy Management, Oxford, Oxfordshire, UK