



# The SDRs Playbook:

*An opportunity to make IMF Special Drawing Rights allocations work better for developing countries*

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**Summary:** IMF Special Drawing Rights - the IMF's reserve asset - have provided critical relief for countries in times of financial crisis. Yet, the IMF's own analysis shows that lower-income countries are being short-changed by the current method of SDR allocations, which are transmitted proportionally according to IMF quota shares. As countries face compounding macroeconomic crises, a key issue is how to design SDR allocations so that they are better aligned with meeting the reserve needs of *all* of the IMF's members. In July 2025, the Fourth UN Financing for Development (FfD4) conference in Seville, Spain, reached a landmark agreement by heads of state that reform of IMF Special Drawing Rights is needed. The conference's outcome document, the [Compromiso de Sevilla](#) (Commitment of Seville), agreed by member states on 17 June 2025 in the lead-up to FfD4, invites the International Monetary Fund to develop a 'SDRs playbook,' "that provides operational guidance and strengthens the role of SDRs during crises and shocks." This paper discusses the weaknesses of the IMF's current approach, outlines its implications during the last SDR allocation in 2021, and assesses proposals for making SDR allocations more effective for developing countries. It concludes by setting out next steps to take forward SDRs reform.

## 1. Introduction: Re-imagining Special Drawing Rights for the 21<sup>st</sup> Century

In August 2021, the International Monetary Fund approved an allocation of the equivalent of \$650 billion worth of Special Drawing Rights (SDRs)<sup>1</sup> – by far the biggest allocation in its history. The 2021 allocation, a response to the economic crisis triggered by the Covid-19 pandemic, was also the largest amount of debt-free liquidity received by low- and middle-income countries (LMICs) in response to the pandemic. Although the distribution of the allocation, which directed less than half<sup>2</sup> of the newly issued SDRs to LMICs, was regressive, the benefits of the allocation were progressive. In other words, many LMICs used or exchanged their allocations, while high income countries, who received a greater share of the allocation, did not. As [Miranda and Sward \(2025\)](#) note, citing research from the [Center for Economic and Policy Research \(2022\)](#), "In Sub-Saharan Africa, 41 out of 45 countries used these emergency reserves to buy vaccines, fund public health services, pay off their debt, or support their domestic budgets. Within a year, 104 developing and emerging economies – more than half of the UN's member states – had tapped into this support."

Despite its inequitable distribution, the 2021 allocation illustrated the potential of SDRs as a tool to increase the available liquidity of LMICs, create additional fiscal space, and support their efforts to achieve climate and development goals. In order to enhance the effectiveness of SDRs in future allocations, changes to the distribution criteria are required. This is because allocations currently see SDRs distributed proportionally via the IMF's quota system, where developing countries are under-represented. The quota system also determines voting power and how much countries can borrow from the IMF. Efforts by IMF shareholders to agree equitable IMF quota redistribution have proven elusive over recent decades: Mostly recently, [the IMF's 16th general review of quotas](#) in 2023 agreed an 50 per cent 'equiproportional increase' that locks in the current IMF quota system and perpetuates the underrepresentation of vulnerable countries.

In Section 2, this paper argues that the distribution of SDRs via the IMF quota system undermines their effectiveness in terms of the role of SDRs currently laid out in the current IMF Articles of Agreement, and creates significant barriers to creating a 'fit-for-purpose' SDRs Playbook. It provides a summary of how the current SDRs system evolved – and the opportunity costs of this

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<sup>1</sup> For more background, see Bretton Woods Project, [What are Special Drawing Rights?](#)

<sup>2</sup> According to the [IMF \(2021\)](#), 42 per cent of the allocation went to emerging markets and developing economies.

system, which [Prof Jose Antonio Ocampo \(2017\)](#) has characterized as the ‘international monetary non-system’. The existing system has led to the creation of a pervasive international monetary hierarchy, where many developing countries have amassed huge amounts of foreign reserves in an effort to ‘self-insure’ against external shocks - which has significant opportunity costs in terms of their climate and development financing needs. We argue that SDR reforms need to be conceptualized as part of wider reforms to the global reserves system, itself.

The heads of state-level agreement at the UN Fourth Financing for Development Conference, the [Compromiso de Sevilla](#), which gives a green light to embark on reforms to the SDR system via the creation of an SDRs Playbook, provides an opportunity to help resolve these issues, and to re-evaluate the role of Special Drawing Rights within the global reserve system. Thus the paper turns in Section 3 towards reform proposals that have been identified by policy experts and civil society in recent years, which could enhance the effectiveness of SDRs. It explores a range of proposals, including decoupling SDR allocations from the IMF quota system, in order to strengthen the role of SDRs during “crises and shocks”. In conclusion, we argue that ambitious reforms to the SDRs system could help address wider global challenges, including overlapping climate, debt and inequality crises, in a way that is aligned with climate and economic justice principles - while delivering dividends to all countries by helping to ensure macro-economic and financial stability.

## **2. Back to the future: The birth of SDRs, the derailed ‘development link’ debate, and the creation of a deeply flawed SDRs system**

The SDR system was established in 1969 in response to country demands for a tool to address asymmetric access to liquidity. SDRs function as a reserve asset issued by the IMF, that can boost countries’ reserves, be exchanged for hard currency with a willing country counterpart, or used for fiscal purposes (see [Bretton Woods Project 2021](#)). The founding of SDRs involved a fierce debate about their role in the international financial architecture and how they should be distributed. Perhaps the most notable example of this was the SDR ‘development link’ proposal, originally developed by the UN Conference on Trade and Development (UNCTAD) in 1965 and an important part of newly-independent countries’ agenda in the early 1970s, which posited that SDR allocations should in part provide for these states’ development needs (refer to [Park 1973](#) for an in-depth account of this debate). However, as [Ocampo \(2017\)](#) notes, this proposal was ultimately rejected by the US and Germany. Instead, he argues, what followed was the creation of a ‘non-system’ based on the US dollar that requires, *inter alia*, that developing countries effectively self-insure against currency volatility beyond their borders. In this context, despite small allocations occurring in 1979 and 1980, SDRs largely fell into obscurity, until larger allocations in 2009 following the global financial crisis, and the subsequent 2021 allocation. *Crucially, for the purposes of this paper, it is important to note that the decision to distribute SDRs via the IMF quota system was not due to the effectiveness of this method of distribution, but was rather the result of a flawed compromise after negotiations on the SDR ‘development link’ collapsed.*

In recent SDR allocations, the instrument has been embraced primarily as a global ‘crisis response’ tool, first to respond to the fallout from the 2008-2009 global financial crisis and then to the Covid-19 pandemic. Even without pursuing any additional reforms that might form part of an SDRs Playbook, the IMF’s bylaws already allow for a much broader application of the instrument. As noted by the [Bretton Woods Project \(2024\)](#), the “IMF Articles of Agreement...contains language stipulating that all members must work to ensure the SDR is the ‘primary reserve asset in the international monetary system.’” However, SDRs have remained a marginalized tool in the

international monetary system, historically speaking, accounting for just 6.8 per cent of global reserves as of mid-2022” (see also [Truman 2023](#)).

A [2021 IMF paper](#) prepared by staff in order to assess the need for the 2021 allocation laid bare the problems with relying on the IMF’s quota system for SDR allocations. The paper noted that emerging market and developing economies “would receive about 42 percent, of which 3.2 percent would be [to] LICs [low-income countries].” This method of allocation meant that LICs were short-changed, as the IMF’s staff proposal itself acknowledged: “even with the allocation, international reserves levels in many LICs would remain well below their adequacy ranges” - despite global demand for reserves being the key criteria for issuing the 2021 allocation. This demonstrates the flaws of the current SDR allocation rules, despite the 2021 allocation being by far the largest in history (refer again to [Truman 2023](#), for a historical perspective on SDR allocations over time). It is worth noting that on top of these flaws, LICs in particular face continuing fiscal constraints, and have been advised by the Fund to cut public spending (i.e. austerity), further weakening their ability to meet development and climate goals.

Conversely, the use of IMF quotas to distribute SDRs also means that they have limited impact on the other end of the scale: advanced economies, which receive the majority of every allocation, due to their sizable IMF quota shares, have limited utility for the SDRs they receive. This paradox is summed up neatly by the [Jubilee Debt Commission \(2025\)](#), which noted, “A technical issue must be noted: Under the IMF rules, the high-income countries cannot convert their SDRs to hard currency. Thus, this skewed distribution does not mean that the high-income countries get most of the benefit from a new SDR issuance - contrarily, they get little from it.” In any case, as [ActionAid USA and Bretton Woods Project \(2024\)](#) outline, even without this technicality, wealthy countries who were the primary recipients of the 2021 allocation<sup>3</sup> have other tools to counter economic shocks due to their privileged position in the global currency hierarchy.

As the next section of this paper will explore, in the years since the 2021 allocation, there have been growing calls from development country governments, policy experts, UN organizations, and civil society to reform the SDR system to make it more fit for purpose, culminating in FfD4’s call for an SDRs Playbook. While this heads of state-level commitment from the international community is vital, in order for it to reach its full potential, the SDRs Playbook will have to traverse the choppy waters of IMF governance, and indeed the fraught global monetary hierarchies that currently leave developing countries structurally disadvantaged. We argue that this will necessitate forming a coalition of the willing to push for changes to the IMF Articles of Agreement with respect to how SDR allocations occur.

### **3. Reforming the SDRs system - new routes to SDR allocations**

Since the 2021 allocation, the primary policy push pursued by countries to alleviate the flawed method of linking SDR allocations to IMF quotas has been to increase SDR ‘rechanneling’ from wealthy countries to international financial institutions, thereby creating new loan financing instruments for developing countries. To this end, G20 countries agreed in October 2021 to rechannel \$100 billion in SDRs to developing countries, and the IMF created a new facility backed by rechanneled SDRs, the Resilience and Sustainability Trust (RST) in 2022, designed to help developing countries address future ‘balance of payments’ crises linked to climate change. However, despite high-level political efforts to pursue this agenda, SDRs rechanneling has been

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<sup>3</sup> For reference, the US as the IMF’s largest shareholder received \$113 billion worth of SDRs in the 2021 allocation.

limited and largely unsuccessful in disbursing financing at scale (see [Plant and Camps Androqué 2023](#)).

Actual funds disbursed through the RST, for example, has been limited to date, due to onerous eligibility requirements that mean countries have to have a parallel IMF 'upper credit tranche' lending program in place. Borrowing is also limited by IMF quotas. Furthermore, civil society organizations have raised alarm that the first wave of RST financing has been tied to policy reforms that constitute 'green conditionality' - relying heavily on 'market signals' such as carbon pricing and fossil fuel subsidy removal rather than supporting a whole-of-economy low-carbon transition (see [Recourse 2024](#)). Efforts to rechannel SDRs to proposed facilities at regional multilateral development banks (MDBs), meanwhile, have thus far been frustrated by the European Central Bank's position that EU member states cannot rechannel SDRs to these facilities under EU law; the IMF's board has also put a rigid cap of \$15 billion on this use of SDRs - which in any case remains hypothetical at the time of writing, as these proposed funds have not attracted sufficient countries willing to 'rechannel' SDRs to them (see [Bretton Woods Project 2024](#)).

Most importantly, from the standpoint of civil society advocates who have been engaged in SDR advocacy in the lead-up to and the aftermath of the 2021 allocation (see [Eurodad 2021](#)), SDR 'rechanneling' fundamentally changes the nature of SDRs, transforming them from a non-debt creating reserve asset which can be exchanged for hard currency or used for fiscal purposes by recipient countries, to a debt-based instrument. In the current context, where non-debt creating instruments are urgently required to address global challenges, this cannot be overlooked. As [Miranda and Sward \(2025\)](#) note, "Foreign aid is in freefall. Private investment has dried up. The debt crisis has reached a breaking point, as 3.4 billion people live in countries that spend more on debt payments than on either health or education. Many governments are stranded – unsure of where to find the funding for health clinics, schools, and other essential services." This deteriorating context bolsters the case for SDRs reform that addresses the issue of how SDR allocations are undertaken in the first place, and for subsequent additional SDR allocations.

### ***3.1 A growing consensus on key aspects of reform: Annual allocations, automatic triggers, and needs-based allocations in response to shocks***

In the years since the 2021 allocation, there have been increasing efforts to articulate the wider changes needed in order to reform the SDRs system. In some respects, this connects back to the core concern of the SDR 'development link' debate: That in their current form, SDR allocations are not designed to respond effectively to the needs of developing countries. These discussions also echo long-standing debates about the inequitable global reserve system itself.

As [Muchhala \(2021\)](#) noted in the leadup to the 2021 SDRs allocation,

"Over the years, proposals to reform the global reserve system have stressed the need to address the systemic inequalities that characterise the international monetary system. In 2010, after a new issuance of SDRs was made in response to the global financial crisis (GFC), [UNCTAD]...called for abandoning the dollar as the single major reserve currency and moving to a system that permits the disbursement of international liquidity that could underpin the financing of investment in long-term sustainable development. Such annual, or regular, counter-cyclical issuances of a global reserve currency could serve to create a more stable, equitable and resilient global financial safety net, without an attendant risk of inflation, particularly if they are equivalent to the estimated additional demand for foreign reserves in times of economic crisis and recession. Another salient advantage of using a global reserve currency in such a counter-cyclical manner is that it would, in principle, facilitate the task of preventing excessive currency depreciations for countries in crisis."

In recent years, civil society, policy experts and indeed many Global South governments have pushed for the use of SDRs to be expanded, in order to play such a counter-cyclical role. A civil society proposal launched in April 2024 by [ActionAid USA and the Bretton Woods Project \(2024\)](#), and endorsed by 18 other civil society organizations, called for a number of reforms, including automatic, needs-based allocations, while reverting back to the IMF's pre-2009 accounting classification of SDRs as equity (rather than as both an asset and a liability), in order to remove legal hurdles to countries using them. This followed [a report by the UN High Level Advisory Board on Effective Multilateralism published in 2023](#) that highlighted a number of measures that could be undertaken to enhance the role of SDRs within a more resilient global financial safety net. These included annual allocations linked to global growth rates in order to meet countries' reserve asset needs, and automatic, direct SDR allocations to countries that experienced shocks, including climate disasters.

As [Sward et al \(2024\)](#) highlight, Global South governments have also increasingly voiced the need for SDRs reform. For example, the [Group of 77 and China's Third South Summit](#) held in Kampala, Uganda, in January 2024, called for "new issuances of SDRs, driven by the need to enable the achievement of the Sustainable Development Goals, including eradicating poverty." Various iterations of Barbados's influential Bridgetown Initiative have also positioned SDRs reform at the center of its international financial architecture reform proposals (see [Persaud 2022](#)), while African finance ministers have also called for direct transfers of SDRs to countries with weak external positions, emphasizing the need for allocations to better reflect developing country needs (see [Bretton Woods Project 2023](#)).

The [first draft of the FfD4 outcome document](#), published on 10 March 2025, retained similarly ambitious language, calling for the SDRs Playbook to include "a rules-based approach to recommendations for SDR issuance to speed up approval by the IMF Executive Board of new issuances; and international commitments based on voluntary *ex ante* agreements to facilitate expeditious rechanneling of SDRs to countries in need." This version of the outcome document also called for "the IMF Executive Board and Board of Governors to review the role of SDRs and their place in the international monetary system, including considering approaches that allow SDR allocations that *better respond to the needs of all countries*" (our emphasis). Unfortunately, in closed-door negotiations between member states prior to the adoption of the *Compromiso de Sevilla* in June 2025, much of the more ambitious language on the SDRs Playbook was removed. However, the first draft of the FfD4 outcome document as well as recent proposals provide much-needed breadcrumbs for how a fit-for-purpose SDRs system could be achieved, via reforms included in the SDRs Playbook.

#### **4. Conclusion: SDRs Playbook - reserve system reform can be part of a new multilateralism required to address shared global challenges and deliver stability**

Changing the way SDR allocations occur necessarily involves navigating the fraught waters of IMF governance via a change to the IMF Articles of Agreement. Doing so would necessitate an 85 per cent majority decision from IMF governors, including support from the United States, which has a veto on major governance decisions. As the historical arc of SDRs presented in this paper shows, achieving this governance change will not be easy. However, the inter-connected - and unresolved - issues of IMF quota reform and reform of the SDRs system reflect a potential deepening crisis of legitimacy for the IMF: If its wealthy shareholders remain unwilling to adapt either of these systems to meet the needs of an increasingly multipolar world, the IMF will become increasingly seen as lacking a fair and even-handed approach. Its post-Covid 19 pandemic legacy

will be one of entrenching an inequitable financial system and pushing harmful austerity policies when lower income countries face fiscal constraints. As [Sward and Amerasinghe \(2025\)](#) argue, *“Seville must be the beginning of a new chapter. SDRs reform – if done right – can enhance macro-economic stability and support developing countries’ development and climate action, to the ultimate benefit of all. ...We can’t wait another decade to embark on serious reform – the IMF’s shareholders must seize the moment.”*

Given a lack of clear signals from IMF management that they are willing to take the SDRs Playbook forward, we argue that national-level policymakers and advocates should continue to advance the most ambitious possible version of the SDRs Playbook in discussions happening outside the corridors of the IMF, including within UN spaces, to build momentum on this agenda. Only ambitious reforms will deliver changes that will address lingering inequalities rooted in the global reserve system - and deliver shared dividends for global macro-stability via a more robust global financial safety net. As Arauz (2025) argues, given the current global context, reforms should be designed to allow for SDRs to mitigate trade shocks, facilitate automatic allocations in the event of financial crises, and address SDR accounting issues, which have created confusion among monetary authorities and hampered the liquidity of SDRs compared to other reserves. Such an agenda is a key part of salvaging a frayed multilateralism, whose survival we can no longer take for granted.

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