########## City, Month Day 2021

Addressee name, Position
Address

Re: Lukashenka's access to the IMF allocation of SDRs to Belarus

Dear …,

The IMF has recently approved a historic $650 billion allocation of SDRs. Belarus's share in this allocation is approximately $1 billion and Belarus cannot be excluded from the blanket allocation.

The US, EU, UK, Canada, and several other countries refused to accept the official results of the election. Combined, the countries that do not acknowledge the legitimacy of Lukashenka as the president of Belarus comprise 56% of the IMF vote as opposed to 13% who do. If these countries stop recognizing Lukashenka's regime based on his established illegitimacy, the allies can raise this issue at the IMF. This would disqualify Lukashenka's envoys at the IMF from representing Belarus and deny them access to Belarus's SDR account, based on lack of clarity among the membership whether Lukashenka is the recognized president of Belarus.

We are aware of the opinion that such a decision might seem too radical. However, Lukashenka receiving a billion dollars from the IMF amid the sanctions is unthinkable: a win for propaganda, a lifeline for his government, a PR disaster, a contradiction to the economic sanctions designed to deprive the regime of resources to continue the purge. Therefore, an alternative solution emerged, claiming to achieve similar results:

- the allied Central Banks and Treasuries would not exchange SDRs for currency based on the voluntary market, sparing the taxpayers from the insult of financing the regime directly, and
- the allied diplomacy would work with the remaining IMF members to persuade them to deny an exchange of SDRs for currency for Lukashenka.

Unfortunately, this solution will simply not work. These are the reasons:

1. **The SDR market has long been liberalized** so that any members can buy/sell SDRs at will. Many countries can invest (buying SDRs is risk-free); several would be impossible to influence and enticed to challenge the US and allies. Just one such member

is enough for the entire plan to fail. SDRs can be used as collateral, too, without a sale. They can be pledged directly or even indirectly - as a part of the country's reserve position for a new, already planned, issuance of debt.

2. If Belarus retains all rights and responsibilities of the membership, it can request the "**transaction with designation**" mechanism. This mechanism will require the IMF to designate a member, or several members, for a compulsory purchase of Belarus's SDRs. The designation mechanism that constitutes legal backing of the SDR system is built specifically to guarantee liquidity of SDRs, and the IMF would not have any legal right to refuse. Ironically, to request such mechanism, Belarus's reserve position should start to deteriorate, which is exactly the goal of the economic sanctions recently

3. Even without an exchange, the **SDRs will count toward Belarus's reserve position.** Lukashenka will be able to spend $1bln from other parts of his reserves without the total position falling below the current number (and without violating negative pledge covenants on outstanding debt).

4. There is also a notion that Lukashenka might not want to sell SDRs, and on that premise, no effort is needed. There are distinct reasons he has not sold any yet (pledge covenants, planned debt issuance, and several others) that will not apply to the new infusion.

Therefore, a functioning alternative solution (such as adding the National Bank of Belarus and the Belarus's Ministry of Finance to the lists of sanctioned entities) is required, or the consideration to expel Lukashenka's representatives from the IMF based on his non-recognition should be revisited. This effort is making significant traction in the United States, where Robert Menendez, the Chairman of the Senate's Foreign Relations Committee, wrote to President Biden on August 20 (enclosed), asking him to work with the IMF to formally de-recognize the Lukashenka government. We urge you to join and coordinate this effort. The example of Afghanistan has shown that the IMF can move quickly, when appropriately directed by its members.