



**KRISTALINA GEORGIEVA**  
Managing Director

May 10, 2021

Honorable Joshua Frydenberg, M.P.  
Governor of the IMF for Australia  
Commonwealth Treasury of Australia  
The Treasury  
Langton Crescent  
Parkes, ACT 2600  
Australia

Dear Governor:

After more than 30 years of isolation, recent developments suggest we now have a unique window of opportunity to improve the lives of millions of Sudanese people by helping Sudan reintegrate with the international community. Sudan's continued satisfactory performance under the Staff Monitored Program (SMP) opens the door for debt relief under the Enhanced Heavily Indebted Poor Countries (HIPC) Initiative.

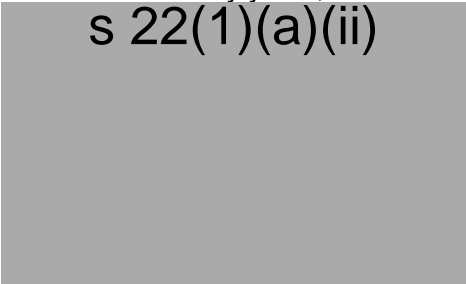
Time is of the essence. I therefore appeal to you to be part of this historic moment by pledging to help finance the IMF's share of debt relief to Sudan, estimated at SDR 992 million. Australia's share in the distribution of SCA-1 resources and deferred charges adjustments (the distribution) is estimated at approximately SDR 8.81 million, with the actual amount to be determined on the day of the distribution. To secure the necessary financing commitments by mid-2021, I would appreciate your response by June 14, 2021. Draft language for a response and available financing options are provided in Annex I of my letter. I am also attaching a short factsheet with background information.

The Sudanese authorities are doing their part to rebuild their economy despite the very difficult circumstances in light of the pandemic and natural disasters they are currently facing, and have shown impressive commitment despite the challenging environment.

I look forward to Australia's support of this important initiative. Please feel free to contact me or Mr. Lauwers, Director of the Finance Department, should you have any questions. I look forward to a favorable reply.

Sincerely yours,

s 22(1)(a)(ii)



Attachments (2)

cc: Honorable Steven Kennedy, Alternate Governor, IMF  
Mr. Chang Huh, Executive Director, IMF

**Annex I: Background and Procedures for Transmission of Members' Indications  
of Their Intended Use of Share of the Distribution:**

On May 10, 2021, the IMF's Executive Board approved a financing package for delivering grants for IMF's share of debt relief to Sudan under the Heavily Indebted Poor Countries (HIPC) Initiative. It relies on members' contributions facilitated through: (i) a full distribution of Special Contingent Account (SCA-1) resources of SDR 1,066 million, (ii) refunds of Sudan-related burden-shared deferred charges adjustments of about SDR 611 million, and (iii) additional cash grant contributions from donors to ensure appropriate burden sharing among member countries and close the potential financing gap.

The Managing Director is appealing to IMF members to contribute part or all of their respective shares of the distribution of SCA-1 resources and deferred charges adjustments (the distribution). Economically stronger members are encouraged to consider providing additional cash grants. The proposed broad-based resource mobilization effort for Sudan is consistent with the cooperative nature of the IMF and past fund-raising exercises for low-income countries. A similar approach was taken by the Fund to finance HIPC debt relief to Liberia in 2008 and Somalia in 2020.

The distribution will become effective after formal financing commitments of at least SDR 992 million for the purpose of debt relief for Sudan have been secured, and Sudan has cleared its arrears to the IMF. This would enable the Fund to support Sudan through a new financing arrangement and make a decision, at the so-called Enhanced HIPC Decision Point, to commit itself to providing grants for full debt relief to Sudan on its outstanding pre-Decision Point debt to the IMF.

There are a number of options to facilitate members' contributions to Sudan's debt relief. Members are requested to provide a written response to the Managing Director by June 14, 2021, indicating the intended use of their share in the distribution. The options also include an approach for members needing more time to decide on the use of their share and an option for members wishing to have their share returned to them, including where they may wish to pledge a contribution from their own resources. More specifically:

- Members who wish to consent to the transfer to the Sudan Administered Account of their full share of the distribution of the SCA-1 and deferred charges, as contemplated in the proposed decision, would provide a notice to this effect along the lines of Sample Communication No. 1;
- Members who wish to contribute their shares of the distribution to the PRG-HIPC Trust, could provide instructions to this effect along the lines of Sample Communication No.2(a);
- Members who require more time to decide on the use of their share could notify the Fund to transfer their share to the Interim Sudan Subaccount (Sample Communication No. 2(b));
- Members who wish to have their share returned to them may wish to confirm this in writing along the lines set forth in Sample Communication No. 2(c). Optional language is provided under this sample communication for members who prefer to have their shares returned to them but would like to pledge an equivalent (or other) amount from their own resources;

- Members who wish to have their share distributed to more than one account, including to contribute part of their share in the distribution for the purpose of Sudan's debt relief, may wish to specify their preferences in this regard along the lines contemplated in Sample Communication No. 3; and
- Members and other contributors who wish to provide assurances of other resources (such as grants) that they will make available for debt relief for Sudan would need to provide a communication in writing along the lines of Sample Communication No. 4.

The Fund would make the requested transfer on the date the IMF Executive Board's decision on the distribution of SCA-1 resources and deferred charges refund becomes effective, based on the instructions in the written communication from the member. Prior to making the transfer, the Fund will send a notification to the member's fiscal agency, indicating that the Fund would proceed with the requested transfer at the time of distribution unless it would hear differently from the fiscal agency. For members that have not explicitly directed their shares to the Interim Sudan Subaccount, but indicated that they need more time to decide (or provided unclear instructions), the Fund will have their shares transferred to the Interim Sudan Subaccount pending further instructions by the members on the use of the funds. For members that have not communicated any instructions to the Fund in respect of the disposition of their shares at the time that such distributions are made, the Fund will have their shares transferred to their respective SDR accounts.

Instruments setting up the dedicated administered accounts mentioned above have been approved by the Executive Board and are available in EBS/21/39.

Members are requested to send their written responses to the Managing Director by June 14, 2021. Any questions regarding these procedures may be directed to: [REDACTED] s 47F, Deputy Division Chief, ([REDACTED] s 47F), and [REDACTED] s 47F, Finance Officer, ([REDACTED] s 47F), Finance Department, IMF.

### **Sample Communications from Participants**

#### **Sample Communication No. 1:**

Pursuant to the decision set forth in EBS/21/39, [Member] hereby consents to the transfer to the Sudan Administered Account of its interest in the SCA-1 balances and proceeds of deferred charges adjustments that are covered by the terms of that decision.

#### **Sample Communication No. 2:**

- a. When the decision set forth in EBS/21/39 becomes effective, please transfer to the PRG-HIPC Trust the SCA-1 balances and proceeds of deferred charges adjustments that are distributable to [Member] pursuant to paragraphs 6(c) and 6(f) of that decision; or
- b. When the decision set forth in EBS/21/39 becomes effective, please transfer to the Interim Sudan Subaccount the SCA-1 balances and proceeds of deferred charges adjustments that are distributable to [Member] pursuant to paragraphs 6(c) and 6(f) of that decision; or
- c. When the decision set forth in EBS/21/39 becomes effective, please transfer to [Member]'s SDR holdings account the SCA-1 balances and proceeds of deferred charges adjustments that are distributable to [Member] pursuant to paragraphs 6(c) and 6(f) of that decision. [In light of this distribution, [Member] pledges to provide to the Sudan Administered Account [OR the PRG-HIPC Trust] an amount equivalent to this distribution [OR to SDR---].]

#### **Sample Communication No. 3:**

Pursuant to the decision set forth in EBS/21/39, [Member] hereby consents to the transfer to the Sudan Administered Account of the equivalent of SDR [---] million of its interest in the SCA-1 balances and proceeds of deferred charges adjustments that are covered by the terms of that decision. Further, when the decision set forth in EBS/21/39 becomes effective, please transfer to (i) the PRG-HIPC Trust the equivalent of SDR [---] of the SCA-1 balances and proceeds of deferred charges adjustments that are distributable to [Member] pursuant to paragraphs 6(c) and 6(f) of that decision, and (ii) transfer to [Member]'s SDR holdings account the remaining interest in the SCA-1 balances and proceeds of deferred charges adjustments that are covered by the terms of that decision.

#### **Sample Communication No. 4:**

This is to confirm that [Member/Donor] commits to contribute a grant in an amount equivalent to SDR [---] million to the Sudan Administered Account [or the PRG-HIPC Trust or to a subaccount under the FIA]. It is our intention that we will disburse this contribution to the Sudan Administered Account [or PRG-HIPC Trust] within [---] months.



# Factsheet: Sudan—Financing Package for the IMF's Debt

## Sudan: Quick Facts:

GPD per capita: US\$813  
 Poverty incidence: 46.1 percent  
 External debt: US\$50 billion  
 Arrears to the Fund: SDR 964 million  
 Estimated cost of total debt relief: SDR 992 million

Sudan's move to a transitional government and its removal from the US list of state sponsors of terrorism, and satisfactory performance under the Staff Monitored Program (SMP) present a window of opportunity to make progress towards debt relief under the Enhanced Heavily Indebted Poor Countries (HIPC) Initiative.

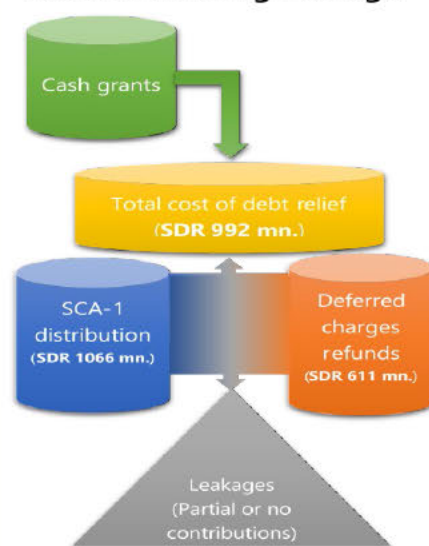
To facilitate members' contributions, when Sudan clears its arrears to the Fund, the Fund will distribute internal resources from its Special Contingent Account (SCA-1) in the amount of SDR 1,066 million and refunds of deferred charges adjustments in the amount of SDR 611 million (the distribution). Members are asked to contribute all or part of their shares in this distribution. Economically stronger members are encouraged to consider providing additional cash grants.

The distribution can only take place once the Fund has received satisfactory assurances that SDR 992 million<sup>1</sup> will be contributed for the purpose of IMF's debt relief to Sudan. In similar fundraising efforts in 2008 and 2020 to finance Liberia's and Somalia's arrears clearance, 102 and 121 members, including low-income countries, contributed or pledged to contribute SDR 547 million and SDR 253 million, respectively.

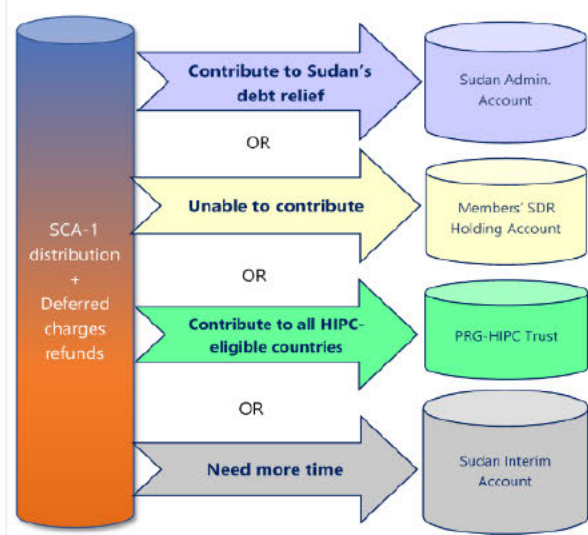
The following broad options are available to members who wish to contribute to the IMF's debt relief to Sudan:

- Direct transfer to the Sudan Administered Account or the PRG-HIPC Trust.
- Transfer to an interim account at the Fund to hold the member's resources while domestic procedures are being completed.
- Receive the distribution in the member's SDR account, with the option to provide a separate cash grant.

## Sudan: Financing Package



## Sudan: Members' Options for SCA-1/Deferred Charges Distributions



**SCA-1.** Funded by debtors and creditors of the General Resources Account (GRA); with its current balance of SDR 1.1 billion, this account protects the Fund against possible credit losses from existing or potential new arrears.

**Deferred charges.** Established in 1987, the system of deferred charges protects the Fund against shortfalls in income resulting from GRA overdue charges. Fund borrowers and creditors both contribute every quarter through adjustments to the rate of charge and the rate of remuneration, respectively.

**Distribution.** When Sudan clears its arrears to the Fund, 184 members that have contributed to the SCA-1 and the deferred charges mechanism will be entitled to their respective shares in the distribution, and are asked to contribute all or part of their share for the purpose of the IMF's debt relief to Sudan.

**PRG-HIPC Trust.** The PRG-HIPC Trust was established in 1997 to receive and provide resources for debt relief under the HIPC Initiative. At termination, resources remaining in the Trust will be transferred to the PRG Trust and used for subsidization of lending to low-income countries.

IMF Finance Department contacts:

and

<sup>1</sup> Estimated cost of total debt relief to Sudan, totaling to assumed first disbursement under the ECF arrangement, which would provide sufficient resources to repay the bridge loan for arrears clearance (estimated to SDR 964.5 million at the end-June 2021) plus first disbursement under the new financing beyond arrears clearance (SDR 27.1 million) to cover Sudan's BOP needs, and interim HIPC assistance (SDR 0.4 million).



PRIME MINISTER

A handwritten signature in black ink, appearing to read 'Scott Morrison'.

Thank you for our meeting at the Australian Embassy in Washington D.C. on 23 September.

I appreciated the opportunity to hear your thoughts on how to ensure the global economic recovery and mitigate the effects of the COVID-19 pandemic on developing economies, particularly in the Pacific. As COVID-19 continues to exacerbate the challenges in our region, it is essential that all vulnerable countries have the fiscal space to respond to and recover from the health and economic crisis.

My Government is a strong supporter of the IMF's work to improve debt sustainability and strengthen the economies and financial systems of developing countries in the Pacific. Australia looks forward to additional options to rechannel part of our Special Drawing Rights general allocation to provide greater liquidity to countries in most need of our support.

I was glad to have the opportunity to share our views with you on how to shore up the global economic recovery.

Yours sincerely,

s 22(1)(a)(ii)

SCOTT MORRISON

Ms Kristalina Georgieva  
Managing Director  
International Monetary Fund

21 OCT 2021