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Statement by Mr. Chodos, Mr. Lischinsky, and Mr. Corvalan Mendoza on Sudan (Preliminary) Executive Board Meeting March 26, 2021

We thank staff for the set of papers and Ms. Mannathoko and Mr. Ismail for the illustrative Buff statement.

On Wednesday March 24, 2021 the completion of the first review of the Staff-Monitored Program (SMP) was supported by the Board. This was an important step for the SMP approved in September 2020 and for the authorities to continue implementing the needed changes, address macroeconomic imbalances, support inclusive growth, and pave the way for these sound policies to a possible HIPC debt relief. Furthermore, we highlighted in the SMP 1st review that there were forward-looking commitments of Upper Credit Tranche (UCT) quality.

Hence, we recognize the authorities´ commitments to continue the policies underway to address economic distortions, restore stability, help an inclusive economy, and achieve a more democratic and affluent society. Furthermore, we note that the removal of Sudan from the US State Sponsors of Terrorism list (SSTL) is very important and, in turn, will help catalyze donor support and reinforce the country's efforts to reach the HIPC Decision Point. *However, as mentioned by staff in the Wednesday meeting that around 200 financial advisors were dismissed at the Central Bank of Sudan (CBS), we wonder how transparency in debt, fiscal, budget and statistical issues and the daily work at the CBS were affected. Staff's comments will be appreciated.*

Regarding views and guidance requested, we note:

1.Eligibility. We note that the latest joint World Bank-IMF Debt Sustainability Analysis indicates that Sudan is in external public debt distress and that its debt outlook is unsustainable. Public and publicly guaranteed debt was estimated at US$49.8 billion in nominal terms at end-December 2019. Besides, about 86 percent of the debt was in arrears, which broadly impedes access to normal financial support from multilateral and official bilateral creditors. **Thus, in light of this and the above paragraphs, we consider that Sudan is eligible for assistance under the enhanced HIPC Initiative.** *In this regard, we would appreciate it if staff could comment on whether within total public* *external debt there is only multilateral and official bilateral debt and no public debt registered to private creditors and if due diligence was done to determine all external public and, particularly, publicly guaranteed debt. We would like also to know the amount and composition of external private debt, if any, and the creditors involved, and a list of all past three-year payments made to external creditors.*

2.Timing of Decision Point. We agree with the staff's recommendation that Sudan could reach its Decision Point by June 2021, if a UCT arrangement with the Fund is approved at the same time. For that to happen, the country should continue with the current track record of satisfactory quality performance of UCT policy conditionality. Moreover, we note in the staff report that arrears to IDA are planned to be cleared this month and that clearance of IMF and the ADB arrears are at an advanced stage. We understand that clearing of arrears to other external creditors will take place in the context of this Initiative. *We would like to ask staff how long it could take from the Decision Point to the Completion Point and the timetable in the case of Sudan.*

3.Floating Completion Point. Sudan agrees that satisfactory triggers will be in place at the Completion Point. Among these possible triggers are strengthening domestic revenue mobilization, debt management, the poverty reduction strategy, macroeconomic stability, governance, and public procurement. *On the growth and governance measures in Box 4, could staff specify which one could possibly impact growth and employment in the short to medium term?* Social protection and financial inclusion are very important and key to the success of this Initiative and a future support of a UCT program. *What percentage of beneficiaries does staff calculate could be eligible for social protection support and how long would it take to establish a national social registry? What percentage of those beneficiaries could be reached by cash transfers via digital means and in what period of time? Staff's responses are welcome.*

With these comments, we wish Sudan and its people a successful HIPC in these difficult times.