

**FOR
INFORMATION**

FO/DIS/21/90

June 21, 2021

To: Members of the Executive Board

From: The Acting Secretary

Subject: **Sudan—Note on Timing and Sequencing of Steps for the Executive Board Meeting on June 28, 2021 and Associated Operations on June 29, 2021**

Board Action:

Executive Directors' **Information**

Questions:

Ms. Murgasova, FIN (ext. 34209)
Ms. Fernandez, FIN (ext. 35902)
Ms. Rendak, LEG (ext. 34104)
Ms. Baker, MCD (ext. 34041)
Ms. Manno, FIN (ext. 38175)
Ms. Spinella, FIN (ext. 36905)

Sudan—Note on Timing and Sequencing of Steps for the Executive Board Meeting on June 28, 2021 and Associated Operations on June 29, 2021¹

1. **This note, for the information of Executive Directors, lays out the sequencing for the items to be taken up in the Executive Board meeting on Sudan scheduled for June 28, 2021 and the associated operations that will take place on June 29, 2021.**² This is in light of the Managing Director’s notification to the Executive Board that satisfactory financing assurances regarding the resources available to finance the Fund’s debt relief to Sudan have been secured (EBS/21/62, 6/21/21). At the June 28, 2021 meeting, the Executive Board will consider three proposed decisions relating to a number of items in the context of Sudan’s arrears clearance and quota increase under the 14th General Review, as follows: (i) the termination of Sudan’s ineligibility to use the Fund’s general resources;³ (ii) Sudan’s request for an arrangement under the Extended Credit Facility (ECF); and (iii) Sudan’s HIPC Initiative Decision Point (DP) document and its request for interim assistance under the Initiative. Relevant staff papers issued for the Board meetings are listed in Attachment I. The associated proposed decisions will be circulated under separate covers. As elaborated below, these decisions are proposed for the Executive Board’s approval on June 28, 2021 and will come into effect once the Director of the Finance Department has notified the Board that the associated necessary operations—i.e., Sudan’s clearance of arrears to the Fund, Sudan’s consent and payment of its quota increase under the 14th Review, and disbursement of financing under the ECF arrangement—are completed on June 29, 2021.

2. **There will only be one Board meeting on June 28, 2021 to discuss and consider approval of these three proposed decisions.** The associated financial operations will take place on June 29, 2021. As each of these operations is completed, the Director of the Finance Department will notify the Board and the relevant proposed decisions taken on June 28, 2021 will become sequentially effective. The decision on Sudan’s HIPC Decision Point (DP) and interim assistance for the 12-month period from the DP will become effective once both the WB and the IMF Executive Board meetings on HIPC DP have taken place.

¹ This note has been prepared by a team led by Marta Spinella and comprising Elena Budras, Lawrence Chan, Courage Gumbanjera, Ivetta Hakobyan, Enosa Okosodo, Vera Zolotarskaya (all FIN), Atticus Weller (MCD), Nadia Rendak, Anjum Rosha, and Hoang The Pham (LEG). Production assistance was provided by Amy Miranda (FIN). Overall guidance was provided by Bernard Steinki, Zuzana Murgasova, Gilda Fernandez, and Carol Baker.

² The associated operations are scheduled to take place on June 29, 2021, to ensure the operations can be completed on an intra-day basis, in agreement with the willing lender of the bridge loan.

³ Once Sudan clears its arrears to the Fund, the Managing Director will withdraw her complaint for the suspension of Sudan’s voting rights in the Fund by sending a notification to the Executive Board. Shortly thereafter, a notification to this effect will be sent to Sudan.

3. **Specifically, the planned sequence of steps is set out below:**

June 28, 2021 Executive Board Discussion and Approval of Proposed Decisions

On June 28, 2021, (Monday), the IMF Executive Board will take up consideration of, and will be asked to approve, proposed decisions regarding: (i) the termination of ineligibility to use the general resources of the Fund; (ii) Sudan's request for an arrangement under the ECF; and (iii) Sudan's HIPC Initiative Decision Point document, debt sustainability analysis, and its request for interim HIPC Initiative assistance for the 12-month period after the Decision Point to cover Trust Fund interest and GRA charges on Sudan's pre-arrears clearance debt to the Fund, falling due after the HIPC Decision Point, i.e. on June 30, 2021 and August 1, 2021. As discussed below, these decisions will become effective sequentially only on June 29, 2021 and only after the associated financial operations are completed, respectively, for each decision, and once the WB meeting on the HIPC Decision Point will also be completed.⁴

June 29, 2021 Associated Financial Operations

On the morning of June 29, 2021 (Tuesday), the Finance Department would conduct the following operations in the following sequence:

- The Finance Department would conduct the necessary operations for Sudan's arrears clearance to the Fund,⁵ which would involve implementing a bridge loan transaction in SDRs based on an agreement concluded between a willing lender and Sudan. The proceeds of the bridge loan will be credited directly to Sudan's SDR account and used by Sudan to clear its arrears to the Fund. Once these transactions have been completed, the Managing Director will withdraw her complaint for the suspension of Sudan's voting rights in the Fund by sending a notification to the Executive Board. Once the notification is sent, the Secretary's Department would then relay a notification to the Executive Board via email from the Director of the Finance Department notifying the Executive Board that Sudan has cleared its arrears to the IMF. The decision to terminate ineligibility would become effective immediately upon such notification.
- The Finance Department would then proceed to effect transactions for the increase of Sudan's quota under the 14th General Review.⁶ Following Sudan's consent to the quota increase and representation from Sudan that it does not have sufficient resources to pay the Reserve Asset Portion of the quota increase, the Fund would implement the second bridge

⁴ The World Bank Board meeting to discuss Sudan's HIPC DP has been scheduled on the same day as the Fund meeting on June 28, 2021.

⁵ Sudan's overdue obligations to both the GRA and the Trust Fund will be cleared simultaneously.

⁶ Sudan's clearance of its arrears to the Fund's GRA would allow it to pay for its quota increase under the 14th General Review of Quotas in accordance with the Board of Governors' Resolution No. 66-2 on Fourteenth General Review of Quotas and Reform of the Executive Board. The Resolution provides that "no member with overdue repurchases, charges or assessments to the General Resources Account may consent to or pay for the increase in its quota until it becomes current in respect of those obligations".

loan transaction based on an agreement concluded between the same willing lender and Sudan. Sudan would use the proceeds from this bridge loan to pay for the Reserve Asset Portion of Sudan's quota increase. Sudan would then immediately purchase its newly created Reserve Tranche Position (RTP) in the same amount and use the proceeds to fully repay the second bridge loan. Sudan would also confirm to the Finance Department that the Local Currency Portion of its quota increase has been paid to the IMF account held with the Central Bank of Sudan. Once these transactions have been completed, the Secretary's Department would then relay a notification to the Executive Board via email from the Director of the IMF's Finance Department that Sudan has subscribed to and paid its quota increase under the 14th General Review of Quotas. The decision to approve the ECF arrangement would become effective upon such notification.

- The Finance Department would then conduct the relevant operations to execute transactions related to Sudan's first disbursement under the ECF arrangement. A portion of this financing would be used by Sudan to repay in full the first bridge loan obtained from the lender for clearing Sudan's arrears to the Fund. Once this has been completed, the Secretary's Department would then relay a notification to the Executive Board via email from the Director of the IMF's Finance Department that the first disbursement under the ECF had been completed. The decision on Sudan reaching the Decision Point under the HIPC Initiative and the disbursement of interim HIPC assistance for the first 12-months from the Decision Point, to cover Sudan's debt service to the Fund for pre-arrears clearance of the portion of GRA charges and Trust Fund interest obligations falling due after HIPC DP on June 30, 2021 and August 1, 2021, would become effective upon such notification. Thereafter, a press release would be issued.

Attachment I. Sudan—Board Papers Issued for the Executive Board Meeting on June 28, 2021

For Board Discussion

- *Sudan—Termination of Ineligibility to Use the General Resources of the Fund (EBS/21/58, 6/21/21).*
- *Sudan—Second Review Under the Staff-Monitored Program and Request for Extension (EBS/21/59, 6/21/21).*
- *Sudan—Request for a 39-month Arrangement Under the Extended Credit Facility (EBS/21/61, 6/21/21).*
- *Sudan—Enhanced Heavily Indebted Poor Countries Initiative—Decision Point Document (EBS/21/60, 6/21/21).*
- *Sudan—Enhanced Heavily Indebted Poor Countries Initiative—Decision Point Document—Debt Sustainability Analysis (EBS/21/60, Sup. 1, 6/21/21).*
- *Sudan—Enhanced Heavily Indebted Poor Countries Initiative—Decision Point Document—Proposed Decision (EBS/21/60, 6/21/21)*

Related Board Papers

- *Sudan—Notification of Satisfactory Financing Assurances for the Fund's Debt Relief (EBS/21/62, 6/21/21).*
- *Sudan—Note on Timing and Sequencing of Steps for the Executive Board Meetings on June 28, 2021 and Associated Operations on June 29, 2021 (FO/DIS/21/90, 6/21/21).*