

DOCUMENT OF INTERNATIONAL MONETARY FUND
AND NOT FOR PUBLIC USE

**FOR
AGENDA**

EBS/84/262

CONFIDENTIAL

December 12, 1984

To: Members of the Executive Board

From: The Secretary

Subject: Sudan - Overdue Financial Obligations to the Fund -
Report and Complaints Under Rule K-1 and Rule S-1 and
Notice of Failure to Settle Trust Fund Obligation

The attached document will be placed on the agenda for discussion on a date to be announced. A draft decision appears on page 11.

If Executive Directors have technical or factual questions relating to this paper prior to the Board discussion, they should contact Mr. Dhruva Gupta (ext. (5)7627) or Mr. Leddy (ext. (5)8332).

Att: (1)

INTERNATIONAL MONETARY FUND

Sudan--Overdue Financial Obligations to the Fund--
Report and Complaints under Rule K-1 and Rule S-1 and Notice
of Failure to Settle Trust Fund Obligation 1/

Prepared by the Treasurer's, Middle Eastern, and Legal Departments

(In consultation with Exchange and Trade Relations Department)

Approved by W.O. Habermeier, P. Chabrier and G.P. Nicoletopoulos

December 12, 1984

1. Sudan is at present overdue in discharging a number of payments to the Fund dating from a repurchase obligation due on July 12, 1984. As of December 11, 1984 the overdue obligations were as follows:

Sudan - Overdue Obligations to the Fund

(December 11, 1984)

Type of Obligation	Date of Purchase or Loan	Due Date	Days Late	SDR Amount
<u>General Department</u>				
CF repurchase	4/13/81	7/12/84	153	3,950,000
CT repurchase	4/13/81	7/12/84	153	2,480,672
Semi-annual charges		7/13/84	152	16,724,231
Quarterly charges		8/08/84	126	5,458,491
CF repurchase	11/13/79	8/09/84	125	4,500,000

1/ The present report, complaints and notice are being issued at the point at which Sudan's longest overdue obligation has been outstanding for about five months, following the guidelines established in light of the Executive Board's discussion of overdue obligations to the Fund in April 1984. Any future such reports and complaints would normally be issued to the Executive Board three months after a member's obligation to the Fund had become overdue, in light of the Executive Board's conclusions on this matter on November 19, 1984. See "Overdue Financial Obligations to the Fund--Six-Monthly Report" (EBS/84/211, 10/11/84, and Supplement 1, 11/16/84) and the Managing Director's Summing up of the Discussion in Buff Statement 84/88, 12/3/84.

CF repurchase	11/18/80	8/16/84	118	2,725,000
CT repurchase	9/27/79	9/25/84	78	2,143,867
EFF repurchase	10/03/79	10/02/84	71	937,500
EFF repurchase	4/03/80	10/02/84	71	2,187,500
EFF repurchase	4/03/80	10/02/84	71	1,458,333
EFF repurchase	10/03/79	10/02/84	71	625,000
CF repurchase	4/13/81	10/11/84	62	3,950,000
CT repurchase	4/13/81	10/11/84	62	2,480,672
CF repurchase	11/13/79	11/08/84	34	4,500,000
Quarterly charges		11/08/84	34	5,471,536
EF repurchase	11/17/80	11/15/84	27	4,750,000
CF repurchase	11/18/80	11/15/84	27	2,725,000
EF repurchase	5/27/80	11/26/84	16	416,667
EF repurchase	5/27/80	11/26/84	16	625,000
EF repurchase	5/29/79	11/28/84	14	625,000
EF repurchase	5/29/79	11/28/84	14	937,500
EF repurchase	6/12/81	12/11/84	1	6,537,500
Subtotal				76,209,469

SDR Department

Net SDR Charges		8/01/84	133	1,234,248
Net SDR Charges		11/01/84	41	1,262,850
Subtotal				2,497,098

<u>Trust Fund Repayment</u>	7/27/78	7/26/84	139	2,984,215
Total				<u>81,690,782</u>

Sudan has had intermittent difficulties in meeting financial obligations to the Fund since September 1981, but had been able to settle these obligations with some delays through June 1984. However, it has not discharged any obligations that became due from July 12, 1984. Executive Directors have been informed on several occasions of the non-payment of obligations by Sudan. ^{1/} Sudan's present overdue obligations in the General Department are equivalent to about 45 percent of Sudan's quota in the Fund. The total amount overdue to the Fund of SDR 81.7 million is about 10 percent of exports of goods and nonfactor services, 5 percent of imports of goods and non-factor services, and 1.4 percent of GDP (estimated 1984 data). Sudan's total external debt

^{1/} See "Sudan - Overdue Payments to the Fund" (EBS/84/186, 8/29/84, corrected: 8/31/84); "Non-payment of Net Charges in the SDR Department for the Financial Quarter ended July 31, 1984" (EBS/84/201, 9/25/84); and "Non-payment of Net Charges in the SDR Department for the Financial Quarter ended October 31, 1984" (EBS/84/260, 12/11/84).

at the end of 1983 was close to US\$7.6 billion (see SM/84/265, page 38, Table 16). Debt service, including payments to the Fund, is over SDR 1 billion in each of the years 1985-1991.

2. Sudan's financial relations with the Fund are summarized in Attachment II. Since becoming a member of the Fund in 1957, Sudan had a number of stand-by arrangements and one extended arrangement. The latest stand-by arrangement was approved in principle on April 30, 1984 and became effective on June 25, 1984 after satisfactory arrangements were made to finance the uncovered gap in Sudan's 1984 balance of payments and the overdue obligations to the Fund were discharged. Sudan made only the initial purchase (for SDR 20 million) under this arrangement, which is now inoperative.

As of December 11, 1984, Sudan's outstanding use of Fund credit in the General Department--including overdue repurchases of SDR 48.6 million--totaled SDR 610.2 million, of which SDR 93.6 million was purchased in the credit tranches, SDR 121.3 million under the Extended Fund Facility, SDR 154.5 million under the Supplementary Financing Facility, SDR 144.8 million under the Enlarged Access Policy, and the remaining SDR 96.0 million under the compensatory financing facility. Sudan has made use of Fund credit continuously since April 1965. (See Attachment III for details.)

Sudan has received SDR allocations totaling SDR 52.2 million. At present it has no SDR holdings, and net charges in the SDR Department currently amount to about SDR 1 million each quarter. As indicated above, Sudan is overdue in the SDR Department for net charges equivalent to SDR 2,497,098, and SDRs in this amount have been created in excess of total allocation to cover this nonpayment of charges.

An amount of SDR 67.4 million, including an overdue repayment of SDR 3.0 million, is outstanding under the Trust Fund. Seven Trust Fund loans were received over the period 1978-81. Repayments of loans under the Trust Fund began in February 1984.

On the basis of Sudan's present use of Fund credit, Trust Fund loans received, and present position in the SDR Department, Sudan's projected repurchase obligations, quarterly charges, semi-annual charges, net SDR charges and Trust Fund obligations payable through 1991 are estimated as shown below (projected at the present rate of periodic charges and the latest rates of interest on SDR use and on borrowed resources). These projected obligations to the Fund amount to more than SDR 900 million over the next seven years, with more than two thirds of this total falling due in the next three years.

Sudan - Overdue and Forthcoming Obligations

(In millions of SDRs)

	1984 <u>1/</u>	1985	1986	1987	1988	1989	1990	1991	Total
Quarterly Charges	10.93	19.79	15.25	10.45	6.43	4.32	2.87	1.91	71.94
Semi-annual Charges	16.72	34.89	30.09	23.70	15.72	8.42	3.85	0.76	134.25
Repurchases	48.56	100.48	123.07	129.03	89.05	65.31	45.06	9.66	610.22
SDR Charges <u>2/</u>	2.50	4.35	4.35	4.35	4.35	4.35	4.35	4.35	32.97
Trust Fund									
Repayments	2.98	11.83	14.02	14.02	14.02	8.05	2.19	0.27	67.38
Interest	<u>0.16</u>	<u>0.26</u>	<u>0.23</u>	<u>0.17</u>	<u>0.11</u>	<u>0.07</u>	<u>0.03</u>	<u>--</u>	<u>1.16</u>
Grand Total	<u>81.85</u>	<u>171.62</u>	<u>187.00</u>	<u>181.70</u>	<u>129.64</u>	<u>90.47</u>	<u>58.33</u>	<u>16.94</u>	<u>917.58</u>

1/ Amount overdue on December 11, 1984 plus additional amount accruing through end-1984.

2/ Assuming that Sudan continues to have no SDR holdings.

3. In earlier reports to the Executive Board on Sudan's overdue obligations, it was indicated that the staff was continuing its efforts to obtain early settlement of the overdue obligations. An Article IV consultation mission which visited Sudan in the first week of September 1984 raised the issue of overdue payments to the Fund, stressed that such payments should be given top priority by the Bank of Sudan, and explained the procedures and provisions that would apply if the arrears remained outstanding.

The matter was discussed again with the Sudanese authorities during the Annual Meetings in September and subsequently in Washington in November. As reported in EBS/84/201, Supplement 1 (November 16, 1984), the Sudanese authorities during the Annual Meetings proposed to discharge by end-March 1985 the settlement of the overdue payments to the Fund outstanding as of September 30, 1984 and to consult with management during December 1984 on a plan for the settlement of obligations that would fall due after September 30, 1984, provided that understandings were reached on an early resumption of purchases under Sudan's stand-by arrangement. Management and the staff were of the view that this proposal was not adequate to resolve the matter, as there was no assurance that the current economic policies would lead to an early settlement of the obligations that are now overdue, and would not be in accordance with the Fund's policies on overdue obligations. It was noted that resumption

of purchases under the stand-by arrangement could not be assured as it depended on a satisfactory completion of the review and observance by Sudan of the relevant performance criteria. In the event, the review did not take place as Sudan had overdue obligations to the Fund and certain exchange reform measures with which the authorities had agreed were not carried out. In subsequent communications as well as in meetings with Sudanese representatives in Washington on November 9-12, 1984, the authorities were urged to give the utmost priority to settlement of the overdue obligations and to implementation of adjustment policies that would arrest further deterioration of the economy and strengthen prospects for the financial situation. In the various discussions, management indicated that the Fund would be prepared to provide technical assistance to the Sudanese authorities in formulating suitable adjustment policies if requested by the authorities.

Such assistance was subsequently requested, and discussions between the staff and the authorities are being held in response to this request and on the matter of early settlement of Sudan's overdue obligations to the Fund.

4. The most recent description of Sudan's economic position and policies and the external situation is contained in the Staff Report for the 1984 Article IV Consultation (SM/84/253, November 9, 1984). ^{1/} At the time the latest stand-by arrangement became effective (June 25, 1984), the balance of payments was projected to be in appropriate overall balance in 1984. However, the situation deteriorated sharply in the following months for reasons described in the staff report, and service payments on most of Sudan's maturing external debt obligations have been interrupted. Apart from the arrears to the Fund, Sudan is now in arrears to several other international and regional organizations, as well as bilateral and commercial creditors.

The external payments prospects for 1985 are not encouraging. Agricultural output (the source of nearly all exports) is expected to decline as a result of severe drought. Moreover, cotton exports will no longer benefit from the reduction of stocks which had provided a boost to earnings in 1984, and international cotton prices do not show promise of recovery. There is also considerable uncertainty with regard to aid and debt relief partly because of non-payment of arrears and the general economic prospects. Activity in the private sector in Sudan is likely to continue to be adversely affected by uncertainty concerning institutional changes. The prospects for the private sector would be improved with a reduction of such uncertainties.

As indicated in the staff report, the severe balance of payments difficulties of Sudan underscore the importance of implementing without

^{1/} See also "Sudan - Recent Economic Developments", (SM/84/265, 12/5/84).

interruption a comprehensive medium-term strategy for economic recovery, export expansion, and relative price stability that goes beyond the piecemeal approach of the recent past. The staff believes that within a medium-term framework, the policy program for 1984/85 should include, as a minimum, policy actions in three areas: (a) the mobilization of domestic resources in order to finance a major part of the Central Government budget gap in a noninflationary manner; (b) a reduction in controls and cost/price distortions and improvement in the institutional environment that would contribute to revitalization of private sector activity; and (c) a reform of the exchange system so as to stimulate domestic output and exports and dampen demand for imports. The staff is updating its assessment of the situation, and further information will be provided when it becomes available.

5. The situation of Sudan's overdue obligations to the Fund can be summarized as follows. Sudan has overdue obligations in the General Department (repurchases and charges), in the SDR Department (charges), and with respect to the Trust Fund. Sudan has not complied with the Fund's requests for settlement of these obligations nor has it indicated definitive dates for discharge of the obligations in the near future. Recent discussions have not led to a resolution of the matter or the prospect of early settlement of the obligations, which are large and growing rapidly. Overdue obligations in the General Department not only are contrary to the purposes of the Fund and the member's obligations under the Articles of Agreement, but also adversely affect a member's standing in the Fund. They impair the revolving character and temporary use of the Fund's general resources, and hence the Fund's ability to assist other members, and prejudice the Fund's liquidity and credit standing. Sudan's failure to meet its obligations in the SDR Department necessitates the creation of SDRs in order to pay in full interest due on SDRs held by participants and other holders, which directly affects all participants and other holders in the SDR Department and may harm confidence in the proper functioning of the SDR Department. In the circumstances, the Fund must consider what actions are possible and what steps should be taken.

6. Under the Articles of Agreement, By-Laws and Rules and Regulations of the Fund, a member that does not observe its obligations under the Articles of Agreement is subject to the application of remedies by the Fund that seek to protect the Fund's resources in the General Department and the rights of participants in the SDR Department. The Fund has a certain choice of remedies, and discretion in selecting the remedy appropriate to the circumstances.

7. With respect to the General Department, it is proposed that the Fund should deal with (i) the outstanding use of the Fund's resources, including the accrual of charges, and (ii) the question of future access to the Fund's resources. Such action would be based on Article XXVI, Section 2, which provides that:

(a) If a member fails to fulfill any of its obligations under this Agreement, the Fund may declare the member ineligible to use the general resources of the Fund. Nothing in this Section shall be deemed to limit the provisions of Article V, Section 5 or Article VI, Section 1.

Such action has not been taken with respect to any member in connection with its failure to fulfill financial obligations to the Fund, but in the case of Viet Nam (Executive Board Decision No. 7855-(84/173), 12/3/84) the Fund has decided that "unless by January 15, 1985 Viet Nam is current in its financial obligations to the Fund, with effect on that date, Viet Nam will be ineligible to use the general resources of the Fund pursuant to Article XXVI, Section 2 and its right to use SDRs it acquires after that date will be suspended pursuant to Article XXIII, Section 2(b)."

(b) If, after the expiration of a reasonable period the member persists in its failure to fulfill any of its obligations under this Agreement, that member may be required to withdraw from membership in the Fund by a decision of the Board of Governors carried by a majority of the Governors having eighty-five percent of the total voting power.

(c) Regulations shall be adopted to ensure that before action is taken against any member under (a) or (b) above, the member shall be informed in reasonable time of the complaint against it and given an adequate opportunity for stating its case, both orally and in writing.

In circumstances in which the Fund is authorized to declare the member ineligible to use the general resources of the Fund, it can and has taken a lesser action under Rule K-2, which provides that:

Whenever the Executive Board is authorized by the Articles to declare a member ineligible to use the general resources of the Fund it may refrain from making the declaration and indicate the circumstances under which, and the extent to which, the member may make use of the general resources.

The Fund has decided in several earlier cases that may be regarded as comparable to apply this provision after having given adequate opportunity to the member for stating its case or remedying the situation.

8. With respect to the SDR Department, Sudan has no SDRs at present, net charges are overdue and continue to accrue, and the Fund must create SDRs to the extent of the nonpayment. Therefore, it is appropriate to consider action under Article XXIII, Section 2(b), which provides that:

If the Fund finds that a participant has failed to fulfill any other obligation with respect to special drawing rights, the Fund may suspend the right of the participant to use special drawing rights it acquires after the suspension. 1/

Rule S-1 provides that:

The Managing Director shall report to the Executive Board any facts on the basis of which it appears to him that a participant is not fulfilling obligations under the Articles that could lead to suspension under Article XXIII, Section 2, and may include a complaint in his report.

9. A failure of a member to comply with its obligation to repay the loans received under the Trust Fund does not constitute a failure of an obligation under the Articles in the sense of Article XXVI, Section 2 and Rule K-1 and, consequently, the Fund has no authority to apply any of the remedies available under these provisions with respect to a member that fails to repay a Trust Fund loan. Similarly, a failure of a member to make a timely repayment of such a loan cannot lead to the member's ineligibility to use the Fund's general resources under Article V, Section 5, which allows the Fund to apply certain remedies in the case of the member that is using the general resources of the Fund in a manner contrary to the purposes of the Fund. This does not mean, however, that a member's obligations under the Trust Fund are not binding upon it or that the Fund does not regard a failure to repay Trust Fund loans as a serious violation of the member's obligations under the Trust. As Trustee of the Trust Fund, the Fund has the obligation to provide and administer loans in accordance with the terms and conditions set forth in the governing Instrument. That Instrument sets forth the schedule and terms of repayment applicable to all loans from the Trust. In carrying out its responsibilities, the Fund is bound to comply strictly with the terms of the Instrument and thus to assure the repayment of Trust Fund loans. While no specific remedies are provided under the Trust Fund Instrument in respect of the duty of the recipients of Trust Fund loans to make timely repayment, in an appraisal of a member's standing vis-a-vis the Fund, for any reason, including decisions on any request to use the Fund's resources, a failure by a member to do so would not be disregarded by the Fund.

10. It is proposed at this time to begin the process for the application of the provisions of the Fund's Articles and the Rules set forth in paragraphs 7 and 8.

1/ The reference to "any other obligation" is an indirect reference to the main obligation under Article XIX, Section 4 to provide currency in a transaction with designation, which is not involved here.

(a) With respect to the General Department, the Fund has a choice of actions that it may take:

(i) the Fund could find that Sudan has not observed the relevant obligations under the Articles of Agreement referred to earlier, and declare Sudan ineligible to use the general resources of the Fund. This would mean that even if Sudan were to resume to fulfill these obligations under the Articles, its eligibility would not be restored automatically but a further decision of the Executive Board would be required, which could provide for the restoration of eligibility with or without special limitations or conditions, or

(ii) the Fund could find as in (i), but refrain from a declaration of ineligibility by adopting the course of limitation in accordance with Rule K-2, and decide that Sudan may not make use of the general resources of the Fund until such time as Sudan is fulfilling its obligations under the Articles of Agreement other than obligations with respect to SDRs, or indicate the circumstances under which, and the extent to which, the member may make use of the general resources.

(b) With respect to the SDR Department, the Fund also has a choice of actions that it may take:

(i) the Fund could find that Sudan has not observed its obligation to which Article XXIII, Section 2(b) applies, and suspend Sudan's right to use SDRs it acquires after the suspension. This would mean that termination of the suspension would require a further decision by the Executive Board, which may be taken with or without special limitations or conditions, or

(ii) the Fund could find as in (i), but provide that the suspension will terminate when Sudan is fulfilling its obligation under the Articles to which Article XXIII, Section 2(b) applies.

(c) With respect to the Trust Fund, the Fund could inform Sudan that, if Sudan were otherwise eligible to make use of the general resources of the Fund, the existence of any overdue obligations to the Trust Fund would nonetheless be taken into account in Fund decisions on any request by Sudan to use the general resources of the Fund.

The actions taken by the Fund initially in earlier comparable cases were as under a(ii), b(ii) and (c) above.

(d) The following procedural actions need to be taken:

(i) The Managing Director must communicate to the Executive Board a report and complaints in accordance with Rule K-1 and Rule S-1. This requirement is met by the circulation of the present report and complaints (Attachment I).

(ii) The Executive Board would need to decide to consider the complaints of the Managing Director. This is to be done at the meeting at which the present paper is to be considered; in accordance with the established procedures, this meeting should be held one month following circulation of this paper.

(iii) The Executive Board would formally note the complaints, determine that consideration of the complaints particularly affects Sudan in the sense of Article XII, Section 3(j) and By-Law Section 19(a) and (c), and place them on its agenda for a date that would afford reasonable notice to Sudan. ^{1/} This would be accomplished by taking the decision proposed at the end of this paper.

^{1/} Article XII, Section 3(j) provides that:

"(j) The Board of Governors shall adopt regulations under which a member not entitled to appoint an Executive Director under (b) above may send a representative to attend any meeting of the Executive Board when a request made by, or a matter particularly affecting, that member is under consideration."

By-Law Section 19(a) and (c) provides that:

"(a) Each member not entitled to appoint an Executive Director in accordance with Article XII, Section 3(b)(i) may, in accordance with the regulations provided in this Section, send a representative to attend any meeting of the Executive Board when a request made by, or a matter particularly affecting, that member is under consideration. A member may waive its rights under this provision. The Executive Board shall determine whether a matter under consideration particularly affects a member not entitled to appoint an Executive Director in accordance with Article XII, Section 3(b)(i), which determination shall be final.

...

(c) Whenever the Executive Board is to consider a matter which has been determined particularly to affect a member not entitled to appoint an Executive Director in accordance with Article XII, Section 3(b)(i), the member shall be promptly informed by rapid means of communication of the date set for its consideration. No final action shall be taken by the Executive Board with respect to such matter, nor any question particularly affecting such member submitted to the Board of Governors, until the member has either waived its rights under paragraph (a) of this Section or has been given an opportunity to present its views through an appropriately authorized representative at a meeting of the Executive Board, of which the member has had reasonable notice."

(iv) In accordance with the decision, Sudan would be informed of the complaints, the decision of the Executive Board, of its right to present its views through a special representative, who may be the Executive Director elected by Sudan if Sudan so desires, and of the invitation to do so at the meeting or meetings to be held on the matter. This would be done by the dispatch of the draft cable in Attachment I.

(v) The Fund would decide on the action to be taken on the complaints at the meeting or meetings at which the complaints are to be considered. 1/

11. The present report also serves as a notice by the Managing Director to the Executive Board on the fact that a repayment by Sudan in respect of Trust Fund loans is overdue. It is proposed that this notice which, as explained in paragraph 9, is not made in accordance with Rules K-1 and S-1, be noted in the decision and placed on the agenda together with the complaints in accordance with Rules K-1 and S-1 in respect of payments overdue in the General Department and the SDR Department.

Proposed Decision

The following draft decision, which could be taken by a majority of the votes cast, is proposed for adoption by the Executive Board:

1. The complaints of the Managing Director dated December 12, 1984 on Sudan, in EBS/84/262, December 12, 1984 are noted. They shall be placed on the agenda of the Executive Board for _____, 1985.

2. The notice of the Managing Director in EBS/84/262, December 12, 1984 on the failure by Sudan to fulfill obligations under Decision No. 5069-(76/72) on the Trust Fund is noted. The notice shall be placed on the agenda of the Executive Board for _____, 1985.

3. Consideration of the complaints in accordance with Rule K-1 and Rule S-1 and of the notice particularly affects Sudan. The member shall be informed by rapid means of communication of this matter and of its right to present its views through an appropriately authorized representative.

Attachments (3)

1/ Should Sudan not wish to respond to the complaints, the Fund could proceed with their consideration in any event.

H.E. Ibrahim Moneim Mansour
Minister of Finance and Economic Planning
Khartoum (Sudan)

I refer to the various communications of the International Monetary Fund to you concerning the nonobservance of obligations under the Articles of Agreement of the Fund.

I attach for your information the text of my memorandum of December 12, 1984 to the Executive Board setting forth the obligations under the Articles of Agreement of the International Monetary Fund and under Executive Board Decision No. 5069-(76/72) establishing the Trust Fund that appear to me are not being observed by Sudan.

The Executive Board has decided to place on its agenda for a meeting to be held on _____, 1985 the complaints set forth in paragraphs 2, 3, and 4 of my memorandum.

Consideration of the complaint in paragraph 2 of my memorandum could result in the declaration of ineligibility of Sudan to use the general resources of the Fund under Article XXVI, Section 2(a) of the Articles of Agreement, or the limitation of Sudan's use of the general resources of the Fund according to Rule K-2 of the Fund's Rules and Regulations.

Consideration of the complaint in paragraph 3 of my memorandum could result in the suspension under Article XXIII, Section 2 of the right of Sudan to use SDRs that it may acquire after the suspension.

The Executive Board will also consider the notice in paragraph 4 of my memorandum, which could affect future relationships between the Fund and Sudan.

The Government of Sudan is entitled under the Articles and By-Laws of the Fund, and therefore invited, to present its views, both orally and in writing, through an appropriately authorized representative at the meeting of the Executive Board referred to above, and at such subsequent meetings as the Executive Board may hold on this matter, at the Fund's headquarters in Washington, D.C. If you so desire, the Executive Director elected by Sudan may represent Sudan at any such meetings.

I am prepared to make arrangements at your request for the full briefing of your representative on all relevant matters.

J. de Larosière
Managing Director
Interfund

Attachment

To: Members of the Executive Board December 12, 1984

From: The Managing Director

Subject: Sudan - Overdue Financial Obligations to the Fund - Report
and Complaints under Rule K-1 and Rule S-1 and Notice of
Failure to Repay Trust Fund Loan

1. Repeated communications have been addressed by the International Monetary Fund to Sudan, and repeated contacts have taken place with the Sudanese authorities concerning the non-observance of certain obligations under the Articles of Agreement of the Fund. The communications and contacts have not resulted in a resumption of the observance of these obligations.

2. The following complaint is made in accordance with Rule K-1 of the Fund's Rules and Regulations. It appears to me that Sudan is not fulfilling obligations under the Articles of Agreement relating to repurchases and charges in the General Department. As of December 11, 1984 these obligations were as follows:

(a) To repurchase the equivalent of SDR 48,555,211 including

(i) Repurchases equivalent to SDR 4,961,344, and due in equal instalments of SDR 2,480,672 each on July 12 and October 11, 1984 in respect of the credit tranche purchase made on April 13, 1981 and a repurchase of SDR 2,143,867 due on September 25, 1984 in respect of a credit tranche purchase made on September 27, 1979.

(ii) Repurchases equivalent to SDR 7,900,000, and due in equal instalments of SDR 3,950,000 each on July 12 and October 11, 1984 in respect of a purchase made on April 13, 1981 under the Compensatory Financing Facility; repurchases equivalent to SDR 9,000,000 and due in equal instalments of SDR 4,500,000 each on August 9, 1984 and November 8, 1984 in respect of a purchase made on November 13, 1979 under the Compensatory Financing Facility; and repurchases equivalent to SDR 5,450,000, and due in equal instalments of SDR 2,725,000 each on August 16, 1984 and November 15, 1984 in respect of a purchase made on November 18, 1980 under the Compensatory Financing Facility.

(iii) Repurchases of SDR 937,500 and SDR 2,187,500 each due on October 2, 1984 in respect of Supplementary Financing Facility purchases made on October 3, 1979 and April 3, 1980, respectively, under Extended Fund Arrangement; and repurchases of SDR 4,750,000 due on November 15, 1984, of SDR 625,000 due on November 26, 1984, of SDR 937,500 due on November 28, 1984, and of SDR 6,537,500 due on December 11, 1984 each in respect of Supplementary Financing Facility purchases made on November 17, 1980, May 27, 1980, May 29, 1979, and June 12, 1981, respectively, under Extended Fund Arrangement.

(iv) Repurchases of SDR 1,458,333 and SDR 625,000 each due on October 2, 1984 in respect of Extended Fund Facility purchases made on April 3, 1980 and October 3, 1979, respectively, under Extended Fund Arrangement; and repurchases of SDR 416,667 due on November 26, 1984 and of SDR 625,000 due on November 28, 1984 each in respect of Extended Facility purchases made on May 27, 1980 and May 29, 1979, respectively, under Extended Fund Arrangement.

(b) To pay quarterly charges of SDR 5,458,491 and SDR 5,471,536 which were due on August 8 and November 8, 1984 respectively, under Article V, Section 8(b).

(c) To pay charges of SDR 16,724,231 which was due on July 13, 1984, under Executive Board Decisions No. 5508-(77/127), August 29, 1977 and No. 6783-(81/40), March 11, 1981.

3. The following complaint is made in accordance with Rule S-1 of the Fund's Rules and Regulations. The complaint is that it appears to me that Sudan is not fulfilling the obligation under Article XX, Section 2 of the Articles of Agreement, referred to in Rule S-1, to pay charges in the SDR Department. As of December 11, 1984 these obligations were as follows: to pay charges of SDR 2,497,098, of which SDR 1,234,248 was due on August 1, 1984, and SDR 1,262,850 was due on November 1, 1984.

4. The following notice is provided in accordance with the Fund's responsibility as Trustee of the Trust Fund established by Executive Board Decision No. 5069-(76/72). It appears to me that Sudan is not fulfilling the obligation under Section II, paragraph 4(a) of that decision to repay a disbursement under its Trust Fund loan. As of December 11, 1984, this obligation was to repay SDR 2,984,215 due on July 26, 1984.

Fund Relations with Sudan

(As of December 11, 1984)

I. Quota SDR 169.7 million

II. Fund's holdings of Sudanese pounds		Amount (In millions of SDRs)	Percent of Quota
Total		779.9	459.6
Of which:			
Credit tranches		93.6	55.1
EF Facility		121.3	71.5
Sup. F. Facility		154.5	91.0
EAR		144.8	85.3
CF - exports		96.1	56.6

III. (a) Stand-by/Extended arrangements	Effective Date	Amount (In millions of SDRs)	Utilization
(i) Current Stand-by (one year)	6/25/84	90.0	20.0
(ii) Recent			
Stand-by (one year)	2/23/83	170.0	170.0
Stand-by (one year)	2/22/82	198.0	70.0
Extended (three year)	5/4/79	427.0	251.0
Stand-by (one year)	8/14/74	24.0	19.0
(b) Special facilities since 1981			
Compensatory financing	1981	45.7	
Compensatory financing	1983	39.1	

IV. SDR position		Percent of quota
Net cumulative allocation	52.2	30.8
Holdings	--	--

V. Trust Fund	
Loans disbursed	70.4
Loans outstanding	67.4

VI. SFF Subsidy Account	
Payments by Fund	11.9

VII. Last Article IV consultation	August 30 - September 6, 1984
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SUDAN
USE OF FUND CREDIT

