

DOCUMENT OF INTERNATIONAL MONETARY FUND AND NOT FOR PUBLIC USE

EBS/85/253

CONFIDENTIAL

November 13, 1985

To: Members of the Executive Board
From: The Secretary
Subject: Sudan - Economic Policies

There is attached for the information of Executive Directors a note prepared by the staff, following the informal meeting of Executive Directors on November 6, 1985, on recent discussions with the Sudanese authorities.

Att: (1)

INTERNATIONAL MONETARY FUND

Sudan - Economic Policies

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November 13, 1985

The Fund management and staff have been engaged in extensive discussions ^{1/} with the Sudanese authorities since the change of Government in April 1985 to reach understandings on a set of policies which could begin to address the country's serious economic problems. The management and staff have simultaneously urged the Sudanese authorities to clear promptly and fully the arrears to the Fund. At the same time, it has been recognized that understandings on a package of economic policies could facilitate donor/creditor assistance to Sudan, which, in turn, would help in the clearance of the arrears. The Executive Board has been kept informed of both the progress in discussions on economic policies and the status of Sudan's arrears to the Fund. The latest staff statement on the economic situation and policies of Sudan was circulated on September 26, 1985 (Buff/85/178). It was pointed out at that time that understandings had been reached in a number of policy areas but differences had not yet been resolved on (1) the additional budgetary effort for the fiscal year 1985/86 (September 16, 1985-June 30, 1986), (2) a concrete process and time path for liberalization of price and profit controls, and (3) the exchange rate policy.

2. Discussions on these issues were continued during the Annual Meetings in Seoul and it was agreed that a staff mission would visit Khartoum to resolve the remaining issues and to help the Sudanese authorities draft a statement on policies that could serve as a basis for a stand-by arrangement as soon as the arrears to the Fund are cleared. The outcome of the mission was reported in the informal Board meeting on Sudan held on November 6, 1985. This note, intended to supplement the briefing given at the Board meeting, summarizes the understandings reached in major policy areas.

3. The economic policy package of the Sudanese authorities incorporates both supply-enhancing and demand-containment measures. On the supply side, the Government intends to pursue growth-oriented policies with particular emphasis on measures to improve domestic resource mobilization

^{1/} The World Bank staff has either participated directly in these policy discussions or has otherwise been kept informed. The staff intends to continue this intensive Fund-Bank collaboration on Sudan. Similarly, the staff has maintained close contact with the regional financial institutions providing finances to Sudan.

and utilization, streamline parastatal operations, strengthen agricultural production incentives, and create an institutional and policy framework conducive to increased investment and production in the private sector.

4. As regards public investment, the Government intends to formulate its decisions within the framework of a Three-Year Public Investment Program. In implementing the program, the Government will concentrate on rehabilitation projects and the maintenance and improvement of infrastructure. Priority is to be given to the agricultural sector in order to promote production and combat the effects of desertification. At the same time, the Government intends to initiate preparation of a comprehensive economic plan for the country with the assistance of Sudanese experts and regional and international economic organizations. Attempts will also be made to broaden and deepen the participation of various economic entities and political parties in the process of economic planning.

5. As regards agricultural production, the Sudanese authorities are committed to the provision of adequate price incentives to producers. To this end, the Government announced in October 1985 a 77 percent increase in the procurement price for gum arabic. Increases in the floor prices of groundnuts and sesame of 15 percent and 41 percent, respectively, have also been announced. Moreover, the Government will, in consultation with the staff of the World Bank and the Fund, announce procurement prices for the next cotton crop adequate to maintain producer incentives. In addition, the Government will increase land and water charges in order to progress toward the objective of full recovery of irrigation costs in the major agricultural schemes.

6. In order to promote private sector production, the authorities will take actions to relax gradually the bulk of the price and profit controls which currently prevail and which have tended to inhibit private sector production and encourage the development of a large underground economy. As most of these controls are entrenched in the economic and social system and are based on a number of complex acts, contracts, and administrative orders, decontrol will be time consuming. To begin with, a list of commodities that are subject to controls will be prepared and the legislative and procedural steps that need to be taken to decontrol prices will be identified. This task is to be completed by November 30, 1985, with the collaboration and assistance of a mission currently visiting Khartoum. Thereafter, the decontrol process will be started in a planned manner so as to achieve the objective of limiting such controls, by the end of 1986, to an identified small list of essential commodities.

7. The Government is also fully conscious of the need to take comprehensive steps to promote savings, attract additional remittances from Sudanese workers abroad, and channel investments to the most productive uses. In the past, the process of financial intermediation has been adversely affected by the institutional instability of the banking system and inappropriate rates of return on savings, and charges on borrowing. For this reason, the authorities intend to restore institutional stability

and implement policies to ensure the emergence over time of positive real rates of return on financial savings and positive real charges on borrowing.

8. The supply side policies of the authorities will be reinforced by tight demand management policies to promote sustainable growth in an environment of relative price stability. With this end in view, monetary and fiscal policies will be formulated with the objective of reducing the growth in domestic liquidity from an estimated 50 percent in 1984/85 to about 20 percent on an annual basis in 1985/86 (Table 1). To achieve the monetary target for 1985/86, the Government will take additional measures, which, in combination with those implemented in September at the time of the formulation of the 1985/86 budget, will significantly reduce bank financing of the Government. Similarly, credit policy will aim to contain credit to public entities and the private sector strictly to their productive and trading requirements.

9. As reported to the Executive Board (Buff/85/178), the Government has within the last few months, instituted a number of reforms designed to improve the extremely weak position of government finances. The new system of financial management, introduced by the present Government, is intended to bring all expenditures under the purview of normal budgetary process and control and is expected to lead to a substantial reduction, if not complete elimination, of expenditures not explicitly included in the budget. These expenditures had grown to significant proportions in 1984/85. In addition, as an added precaution and to meet any extraordinary demand of a particular spending unit, the 1985/86 budget has made provision for reserves of LSd 280 million, equivalent to about 12 percent of total expenditure (excluding external interest payments and these reserves).

10. In addition to making a major effort to impose financial control on expenditures, the Government took additional revenue measures in September 1985, estimated, at that time, to yield about LSd 230 million in fiscal year 1985/86. These measures included the reintroduction of the personal income taxes and business profit taxes which had been abolished in September 1984. In addition, a current payment system for business profits taxes has been introduced to avoid the erosion of real tax payments which occurred under the previous system. Moreover, the authorities have imposed a surtax on the profits of banks and insurance companies. In the area of indirect taxes, rates were increased on soft drinks, cement, airline tickets, and hotel services, and a new tax introduced on telephone and telecommunication services. The authorities will take further revenue measures, at the latest by November 15, 1985, yielding about LSd 90 million in the remainder of the current fiscal year. In addition, land and water charges will be increased to yield LSd 25 million in 1985/86. The revenue measures that have already been taken and the ones to be implemented amount to about 2 percent of the GDP and are equivalent to about one fourth of the revenue that would have been collected in 1985/86 without the additional effort (Table 2).

11. With these budgetary measures in place, the Government will be able to limit its recourse to the banking system to LSd 200 million in fiscal year 1985/86 (4 percent on an annual basis of broad money at the beginning of the year), an amount consistent with the attainment of the monetary target and substantially lower than in 1984/85 (14 percent of broad money at the beginning of the year). However, it should be stressed that it is only through the provision and utilization in the budget of large-scale foreign assistance in the form of debt relief and cash and commodity aid that these goals can be attained.

12. In order to further improve government finances in subsequent years, substantial efforts will need to be made to continue strict discipline over expenditures, widen the existing tax base, and open up new avenues for resource mobilization. In this context, the Government is in the process of evaluating the potential for generating budgetary revenue from areas of the public sector beyond the Central Government. To this end, the Government is presently evaluating revenue potential at the local and regional government levels, and, if necessary, may seek Fund technical assistance in this regard. Similarly, there is considerable potential for contributions to the budget from the public enterprises. Based on the evaluation and studies in progress, the Government will implement, during fiscal year 1986/87, measures to mobilize resources at the local and regional levels and through the parastatal sector.

13. In the external sector, the Government recognizes the importance of exchange rate policy as an instrument of economic management. Keeping this in view, the Government in July 1985 took steps to give freedom to the commercial banks to set their rates in the "free" market and declared that it will not interfere in their decisions directly or indirectly. The Government will continue to adhere to this policy of nonintervention. It recognizes, however, that the market is not as yet functioning as had originally been envisaged, that banks have been, in general, reluctant to set competitive rates, and that substantial differentials still exist between the commercial bank rates and the black market rate. At the same time, as indicated to the Board in buff statement 85/178, a large portion of the transactions passing through this market are effectively taking place at the depreciated black market rate. Nevertheless, the Government has agreed to consult periodically with the Fund staff on further steps that could be taken to promote healthy competition among the commercial banks in setting the rate. At the same time the Government is committed to the principle of flexibility in the official exchange rate and, in consultation with the Fund staff, will take measures to give effect to that principle.

14. Sudan's balance of payments outlook for 1985/86 is dominated by the heavy debt burden, including a large stock of arrears accumulated during the past few years (Table 3). Despite the anticipated recovery of export earnings, Sudan's overall balance of payments gap for the 12-month period ending September 1986, before debt rescheduling and aid inflows, is projected by the Fund staff at about US\$3,020 million (Table 4). The gap assumes the clearance of all arrears, including those to regional and

national organizations whose regulations do not permit rescheduling. Disbursements from cash and commodity aid and project assistance already in the pipeline are projected at about US\$470 million. Debt rescheduling by bilateral creditors on terms similar to those granted to Sudan in 1984, in conjunction with the recently concluded debt rescheduling agreement with foreign commercial banks, would provide a total estimated debt relief of some US\$1,690 million. Accordingly, Sudan would require additional international financial assistance in the form of cash and commodity aid and debt relief of some US\$860 million over the 12-month period ending September 1986 to cover the balance of payments gap. A substantial part of the additional aid will have to be in the form of cash, due to both the nature of the country's external payments requirements and the constraints on what Sudan can absorb in commodity aid (Table 5). Given the nature of the assistance required by Sudan and the integral relationship between anticipated policy actions and the receipt of aid, it is essential that processes be put in motion immediately to assure that aid of the appropriate level and composition is available on a timely basis.

15. The staff will have documents ready for issuance to the Executive Board around the first week of December 1985. These will be circulated as soon as the arrears to the Fund are cleared, thus paving the way for Board consideration of a request for approval in principle of a stand-by arrangement. It is expected that this will be followed, within a month of the approval date, by donor/creditor meetings for debt relief and additional aid to cover the balance of payments gap. As soon as sufficient commitments are made to cover the balance of payments gap, the Board will be informed so that the stand-by arrangement can become effective.

Table 1. Sudan: Factors Affecting Domestic Liquidity,
1983/84-1985/86

	July 1983- June 1984	July 1984- June 1985	Oct. 1983- Sep. 1984	Oct. 1984- June 1985	Oct. 1984- Sep. 1985 Prelim. Estimate	Oct. 1985- Sep. 1986 Projected 1/2/
	Actuals		Actuals			
Changes in Period (In millions of Sudanese pounds)						
Money and quasi-money	641.1	1,585.4	543.3	1,356.2	1,781.7	1,061
Domestic credit expansion	540.7	1,378.2	590.8	1,130.9	1,479.2	396
Claims on Government (net) 3/	216.0	709.3	355.1	462.0	504.3	225
Claims on public entities 4/5/	97.2	145.3	96.6	35.4	367.5	294
Claims on private and specialized banks	258.9	291.8	296.0	274.0	278.1	438
Other items (net)	-31.4	231.8	-156.9	359.5	329.3	-561
Impact of external sector 5/	100.4	207.2	-47.5	225.3	302.5	665
Changes in Period (In percent of broad money at beginning of period)						
Money and quasi-money	23.6	47.2	17.8	37.8	49.7	19.8
Domestic credit expansion	19.9	41.0	19.4	31.5	41.3	7.4
Claims on Government (net) 3/	8.0	21.1	11.7	12.9	14.1	4.2
Claims on public entities 4/5/	3.6	4.3	3.2	1.0	10.2	5.5
Claims on private and specialized banks	9.5	8.7	9.7	7.6	7.8	8.2
Other items (net)	-1.2	6.9	-5.2	10.0	9.2	-10.5
Impact of external sector 5/	3.7	6.2	-1.6	6.3	8.4	12.4

Source: Staff estimates and projections based on information provided by the Sudanese authorities.

1/ Percentage changes based on an estimated money supply stock of LSd 5,368 million as of September 30, 1985. This base figure may be revised in light of the introduction of the proposed revisions in the compilation of commercial banks' consolidated balance sheet.

2/ Assumes no significant change in the exchange rate. Such a change, in addition to affecting the ex-ante credit requirements of various sectors in the economy, would alter the domestic currency valuation of residents foreign currency accounts and the corresponding counter entry.

3/ Defined to include accrued interest arrears on use of Fund resources for all periods except 1985/86.

4/ Incorporates credit extended by the public entities by the Bank of Sudan under Section 57-1-A of the Bank of Sudan Act. Extension of credit to other public entities is covered in the subsequent category.

5/ Excludes changes on account of certain letters of credit in arrears for which information is not available.

Table 2. Sudan: Central Government Operations, 1983/84-1985/86 ^{1/}

(In millions of Sudanese pounds)

	1983/84	July-Sept. 1984	Prelim. Actuals 1984/85	9 1/2 months 1984/85	Budget 1985/86
Total revenue	1,474.4	357.4	1,510.2	1,195.6	1,666.0 ^{2/}
Tax revenue	1,246.8	309.2	1,307.2	1,034.9	1,411.0
Nontax revenue	227.6	48.2	203.0	160.7	255.0
Expenditure ^{3/}	2,138.3	670.9	2,871.4	2,273.2	2,633.0
Current expenditure ^{3/}	1,638.1	572.1	2,363.8	1,871.4	1,945.0
Development expenditure	420.2	98.8	456.0	361.0	638.0
Equity expenditure	80.0	--	51.6	40.8	50.0
Foreign interest ^{4/}	152.0	1.0	119.0	94.2	1,638.0
Deficit (cash basis)	815.9	314.5	1,480.2	1,171.8	2,605.0
Financing	815.9	314.5	1,480.2	1,171.8	2,605.0
External	589.9	88.3	1,018.5	806.3	2,405.0
Cash & Commodity aid ^{5/}	(450.0)	(57.0)	(798.0)	(631.7)	(916.0) ^{6/}
Project aid	(160.9)	(32.0)	(240.0)	(190.0)	(311.0)
Amortization ^{4/}	(-21.0)	(-0.7)	(-19.5)	(-15.4)	(-2,792.0)
Additional aid/ debt relief	(--)	(--)	(--)	(--)	(3,970.0)
Domestic	226.0	226.2	461.7	365.5	200.0
Bank	(216.0)	(226.2)	(461.7)	(365.5)	(200.0)
Nonbank	(10.0)	(--)	(--)	(--)	(--)
Memorandum items:					
Foreign interest (on basis of obligations falling due)	706.0	558.9	612.5
Deficit (foreign interest on basis of obligations falling due)	2,067.2	1,636.5	1,579.5
Deficit (excluding foreign interest)	663.9	313.5	1,361.2	1,077.6	967.0

Source: Staff estimates based on information provided by the Sudanese authorities.

^{1/} For 1983/84, the fiscal year covered the period July to June. The 1984/85 fiscal year began September 26, 1984 and ended September 15, 1985. There was a transitional period of almost three months between the end of the 1983/84 fiscal year and the beginning of the 1984/85 fiscal year. The estimates included here for the transitional period and the 1984/85 fiscal year cover respectively the three months July 1 to September 30, 1984 and the period October 1, 1984 to September 30, 1985. The nine and a half month estimate for 1984/85 is prorated from the fiscal year estimate for purposes of comparison with the budget for 1985/86, which covers the period September 16, 1985 to June 30, 1986.

^{2/} Incorporates budgetary measures of LSd 90 million, to be taken by November 15, 1985, and receipts from increased land and water charges.

^{3/} Excluding external interest payments.

^{4/} For 1984/85 and preceding years, data represent actual payments, and for 1985/86, payments falling due and overdue.

^{5/} Estimated on the basis of receipt of domestic counterpart and, therefore, not on the same basis as aid in the balance of payments.

^{6/} Based on aid in the pipeline and domestic counterpart under collection.

Table 3. Sudan: External Arrears and Debt Service Obligations Falling Due in 1985/86

(In millions of U.S. dollars)

	Arrears as of 9/15/85			Obligations Falling Due 9/16/85-9/15/86			Obligations After 1985/86 Rescheduling 1/		
	Prin.	Int.	Total	Prin.	Int.	Total	Prin.	Int.	Total
International									
Institutions	117	42	159	142	56	198	259	98	357
IBRD/IDA	--	--	--	8	4	12	8	4	12
IMF	117	42	159	134	52	186	251	94	345
Regional									
Institutions	134	24	158	46	8	54	180	32	212
African Dev. Bank/Fund	10	1	11	1	1	2	11	2	13
Arab Fund for Economic and Social Development	49	2/ 10	59	12	3	15	61	2/ 13	74
Arab Monetary Fund	36	8	44	25	2	27	61	10	71
EEC/EDF	1	--	1	1	--	1	2	--	2
Islamic Development Bank	28	1	29	--	--	--	28	1	29
OPEC Fund	7	1	8	5	--	5	12	1	13
Other	3	3	6	2	2	4	5	5	10
Arab National Funds	60	27	87	28	9	37	88	36	124
Abu Dhabi Fund	27	14	41	10	4	14	37	18	55
Kuwait Fund	16	8	24	8	3	11	24	11	35
Saudi Fund	17	5	22	10	2	12	27	7	34
Paris Club creditors	88	131	219	112	130	242	--	125	125
Other bilateral creditors 3/	529	188	717	181	125	306	--	78	78
Commercial banks	110	30	140	219	87	306	--	39	39
Suppliers	--	4/ --	-- 4/	--	--	--	--	--	--
Short-term credits	--	--	--	--	100	100	--	100	100
Total 5/	1,038	442	1,480	729	517	1,246	529	508	1,037

Source: Staff estimates and projections based on information provided by the Sudanese authorities.

1/ The 1985/86 rescheduling is based on the assumption that all bilateral creditors, including Kuwait and Saudi Arabia, reschedule on 1984 Paris Club terms. In 1984, Kuwait and Saudi Arabia granted complete remission on all debt service obligations which implies more generous terms than those assumed for the 1985/86 rescheduling. As regards commercial banks, the 1985/86 rescheduling is based on the terms specified in the document agreed in principle in October 1985 between the authorities and the banks' steering committee.

2/ Includes US\$26 million of unpaid capital subscription.

3/ Includes OPEC countries, Eastern European countries, and other non-Paris Club official creditors.

4/ Obligations in arrears amounting to US\$191 million are under investigation regarding their legitimacy.

5/ Discrepancies between constituent figures and totals are due to rounding.

Table 4: Sudan: Balance of Payments Gap, 1985/86

(In millions of dollars)

	Fiscal Year 1985/86 <u>1/</u> (9 1/2 Months)	Sept. 16, 1985- Sept. 15, 1986 (12 Months)
Exports, f.o.b.	451	605
Imports, c.i.f.	-977	-1,235
Net services (excluding interest)	-58	-75
Net private transfers	388	490
Debt service	-2,418	-2,726
Obligations overdue at beginning of period <u>2/</u>	(-1,480)	(-1,480)
Interest	[-442]	[-442]
Amortization	[-1,038]	[-1,038]
Obligations falling due during the period	(-938)	(-1,246)
Interest	[-383]	[-517]
Amortization	[-555]	[-729]
Change in trade credit lines <u>3/</u>	-77	-77
Financing gap	<u>-2,691</u>	<u>-3,018</u>
1. Debt relief <u>4/</u>	1,509	1,689
2. Aid flows in the pipeline <u>5/</u>	437	470
Commodity aid	(313)	(313)
Project	(124)	(157)
3. Residual gap	745	859

Source: Staff projections based on information provided by the Sudanese authorities.

1/ Covering the period September 16, 1985 to June 30, 1986.

2/ Excluding US\$191 million arrears with nonguaranteed suppliers which are under investigation regarding their legitimacy.

3/ Reflects the discontinuation of the current practice of discounting export contracts.

4/ The 1985/86 rescheduling is based on the assumption that all bilateral creditors, including Kuwait and Saudi Arabia, reschedule on 1984 Paris Club terms. In 1984, Kuwait and Saudi Arabia granted complete remission on all debt service obligations which implies more generous terms than those assumed for the 1985/86 rescheduling. As regards commercial banks, the 1985/86 rescheduling is based on the terms specified in the document agreed in principle in October 1985 between the authorities and the banks' steering committee.

5/ Disbursements from commitments outstanding as of September 15, 1985 only. No estimate has been made of the "normal" aid flows in 1985/86 due to the prevailing uncertainty in the country's external relations and the difficulty in distinguishing between "normal" and "additional" aid.

Table 5. Sudan: Foreign Exchange Transactions in the Official Market, 1985/86

(In millions of U.S. dollars)

	Oct.85- Sept.86	1985 Oct.-Nov.	1985 Dec.	1986 Jan.	1986 Feb.	1986 March	1986 April	1986 May	1986 June	1986 July	1986 Aug.	1986 Sept.
Receipts ^{1/}	551	51.0	27.0	46.0	47.0	47.0	53.0	53.0	54.0	58.0	57.0	58.0
Cash flow export receipts	432	32.0	17.0	36.0	37.0	37.0	43.0	43.0	44.0	48.0	47.0	48.0
Cotton	198	12.0	6.0	15.0	15.0	15.0	19.0	19.0	19.0	26.0	26.0	26.0
Gum Arabia	32	2.0	1.0	3.0	3.0	3.0	4.0	3.0	4.0	3.0	3.0	3.0
Nuts	117	6.0	4.0	12.0	12.0	12.0	12.0	12.0	12.0	12.0	11.0	12.0
Other	85	12.0	6.0	6.0	7.0	7.0	8.0	9.0	9.0	7.0	7.0	7.0
Services	119	19.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0
Payments	1,216	227.0	112.0	123.5	99.5	84.5	101.7	92.7	88.7	104.4	94.4	87.4
Basic imports	630	125.0	67.0	70.0	54.0	41.0	46.0	45.0	42.0	50.0	48.0	42.0
Wheat and wheat flour	110	20.0	9.0	9.0	9.0	9.0	9.0	9.0	9.0	9.0	9.0	9.0
Petroleum, excluding lubricants	311	37.0	24.0	27.0	27.0	27.0	28.0	28.0	28.0	29.0	28.0	28.0
Fertilizers	34	10.0	12.0	12.0	--	--	--	--	--	--	--	--
Insecticides	38	9.0	9.0	10.0	10.0	--	--	--	--	--	--	--
Herbicides	12	6.0	4.0	2.0	--	--	--	--	--	--	--	--
Jute materials	18	18.0	--	--	--	--	--	--	--	--	--	--
Medicines	24	6.0	--	3.0	3.0	--	3.0	3.0	--	3.0	3.0	--
Medical Equipment	6	2.0	--	2.0	--	--	1.0	--	--	1.0	--	--
Sugar	14	5.0	3.0	--	--	--	--	--	--	3.0	3.0	--
Equipment, spare parts	48	8.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0
Other	15	4.0	2.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Services (excl. interest)	56	11.0	4.0	5.0	6.0	4.0	4.0	5.0	4.0	4.0	5.0	4.0
Embassies	18	4.0	2.0	2.0	2.0	2.0	1.0	1.0	1.0	1.0	1.0	1.0
Kenana	16	3.0	1.0	1.0	2.0	1.0	1.0	2.0	1.0	1.0	2.0	1.0
Other	22	4.0	1.0	2.0	2.0	1.0	2.0	2.0	2.0	2.0	2.0	2.0
Debt service - Curr. maturities ^{2/}	530	91.0	41.0	48.5	39.5	39.5	51.7	42.7	42.7	50.4	41.4	41.4
Multilateral institutions	253	42.5	21.3	19.4	19.4	19.4	22.5	22.5	22.5	21.2	21.2	21.2
Arab National Funds ^{3/}	38	5.6	2.8	3.2	3.2	3.2	3.2	3.2	3.2	3.2	3.2	3.2
Paris Club	55	9.2	4.6	4.6	4.6	4.6	4.6	4.6	4.6	4.6	4.6	4.6
Other bilateral creditors	48	8.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0
Commercial bank rescheduling	36	9.0	--	9.0	--	--	9.0	--	--	9.0	--	--
Short-term interest	100	16.7	8.3	8.3	8.3	8.3	8.3	8.3	8.3	8.3	8.3	8.3
Gap excluding arrears and aid flows	-665	-176.0	-85.0	-77.5	-52.5	-37.5	-48.7	-39.7	-34.7	-46.4	-37.4	-29.4
Payment of unreschedulable arrears	483											
Multilateral Institutions	317											
Arab National Funds ^{3/}	87											
Paris Club	59											
Other bilateral creditors	17											
Commercial bank resched.	3											
Interest on arrears	24											
Gap including arrears before aid	-1,172											
Cash & Comm. aid in pipeline	313											
Cash (U.S.)	50											
Commodity	263											
Identified as of Oct. 1985	154											
Petroleum	114											
Wheat & wheat flour	40											
Unidentified as of Oct. 1985	109											
Residual gap	-859											
Additional commodity aid ^{4/}	367											
Cash/additional rescheduling	492											

Sources: Staff estimates and projections based on information provided by the Sudanese authorities.

^{1/} Excludes committed export receipts, unrecorded exports, and transactions with Egypt, which are settled through a bilateral account in nonconvertible currency.

^{2/} After debt relief from 1985/86 rescheduling, which is assumed on terms similar to those obtained in 1984.

^{3/} Debt relief calculations assume full payment of obligations to Arab National Funds.

^{4/} Commodity aid disbursements to the public sector beyond the indicated level will increase imports by the same amount and, therefore, will not contribute to filling the gap. In addition, aid must be provided in commodities that fit the Bank of Sudan's basic import requirements and must be disbursed no later than the indicated month. Aid disbursements to the private sector will not contribute to closing the gap in the official market unless the aid is sold to private importers for foreign exchange.