

MASTER FILES
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EBS/97/149
Supplement 1

CONFIDENTIAL

September 2, 1997

To: Members of the Executive Board

From: The Acting Secretary

Subject: **Sudan—Overdue Financial Obligations—Further Consideration of Complaint with Respect to Compulsory Withdrawal; and Review of Staff-Monitored Program for 1997**

There is attached for the records of Executive Directors the Secretary's understanding of the decision adopted at Executive Board Meeting 97/89 (8/29/97) relating to Sudan's overdue financial obligations—further consideration of complaint with respect to compulsory withdrawal; and review of staff-monitored program for 1997:

1. The Executive Board has reviewed Decision No. 11441-(97/13), adopted February 12, 1997. The Board has also considered further the Managing Director's complaint under Article XXVI, Section 2(c) dated April 8, 1994.

2. The Fund notes with satisfaction that payments to the Fund by Sudan have been in line with the schedule committed to by the authorities since the last review. The Fund is also pleased to note that macroeconomic performance in this period has been broadly in line with the program as described in EBS/97/45, and the program quantitative benchmarks through June and structural benchmarks through July were met.

3. The Fund welcomes, in particular, the authorities' tightening of fiscal, monetary, and credit policies, and progress toward unification of the exchange system. The Fund stresses that continued firm implementation of the program will be necessary in the remainder of 1997 and encourages the authorities to consolidate these gains by proceeding to strengthen the stance of fiscal and credit policies, accelerate the convergence of the exchange rates, and expedite structural reforms. The Fund also encourages the authorities to enter into discussions with the staff on a further strengthening of policies and payments to the Fund that could provide the basis of a staff-monitored program in 1998. In this regard, the Fund emphasizes the importance of the authorities' efforts to enhance relations with external creditors and donors.

4. The Executive Board finds that Sudan has met the requirements set out in paragraph 3 of Executive Board Decision No. 11441-(97/13), adopted February 12, 1997, in the areas of payments to the Fund and adoption and implementation of a program of economic adjustment of a quality that warrants staff monitoring. Therefore, the Executive Board will not at this time proceed to recommend the compulsory withdrawal of Sudan to the Board of Governors. However, if, in the period before the next review, Sudan fails to continue the satisfactory performance thus far, the Board will meet promptly to review the situation and recommend compulsory withdrawal to the Board of Governors.

5. The Fund will consider further the Managing Director's complaint under Article XXVI, Section 2(c) dated April 8, 1994 at the time of the Executive Board's conclusion of 1997 Article IV consultation discussions with Sudan, or within six months from the date of this decision, whichever is earlier, in the light of Sudan's performance in terms of continuing to meet the requirements under items (i) and (iii) in paragraph 3 of Executive Board Decision No. 11441-(97/13).

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