

EBS/87/231

CONFIDENTIAL

November 10, 1987

To: Members of the Executive Board

From: The Secretary

Subject: Sudan - Overdue Financial Obligations to the Fund -
Further Review Following Declaration of Ineligibility

The attached paper is tentatively scheduled for consideration by the Executive Board on Monday, November 16, 1987. A draft decision appears on page 3.

Mr. Blalock (ext. 8341) or Mr. Corr (ext. 7621) is available to answer technical or factual questions relating to this paper prior to the Board discussion.

Att: (1)



INTERNATIONAL MONETARY FUND

Sudan - Overdue Financial Obligations to the Fund - Further
Review Following Declaration of Ineligibility

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

Approved by F.G. Laske, S.H. Hitti, and F.P. Gianviti

November 9, 1987

1. This paper summarizes recent developments relating to Sudan's overdue financial obligations to the Fund, and presents a draft decision for adoption by the Executive Board at the meeting scheduled for November 16, 1987.

On August 7, 1987, at EBM/87/121, the Executive Board held a third review of the matter of Sudan's overdue financial obligations to the Fund following the declaration of Sudan's ineligibility to use the general resources of the Fund with effect on February 3, 1986. The decision adopted on August 7, 1987, 1/ welcomed a recent payment made by Sudan, expressed the Fund's deep regret at the continuing failure of Sudan to fulfill its financial obligations to the Fund, and again urged Sudan to make full and prompt settlement of those obligations. The Fund also noted the statement by the Acting Managing Director that the authorities were in the process of establishing and implementing a comprehensive economic adjustment program, which would provide the basis for expanded international financial support from donors and creditors. It was further decided that the Fund would again review the matter of Sudan's overdue financial obligations to the Fund within three months, a period that was subsequently extended to not later than November 16, 1987 in order that the staff could report fully to the Executive Board on recent discussions with the authorities. 2/

2. When Sudan became ineligible to use the general resources of the Fund on February 3, 1986, Sudan's overdue financial obligations to the Fund totaled SDR 227.1 million. At the time of the review on August 7, 1987, Sudan's arrears had reached SDR 480.5 million. Since then, Sudan has made a payment of SDR 0.8 million, which settled net SDR charges due November 1, 1987. Sudan is current in the SDR Department. As of November 6, 1987, Sudan's total overdue obligations in the General Resources Account and to the Trust Fund were SDR 517.3 million, as indicated in Attachment II. These arrears in relation to various financial indicators are shown in the following tabulation:

1/ See Attachment I.

2/ See "Sudan - Overdue Financial Obligations to the Fund - Review Following Declaration of Ineligibility" (EBS/87/164, Supplement 3, 10/28/87).

Quota	305%
Total exports (1987/88 est.)	106%
Total imports (1987/88 est.)	54%
Total external arrears (end-June 1987 est.)	19%
Gross official foreign reserves (end-September 1987)	3,851%

As indicated in Attachment III, as of November 6, 1987, Sudan's projected obligations to the Fund through 1993 (excluding current arrears) amount to SDR 322.3 million, including Trust Fund obligations of SDR 24.8 million and net SDR charges of SDR 18.0 million.

3. Following the Executive Board's discussion of Sudan's overdue financial obligations in August 1987, a staff mission visited Sudan in late October to evaluate the implementation of the policies introduced on October 3, 1987, and to establish quarterly benchmarks for financial variables for the remainder of FY 1987/88 (July-June). As reported in greater detail in EBS/87/232, the policy actions taken by the authorities have been broadly in conformity with the "Program of Action" announced by them and discussed at the Board meeting in August. The staff believes that these actions represent an important first step in addressing Sudan's difficult economic and financial imbalances, and that they provide a basis for the support of the international community.

With respect to the arrears to the Fund, the authorities reaffirmed to the staff their intention to become fully current with the Fund as soon as Sudan's financial circumstances permit. In a communication to the Managing Director, the Minister of Finance of Sudan indicated, inter alia, that the authorities remained concerned about Sudan's overdue obligations to the Fund and were hopeful that during the coming period a cooperative and coordinated effort would be made leading to increased international assistance, debt relief, and debt forgiveness, which would also allow Sudan to clear the arrears to the Fund. 1/

4. The Executive Board meeting on Sudan's overdue financial obligations to the Fund on November 16, 1987 will be the fourth review of the matter following the declaration of Sudan's ineligibility. As indicated above, Sudan has made a further payment to the Fund of SDR 0.8 million in order to remain current in the SDR Department, and the authorities have been implementing their announced "Program of Action" essentially according to schedule. However, as discussed in EBS/87/232, Sudan's external position remains extremely weak and a return to viability will require a prolonged effort on the part of the authorities, and also considerable and timely support from donors and creditors, both to meet the requirements of the economy and to enable Sudan to regularize its external financial relations, including an early elimination of arrears with the Fund.

1/ See Appendix II of EBS/87/232 (11/11/87).

In the circumstances of Sudan's present situation, the Executive Board may wish to welcome the authorities' implementation of their "Program of Action" and to urge them to continue and intensify their adjustment efforts. On a number of occasions, the Executive Board has stressed the need for an active role by the Fund in fostering a collaborative approach to the resolution of members' problems of overdue financial obligations to the Fund. ^{1/} In accordance with this approach and in light of the steps being taken by the Sudanese authorities, Directors may also wish to indicate that the Fund hopes that Sudan's donors and creditors will respond sympathetically to the authorities' request for expanded external financial assistance in FY 1987/88. It is expected that the staff will visit Sudan in late January 1988 for the 1988 Article IV consultation discussions. The Executive Board may therefore wish to provide, as in other similar cases, for a further review of the matter of Sudan's arrears to the Fund within six months or at the time of the 1988 Article IV consultation, whichever is earlier.

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

Draft Decision

1. The Fund has reviewed further the matter of Sudan's continuing failure to fulfill its financial obligations to the Fund in light of the facts and developments described in EBS/87/231 (11/10/87).
2. The Fund deeply regrets the continuing failure of Sudan to fulfill its financial obligations to the Fund and again urges Sudan to make full and prompt settlement of those obligations.
3. The Fund welcomes the Sudanese authorities' implementation of their "Program of Action" and urges the authorities to continue and intensify their economic adjustment efforts. The Fund hopes that Sudan's donors and creditors will respond sympathetically to the authorities' request for expanded external financial assistance.
4. The Fund will review the matter of Sudan's overdue financial obligations to the Fund again within six months of the date of this decision or at the time of the 1988 Article IV consultation, whichever is earlier.

Attachments

^{1/} See, for example, the Chairman's Summing Up at the Conclusion of the Discussion on Overdue Financial Obligations to the Fund on January 7, 1987 (Buff Document 87/4, 1/15/87).

INTERNATIONAL MONETARY FUND

Sudan - Overdue Financial Obligations - Review
Following Declaration of Ineligibility

Executive Board Decision No. 8678-(87/121) -
Adopted August 7, 1987, As Amended October 30, 1987

1. The Fund has reviewed further the matter of Sudan's continuing failure to fulfill its financial obligations to the Fund in light of the facts and developments described in EBS/87/164 (7/27/87) and Supplement 1 (8/6/87).

2. The Fund welcomes the recent payment made by Sudan. However, the Fund deeply regrets the continuing failure by Sudan to fulfill its financial obligations to the Fund and again urges Sudan to make full and prompt settlement of those obligations.

3. The Fund notes the statement of the Acting Managing Director that the authorities are in the process of establishing and implementing a comprehensive economic adjustment program, which would provide the basis for expanded external financial support from donors and creditors.

4. The Fund will review the matter of Sudan's overdue financial obligations to the Fund again not later than November 16, 1987.

Sudan - Overdue Financial Obligations to the Fund 1/

(As of November 9, 1987)

Type of Obligation	Date of Purchase or Loan	Due Date	Days Overdue	SDR Amount
<u>General Department</u>				
CF repurchase	4/13/81	7/12/84	1215	3,950,000
CT repurchase	4/13/81	7/12/84	1215	2,480,672
Quarterly charges (balance)	--	8/08/84	1188	5,378,717
CF repurchase	11/18/80	8/16/84	1180	2,725,000
CT repurchase	9/27/79	9/25/84	1140	2,143,867
EF repurchase	10/03/79	10/02/84	1133	937,500
EF repurchase	4/03/80	10/02/84	1133	2,187,500
EF repurchase	4/03/80	10/02/84	1133	1,458,333
EF repurchase	10/03/79	10/02/84	1133	625,000
CF repurchase	4/13/81	10/11/84	1124	3,950,000
CT repurchase	4/13/81	10/11/84	1124	2,480,672
CF repurchase	11/13/79	11/08/84	1096	4,500,000
Quarterly charges	--	11/08/84	1096	5,471,536
EF repurchase	11/17/80	11/15/84	1089	4,750,000
CF repurchase	11/18/80	11/15/84	1089	2,725,000
EF repurchase	5/27/80	11/26/84	1078	625,000
EF repurchase	5/29/79	11/28/84	1076	625,000
EF repurchase	5/29/79	11/28/84	1076	937,500
EF repurchase	6/12/81	12/11/84	1063	6,537,500
CF repurchase	4/13/81	1/11/85	1032	3,950,000
CT repurchase	4/13/81	1/11/85	1032	2,480,672
Quarterly charges	--	2/06/85	1006	5,476,587
CF repurchase	11/18/80	2/14/85	998	2,725,000
EF repurchase	4/03/80	4/02/85	951	1,458,333
EF repurchase	10/03/79	4/02/85	951	937,500
EF repurchase	4/03/80	4/02/85	951	2,187,500
EF repurchase	10/03/79	4/02/85	951	625,000
CF repurchase	4/13/81	4/11/85	942	3,950,000
CT repurchase	4/13/81	4/11/85	942	2,480,672
Quarterly charges	--	5/06/85	917	5,302,904
EF repurchase	11/17/80	5/16/85	907	3,166,667
CF repurchase	11/17/80	5/16/85	907	2,725,000
EF repurchase	11/18/80	5/16/85	907	4,750,000
CT repurchase	2/25/82	5/23/85	900	3,301,347
EF repurchase	5/27/80	5/23/85	900	625,000

1/ Quarterly charges of SDR 4,813,517 are due November 11, 1987 and two repurchases totaling SDR 7,916,667 are due November 16, 1987.

Type of Obligation	Date of Purchase or Loan	Due Date	Days Overdue	SDR Amount
EF repurchase	5/27/80	5/23/85	900	416,667
EF repurchase	5/29/79	5/28/85	895	937,500
EF repurchase	5/29/79	5/28/85	895	625,000
EF repurchase	6/12/81	6/11/85	881	6,537,500
CT repurchase	4/13/81	7/11/85	851	2,480,672
CF repurchase	4/13/81	7/11/85	851	3,950,000
Semiannual charges EA	--	7/18/85	844	7,295,695
Quarterly charges	--	8/06/85	825	5,399,776
CF repurchase	11/18/80	8/15/85	816	2,725,000
CT repurchase	2/25/82	8/22/85	709	3,301,347
CT repurchase	2/25/82	8/22/85	709	5,448,653
EF repurchase	4/03/80	10/02/85	768	1,458,333
EF repurchase	10/03/79	10/02/85	768	625,000
EF repurchase	10/03/79	10/02/85	768	937,500
EF repurchase	4/03/80	10/02/85	768	2,187,500
CT repurchase	4/13/81	10/10/85	760	2,480,672
CF repurchase	4/13/81	10/10/85	760	3,950,000
Quarterly charges	--	11/06/85	733	5,399,776
CF repurchase	11/18/80	11/14/85	725	2,725,000
EF repurchase	11/17/80	11/14/85	725	3,166,667
EF repurchase	11/17/80	11/14/85	725	4,750,000
CT repurchase	2/25/82	11/21/85	718	3,301,347
EF repurchase	5/27/80	11/26/85	713	416,667
EF repurchase	5/27/80	11/26/85	713	625,000
EF repurchase	5/29/79	11/27/85	712	625,000
EF repurchase	5/29/79	11/27/85	712	937,500
EF repurchase	6/12/81	12/11/85	698	6,537,500
EF repurchase	6/12/81	12/11/85	698	3,975,000
CT repurchase	4/13/81	1/09/86	669	2,480,672
CF repurchase	4/13/81	1/09/86	669	3,950,000
Semiannual charges EA	--	1/17/86	661	6,774,234
Quarterly charges	--	2/06/86	641	5,399,776
CT repurchase	2/25/82	2/24/86	623	5,448,653
CT repurchase	2/25/82	2/24/86	623	3,301,347
EF repurchase	10/03/79	4/02/86	586	625,000
EF repurchase	4/03/80	4/02/86	586	1,458,333
EF repurchase	10/03/79	4/02/86	586	937,500
EF repurchase	4/03/80	4/02/86	586	2,187,500
CT repurchase	4/13/81	4/10/86	578	2,480,675
CF repurchase	4/13/81	4/10/86	578	3,950,000
Quarterly charges	--	5/12/86	546	5,223,697
EF repurchase	11/17/80	5/15/86	543	4,750,000
EF repurchase	11/17/80	5/15/86	543	3,166,667
CT repurchase	2/25/82	5/22/86	536	3,301,347

Type of Obligation	Date of Purchase or Loan	Due Date	Days Overdue	SDR Amount
EF repurchase	5/27/80	5/22/86	536	625,000
EF repurchase	5/27/80	5/22/86	536	416,667
EF repurchase	5/29/79	5/28/86	530	625,000
EF repurchase	5/29/79	5/28/86	530	937,500
Special charges GRA	--	5/28/86	530	1,047,899
CT repurchase	3/3/83	6/02/86	525	3,810,369
EF repurchase	6/12/81	6/11/86	516	3,975,000
EF repurchase	6/12/81	6/11/86	516	6,537,500
CF repurchase	3/16/83	6/12/86	515	4,887,500
Semiannual charges EA	--	7/18/86	479	5,967,241
Quarterly charges	--	8/07/86	459	4,542,259
CT repurchase	2/25/82	8/21/86	445	3,301,347
CT repurchase	2/25/82	8/21/86	445	5,448,653
CT repurchase	3/03/83	9/02/86	433	3,810,369
Special charges GRA	--	9/02/86	433	1,035,487
CT repurchase	3/03/83	9/04/86	431	4,689,631
CT repurchase	6/15/83	9/11/86	424	588,852
CF repurchase	3/16/83	9/15/86	420	4,887,500
EF repurchase	10/03/79	10/02/86	403	625,000
EF repurchase	3/03/80	10/02/86	403	1,458,333
EF repurchase	3/03/80	10/02/86	403	2,187,500
EF repurchase	10/03/79	10/02/86	403	937,500
Quarterly charges	--	11/06/86	368	5,093,913
EF repurchase	11/17/80	11/13/86	371	3,166,667
EF repurchase	11/17/80	11/13/86	371	4,750,000
Special charges GRA	--	11/20/86	354	1,122,507
CT repurchase	2/25/82	11/24/86	350	3,301,347
EF repurchase	5/27/80	11/26/86	348	416,667
EF repurchase	5/27/80	11/26/86	348	625,000
EF repurchase	5/29/79	11/26/86	348	625,000
CT repurchase	3/03/83	12/02/86	342	3,810,369
EF repurchase	6/12/81	12/11/86	333	3,975,000
CT repurchase	6/15/83	12/11/86	333	588,852
EF repurchase	6/12/81	12/11/86	333	6,537,500
CF repurchase	3/16/83	12/15/86	329	4,887,500
CT repurchase	6/15/83	12/22/86	322	2,598,648
Semiannual charges EA	--	1/16/87	297	5,146,378
Semiannual charges SF	--	1/16/87	297	2,388,519
Quarterly charges	--	2/13/87	269	2,730,262
Special charges GRA	--	2/23/87	259	1,241,405
CT repurchase	2/25/82	2/24/87	258	3,301,345
CT repurchase	2/25/82	2/24/87	258	5,448,653
CT repurchase	3/03/83	3/02/87	252	3,810,369
CT repurchase	3/03/83	3/05/87	249	4,689,631
CT repurchase	6/15/83	3/12/87	242	588,852

Type of Obligation	Date of Purchase or Loan	Due Date	Days Overdue	SDR Amount
CF repurchase	3/16/83	3/12/87	242	4,887,500
EF repurchase	10/03/79	4/02/87	221	625,000
EF repurchase	4/03/80	4/02/87	221	1,458,333
EF repurchase	4/03/80	4/02/87	221	2,187,500
CT repurchase	9/30/83	4/02/87	221	3,187,500
Quarterly charges (balance)	--	5/11/87	182	4,698,911
EF repurchase	11/17/80	5/14/87	179	3,166,667
EF repurchase	11/17/80	5/14/87	179	4,750,000
Special charges GRA	--	5/21/87	172	1,236,749
EF repurchase	5/27/80	5/26/87	167	625,000
EF repurchase	5/27/80	5/26/87	167	416,667
EF repurchase	5/29/79	5/27/87	166	625,000
CT repurchase	3/03/83	6/02/87	160	3,810,369
CT repurchase	11/30/83	6/04/87	158	3,187,500
CT repurchase	6/15/83	6/11/87	151	588,852
EF repurchase	6/11/81	6/11/87	151	3,975,000
EF repurchase	6/11/81	6/11/87	151	6,537,500
CF repurchase	3/16/83	6/15/87	147	4,887,500
CT repurchase	6/15/83	6/22/87	140	2,598,648
Semiannual charges EA	--	7/20/87	112	5,048,100
Semiannual charges SF	--	7/20/87	112	5,897,522
Special charges GRA	--	7/21/87	111	163,837
Quarterly charges	--	8/17/87	84	4,813,517
Special charges GRA	--	8/24/87	77	1,308,063
CT-SF repurchase	2/25/82	8/24/87	77	5,448,653
CT-OR repurchase	3/03/83	9/02/87	68	3,810,369
CT-EA repurchase	3/03/83	9/03/87	67	4,689,631
CT-OR repurchase	6/15/83	9/14/87	56	588,852
CF repurchase	3/16/83	9/15/87	55	4,887,500
CT-EA repurchase	3/15/84	9/22/87	48	3,187,500
EF-OR repurchase	4/03/80	10/01/87	39	1,458,333
EF-OR repurchase	1/03/83	10/01/87	39	625,000
CT-OR repurchase	7/02/84	10/01/87	39	1,250,000
CT-EA repurchase	9/30/83	10/06/87	34	3,187,500
Subtotal				472,283,716
Trust Fund				
Repayment	7/27/78	7/26/84	1201	2,984,215
Interest	--	12/31/84	1043	169,362
Repayment	7/27/78	1/25/85	1018	2,984,215
Repayment	7/31/79	1/30/85	1013	1,706,400
Repayment	10/31/79	4/30/85	923	475,200

Type of Obligation	Date of Purchase or Loan	Due Date	Days Overdue	SDR Amount
Interest	--	6/28/85	864	167,060
Repayment	7/27/78	7/26/85	836	2,984,215
Repayment	7/31/79	7/30/85	832	1,706,400
Repayment	1/31/80	7/30/85	832	612,000
Repayment	4/30/80	10/29/85	741	885,600
Repayment	10/30/79	10/30/85	740	475,200
Interest	--	12/31/85	678	169,828
Repayment	7/27/78	1/24/86	654	2,984,215
Repayment	1/31/80	1/30/86	648	612,000
Repayment	7/31/79	1/30/86	648	1,706,400
Repayment	7/31/80	1/30/86	648	345,600
Repayment	4/30/80	4/29/86	559	885,600
Repayment	10/31/79	4/30/86	553	475,200
Special charges TF	--	5/28/86	530	164,701
Interest	--	6/30/86	497	167,060
Repayment	7/27/78	7/25/86	472	2,984,215
Repayment	7/31/79	7/30/86	467	1,706,400
Repayment	1/30/80	7/30/86	467	612,000
Repayment	7/31/80	7/30/86	467	345,600
Special charges TF	--	9/02/86	433	163,254
Repayment	4/30/80	10/29/86	376	885,600
Repayment	10/31/79	10/30/86	375	475,200
Special charges TF	--	11/20/86	354	192,967
Interest	--	12/31/86	313	169,828
Repayment	7/27/78	1/26/87	287	2,984,215
Repayment	1/31/80	1/30/87	283	612,000
Repayment	7/31/79	1/30/87	283	1,706,400
Repayment	7/31/80	1/30/87	283	345,600
Special charges TF	--	2/23/87	259	210,617
Repayment	4/30/80	4/29/87	194	885,600
Repayment	10/31/79	4/30/87	193	475,200
Special charges TF	--	5/21/87	172	232,374
Interest	--	6/30/87	132	167,060
Repayment	7/27/78	7/24/87	108	2,984,215
Repayment	7/31/79	7/30/87	102	1,706,400
Repayment	6/31/80	7/30/87	102	612,000
Repayment	7/31/80	7/30/87	102	345,600
Special charges TF	--	8/24/87	77	241,500
Repayment	4/30/80	10/29/87	11	885,600
Repayment	10/31/79	10/30/87	10	475,200

Subtotal

45,065,116

Total

517,348,832 ^{2/}

^{2/} Does not reflect a small balance of SDR 1,052 which is pending attribution.

Sudan - Overdue and Forthcoming Obligations as of November 9, 1987

(In millions of SDRs)

Type of Obligation	Outstanding as of Nov. 9, 1987	Forthcoming 1/							Total 3/
		1987 2/	1988	1989	1990	1991	1992	1993	
Repurchases	361.7	34.5	89.1	65.3	45.1	9.7	0.0	0.0	605.3
Quarterly charges 4/	64.9	4.8	4.4	2.3	1.0	0.2	0.0	0.0	77.6
Semiannual charges 4/	38.5	0.0	14.5	5.6	2.6	0.5	0.0	0.0	61.7
Special charges	8.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	8.4
Net SDR charges	--	0.0	3.0	3.0	3.0	3.0	3.0	3.0	18.0
Trust Fund repayments	42.8	0.0	14.0	8.0	2.2	0.3	0.0	0.0	67.4
Trust Fund interest	1.0	0.1	0.1	0.0	0.0	0.0	0.0	0.0	1.2
Total 3/	517.3	39.4	125.1	84.2	53.9	13.7	3.0	3.0	839.6

1/ On the basis of present use of Fund credit, Trust Fund loans outstanding, and Sudan's present position in the SDR Department. Charges are projected on the basis of current rates of charge. Special charges are not projected.

2/ Due after November 9, 1987.

3/ Totals may not add due to rounding.

4/ Forthcoming charges estimated on the assumption that overdue obligations are paid promptly; to the extent that obligations remain overdue, actual charges may be higher.