

Sudan External Debt Position as of 31st December 2009

Introduction

Sudan has a huge external debt burden that limits its opportunity to grow and prosper. The country has undergone through 13 years of non-financially supported SMP where a satisfactory track record has been maintained.

However, Sudan has been recognized as technically eligible for HIPC, yet no progress was made in this regard to see Sudan marching towards benefiting from this initiative for the last decade.

Currently Sudan is confronted with the referendum challenges, which is a CPA pre-requisite, that could lead to a secession which will complicate the external negotiation and settlement. This requires international community intervention through conducive solutions in the form of debt write off or massive debt alleviations.

However, the debt structure is widely spread and its composition is tilted towards the bilateral creditors.

The total external debt of Sudan as of 31st December 2009 amounted to US\$ 35,687million, showing an increase of about US\$ 2,145 million compared to 31st Dec. 2008 position as depicted in table (1) below. The 6.39% increase is attributed to the accumulation of contractual and penalty interest rates, drawings during 2009.

External Debt Position of Sudan

As of 31st Dec. 2009

(US\$ Million)

Creditor	Total Debt 31 ST Dec. 08	Disbursed & Outstanding Debt	Interest Arrears	Penalty Interest	Total Debt As of 31st Dec. 2009	%Share
Multilateral Creditors	5,278	3,760	416	1,121	5,297	15
<u>Bilateral</u>	<u>22,668</u>	<u>8,197</u>	<u>3,103</u>	<u>13,320</u>	<u>24,530</u>	<u>68</u>
Non-Paris Club	12,160	5,728	1506	6,063	13,297	37
Paris Club	10,502	2,469	1,597	7,167	11,233	31
Commercial Banks	4,209	2,093	302	2,108	4,503	13
Foreign Suppliers	1,393	1,357	-	-	1,357	4
Total	33,542	15,407	3,821	16,459	35,687	-
% Share	-	43%	11%	46%	100%	100%

Main creditors:

The main creditors of Sudan were the IMF & World Bank as multilateral creditors, Kuwait & Saudi Governments as Bilateral Non - Paris club creditors and Austria and USA as Bilateral Paris club creditors.

The debt data has been classified as follows:

- Multilateral creditors;
- Non- Paris club bilateral creditors;
- Paris club bilateral creditors;
- Foreign commercial banks,
- Foreign suppliers.

Classification of Creditors:

- Multilateral Creditors include the following creditors:

(In US\$ Million)

Creditor	Total Debt as of 31/12/2009
African Development Bank	163
African Development Fund	305
Arab Fund for economic and social	820
Arab Monetary Fund	427
European investment Bank	97
International Development association	1,444
International Fund for agricultural Development	148
International Monetary Fund	1,554
Islamic Development Bank	303
OPEC Fund for International Development	36
TOTAL	5,297

- Paris Club Bilateral Creditors include the following creditors:

(In US\$ Million)

Creditor	Total Rescheduled & Non Rescheduled Debt as of 31/12/2010
Austria	2,147,890
Belgium	1,027,545
Canada	78,270
Denmark	1,176,952
France	1,036,179
Germany	315,271
Ireland	8,277
Italy	1,107,133
Japan	226,165
Netherlands	382,224
Norway	150,996
Spain	67,717
Switzerland	339,293
United States Of America	2,064,498
United Kingdom	1,089,813
Russia	14,735
TOTAL	11,232,958

- Non-Paris Club Bilateral Creditors include the following creditors:

(In US\$ Million)

Creditor	Total Debt as of 31/12/2009
OPEC Countries	
Abu Dhabi Fund	171
Abu Dhabi Govt	192
Kuwait Fund	379
Kuwait Govt	5,604
Saudi Fund	319
SAMA	2,567
Algeria	0
Iran	434
Iraq	92
Libya Govt	262
Libyan Arab Foreign Bank	88
Oman	100
Qatar	46
Total O.P.E.C Countries	10,254
Ex-Comecon Countries	
Czech	106
Hungry	16
Poland	90
Romania	173
Serbia	78
Croatia	43
Total Ex-Comecon Countries	506
Other Countries	
China	1,883
Egypt	1
India	411
Malaysia	162
Pakistan	28
Turkey	52
Total Other Countries	2,537
TOTAL	13,297

- Foreign Commercial Bank Creditors:

Creditor	Total Debt as of 31/12/2009
Foreign Commercial Banks	4,503
The Refinancing Agreement 1981	3,474
Commercial Bank of Kuwait	596
Other Commercial Banks	433

The Refinancing Agreement dated 30 Dec. 1981 included approximately 110 banks such as:-

Bank Name	Total Debt as of 31/12/2009
Arab African International Bank, Cairo	549
The Argo Fund limited	376
Standard Bank - London	356
Other	2193
TOTAL	3,474

External Debt Sustainability

Under the Staff Monitored Program (SMP) of the IMF which was started in 1996 , Sudan maintained a good track record. The (SMP) recognized the successful implementation of a set of sound macroeconomic policies and structural reforms . Beside effecting payments to some of the multilateral and regional agencies, namely, the IMF and other Arabic and Regional Financial Institution. Within the (SMP) and in collaboration with EDU ,the IMF and World bank are jointly conducting a sustainability analysis for Sudan debt position .

The analysis conducted for 2009 confirmed that the country was still in debt distress. The three solvency indicators are exceeding their policy-dependent thresholds . In particular the PV of debt to GDP ratio which reached 49 percent in 2009 (indicative threshold 30 percent). The PV of debt-to-exports reached 410 percent in 2009 (indicative threshold 100 percent).

The PV of debt-to-revenue which is estimated to be 402 percent in 2009 (indicative threshold 200 percent).

External Debt Sustainability Ratios Projections
(2009-2029)

Year	TD/ Revenue	TD/XGS	TD/GDP
2009	449	373	66.8
2014	300	365	52
2019	312	618	45.5
2024	269.4	487	35.9
2029	202.6	255	25
LDCs thresholds	%200	100%	30%

Source :- IMF Debt Sustainability Analysis 2009

As for the liquidity ratios (debt service-to-export ratio and debt service -to- revenue ratio) those were reported to remain below their policy -dependent threshold for 2009, i.e. Sudan will continue with its past performance in debt servicing and will not be able to fully repay its debt obligations.

International Initiatives for Debt Relief

Progress in (HIPC) and (MDRI) Initiatives:-

The HIPC Initiative is a comprehensive approach to debt reduction for heavily indebted poor countries. The initiative was launched in 1996 in pursuance of the IMF-and World Bank-supported adjustment and reform programs. Delivery of the relief initiative has been steady, and slow, with an average of three countries completing the program and an average of two countries starting the program per annum.

By the end March 2009, the number of HIPC eligible countries increased to 41. Of these, 24 have completed the program, 11 are between decision and completion point, and 6 countries are potentially eligible for HIPC Initiative assistance and may wish to avail themselves of this debt relief (Comoros, Kyrgyz Republic, Somalia, Eritrea, Nepal and Sudan).

Under the Multilateral Debt Relief Initiative (MDRI), 24 HIPC countries have benefited from 100 per cent cancellation of their outstanding multilateral debt claims from IMF, IDA, and the African

Development Bank. At the end of January 2009, the Inter-American Development Bank also announced its intention to cancel the debt of its HIPC members, clearing the way for five Latin American countries to benefit from MDRI upon completion of the HIPC Initiative. However, the financing modality of the debt cancellation by the Inter-American Development Bank raises concerns as it reduces the resources of the Bank's concessional lending arm and may lead to lower concessional lending to low-income countries in Latin America and the Caribbean.

Completing the implementation of the Initiative will require sustained efforts from the international community-creditors to support the remaining pre-completion point countries. The canceled arrears for the countries which benefited from the initiative amounted to nearly US\$ 890 millions. Thus challenges remain to be addressed for a full implementation of the initiative such as : (i) full financing of the HIPC Initiative and MDRI ; for the remaining countries (ii) full participation of official and commercial creditors to the Initiative and (iii) support to the remaining countries to reach completion point.

Liberia, one of the countries which was in the pre-decision point with Sudan had taken the path to the Decision Point on March 14th 2008.

Liberia became the 33rd country to reach the decision point in (HIPC) Initiative .

Sudan Position:-

Sudan is in the process of preparing itself to qualify for the regional and international initiatives through a good performance at the macro level and at the fiscal and monetary policies level.

IMF Program and Macroeconomic status:-

Sudan has had a string of SMPs since the late 1990 and has made every effort to cooperate with the IMF staff monitored program (SMP) and comply with its requirements at policy level and debt repayment for many years. In that context Sudan was considered co-operative with good economic performance and was expected to receive concrete action on debt relief comparable to that provided to other countries with the same position. The IMF considers that the positive track record within the staff monitored program could qualify Sudan to reach the decision point for (HIPC). But, unfortunately Sudan has not benefited from the regional and international initiatives mainly for political reasons.

Poverty Reduction Strategy Paper (PRSP) :-

The Government prepared a draft-I-PRSP in 2004, being one of the pre-requisites to qualify for the (HIPC) Initiative and a five year strategic Plan in the fall of 2007. Now, the Ministry of

Finance and National Economy is in the process of upgrading the draft I-PRSP paper to a full_fledged national strategy to incorporate the specifics of the southern region based on the outcome of the recent national household budget survey conducted in collaboration with the ADB.

The ADB granted an amount of UA 9,62 million (US\$ 4,37 million) for the Institutional Capacity Building for Poverty and Good Governance Project. The main objective of the project is to strengthen the institutional and human capacities of key national institutions and States in the North and South in order to prepare the National Poverty Eradication Strategy Paper (PESP) beside implementing macro-economic reforms and good governance practices for poverty eradication.

The World Bank is also exerting some effort to help Sudan in assessing the poverty situation in Sudan. The Country Economic Memoranda (CEM) identified the weakness and strength of the economy. Based on the CEM report, the World Bank will outline its Strategy Note in Sudan for the coming 18 months. The strategy is based on addressing the following challenges -:

- (i) Improving governance.
- (ii) Increasing access to basic services.
- (iii) Ensuring sustainable, diversified, and pro-poor growth, with primary attention to war-affected and marginalized areas .

Within the framework of preparing this strategy, a mission visited the country during March 2010, their main aspects included poverty assessment with focus on the outcome of the Baseline Household Survey .

In the process of qualifying for the International and regional initiative at political level , Sudan signed the Comprehensive Peace Agreement (CPA) in January 2005, allowing for the establishment of the Government of National Unity (GNU) and the Government of Southern Sudan .Sudan has complied with all the important commitments of the CPA over the past 5 years and the final requirements are the election which would be held in April 2010 and the referendum which is scheduled for early 2011.

The conflict in the East was politically settled by signing the Peace Agreement in October 2006. Now ,the Government is pursuing creditable and substantive efforts to settle the regional conflicts in Darfur.

Thus Sudan is complying with the pre-requisites of the HIPCs , but still the process is yet to materialize as it has been linked to solving the Darfur conflict. Though other countries with similar situation have already benefited from the initiative.

And the following steps has been taken.

- 1- Poverty assessment survey was conducted and released in October 2010.
- 2- Draft PRSP was submitted to in Nov. 2010 to the Minister of Finance for approval.
- 3- A committee headed by Minister of Finance was found in November 2010 to supervise the preparation of the Full fledge PRSP.
- 4- A technical committee also was formed to prepare the concept note and the process of conducting PRSP.

Conclusion:

Under these persistent challenges and complications that emanating from different frontiers, a need is felt for a high management level of the IMF, WB, ADB and international major creditors decision to speed up the process of debt settlement for Sudan as indispensable part of a good will to ensure a peaceful existence of the two countries in case of secession, beside fulfilling the earlier pledges of debt settlement made during the CPA negotiation, Abuja as well as the Western Sudan peace agreements.

In doing so a high level and collective request could be placed before these institutions to embark upon speeding up this process.