Sudan—Issues in Debt Relief

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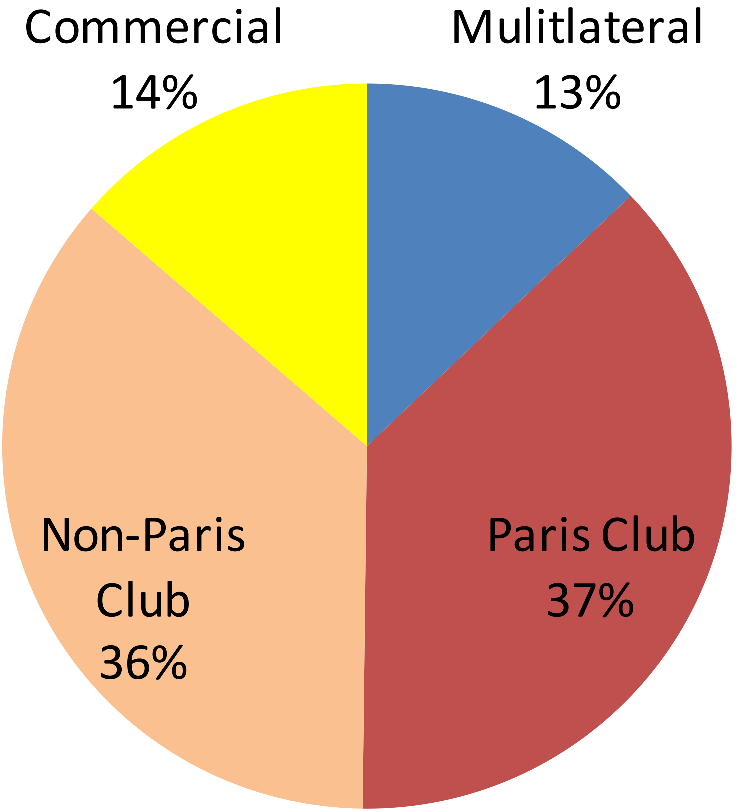
Sudan's External Debt

External debt at end-2013 Amounted to $45 billion

- Equal to 691 percent of exports
- Equal to 64 percent of GDP
- Almost 88 percent of debt in arrears
- IMF & World Bank has classified Sudan as a country in debt distress, and in need of debt relief

Structure of debt



Total External Public and Publicly Guaranteed Debt (End-2012; US$ millions)				
Creditor	Nominal (Incl. Arrears)	%	Arrears (Principal & Interest)	%
Total	**43,380.4**	**100.0%**	**38,235.0**	**88.1%**
Multilateral	**5,599.7**	**12.9%**	**3,055.6**	**54.6%**
IDA	1,483.0	3.4%	769.0	51.9%
IMF	1,506.9	3.5%	1,506.9	100.0%
AfDB	501.8	1.2%	320.7	63.9%
AFESD	1,161.5	2.7%	76.6	6.6%
IFAD	177.3	0.4%	12.9	7.2%
OFID	58.7	0.1%	0.0	0.0%
EIB	97.0	0.2%	92.1	95.0%
IsDB	350.9	0.8%	14.8	4.2%
AMF	262.7	0.6%	262.7	100.0%
Bilateral	**31,852.3**	**73.4%**	**29,251.0**	**91.8%**
Paris Club	**16,171.3**	**37.3%**	**16,023.9**	**99.1%**
Austria	2,435.7	5.6%	2,435.7	100.0%
Belgium	1,149.6	2.7%	1,149.6	100.0%
Canada	97.5	0.2%	97.5	100.0%
Denmark	648.2	1.5%	648.2	100.0%
France	3,684.7	8.5%	3,684.7	100.0%
Germany	421.8	1.0%	421.8	100.0%
Italy	1,304.1	3.0%	1,304.1	100.0%
Japan	1,393.9	3.2%	1,393.9	100.0%
Netherlands	433.3	1.0%	433.3	100.0%
Norway	179.0	0.4%	179.0	100.0%
Russia	23.9	0.1%	23.9	100.0%
Spain	68.8	0.2%	68.8	100.0%
Switzerland	478.1	1.1%	478.1	100.0%
United Kingdom	1,264.5	2.9%	1,264.5	100.0%
United States	2,588.1	6.0%	2,440.7	94.3%
Non-Paris Club	**15,681.0**	**36.1%**	**13,227.2**	**84.4%**
Algeria	83.0	0.2%	0.0	0.1%
China	1,982.7	4.6%	984.8	49.7%
Croatia	47.9	0.1%	42.5	88.6%
Czech Republic	127.3	0.3%	127.3	100.0%
Hungary	17.9	0.0%	17.9	100.0%
India	558.1	1.3%	214.8	38.5%
Iran	496.2	1.1%	489.4	98.6%
Iraq	105.4	0.2%	105.4	100.0%
Ireland	7.6	0.0%	7.6	100.0%
Kuwait	7,426.0	17.1%	7,043.4	94.8%
Libya	294.8	0.7%	294.8	100.0%
Malaysia	54.8	0.1%	54.8	100.0%
Oman	97.3	0.2%	39.5	40.6%
Pakistan	31.9	0.1%	31.9	100.0%
Poland	105.1	0.2%	105.1	100.0%
Qatar	51.7	0.1%	43.7	84.5%
Romania	193.9	0.4%	193.9	100.0%
Saudi Arabia	3,419.4	7.9%	3,074.7	89.9%
Serbia	57.5	0.1%	57.5	100.0%
Turkey	74.4	0.2%	22.3	30.0%
United Arab Emirates	448.0	1.0%	275.7	61.5%
Commercial	**5,928.4**	**13.7%**	**5,928.4**	**100.0%**
Short term	64.4	0.1%	64.4	100.0%
London Club	4,602.1	10.6%	4,602.1	100.0%
Other	1,261.9	2.9%	1,261.9	100.0%

Debt Relief for Sudan

Sudan is eligible for debt relief under the HIPC Initiative.

Sudan's major creditors are committed to pursuing debt relief to reduce external debt to a sustainable level as reiterated at the7th Debt TWG meeting in October 2013, where the creditors:

- ❖underscored debt relief process needs to follow internationally agreed processes, including:
  - traditional debt relief mechanisms and
  - the HIPC Initiative

HIPC Decision Point Criteria

The point where creditors commit to providing debt relief

To reach the DP, a country must fulfill the following conditions:

1) be eligible to borrow from the World Bank and the IMF's concessional lending facilities,

2) face an unsustainable debt burden that cannot be addressed through traditional debt relief mechanisms.

3) have established a track record of reform and sound policies through IMF- and World Bank supported programs

4) have developed a Interim Poverty Reduction Strategy Paper (I-PRSP).

HIPC Completion Point Criteria

To receive full and irrevocable reduction in debt under the HIPC Initiative, a country must:

1) establish a further track record of good performance under programs supported by loans from the IMF and the World Bank.

2) implement satisfactorily key reforms agreed at the decision point.

3) adopt and implement its PRSP for at least one year.

Once a country has met these criteria, it can reach its completion point to receive the full debt relief committed at the decision point.

Debt Relief – Traditional Mechanism

Provided through Paris Club; assumes all other bilateral creditors (including commercial creditors) provide debt relief on same terms.

Debt relief on Naples terms:

Pre-cutoff date (1/1/1984) non-ODA (including commercial debt) receive 2/3 stock of debt reduction; remainder rescheduled for 23 years with 6 year grace period

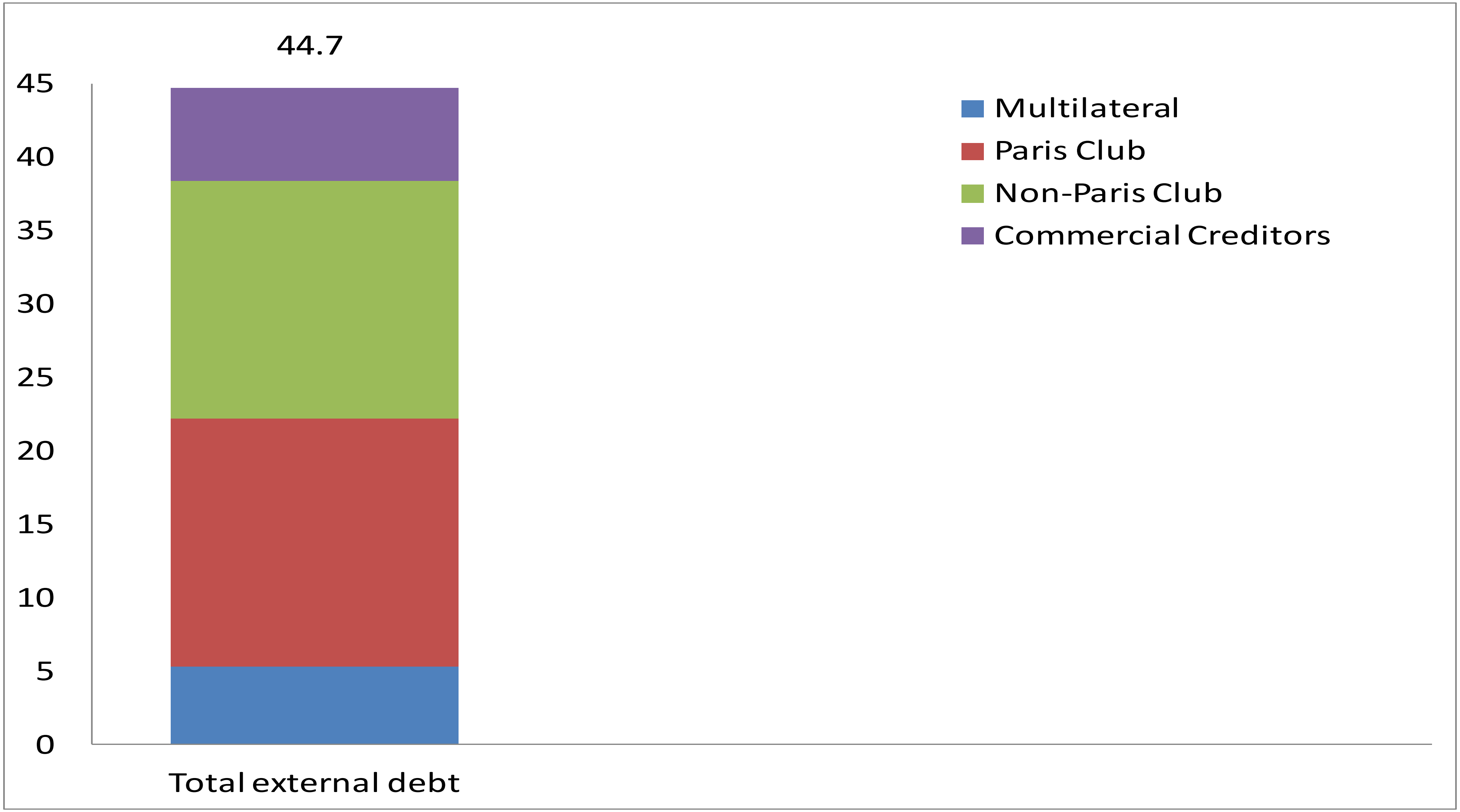
Pre-cutoff ODA rescheduled for 40 years with 16 year grace period

Post-cutoff debt rescheduled for 8 years with 3 year grace period

PRELIMINARY ESTIMATES

Debt Remaining after Debt Relief

(US$ BILLIONS; IN 2014 NPV TERMS)



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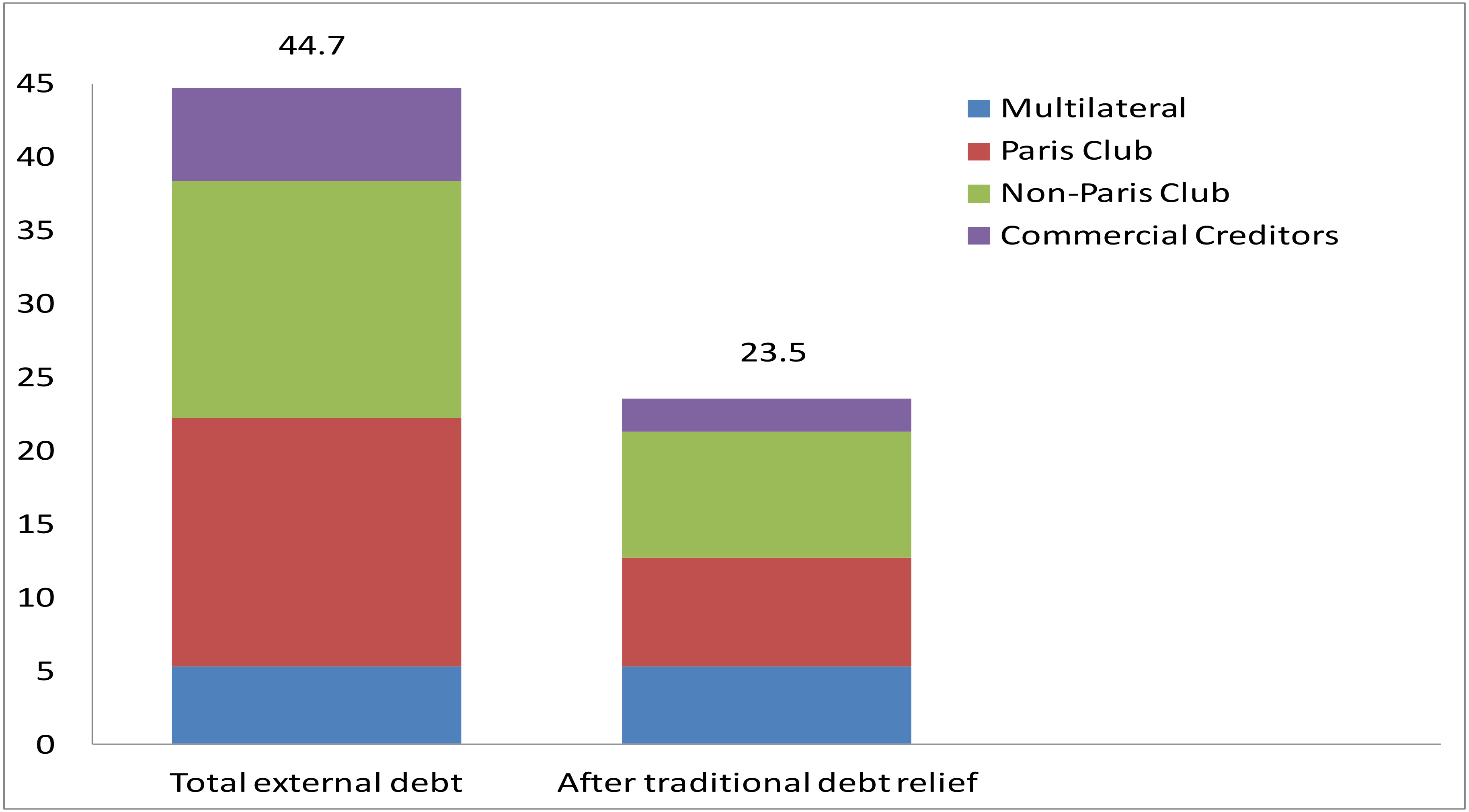

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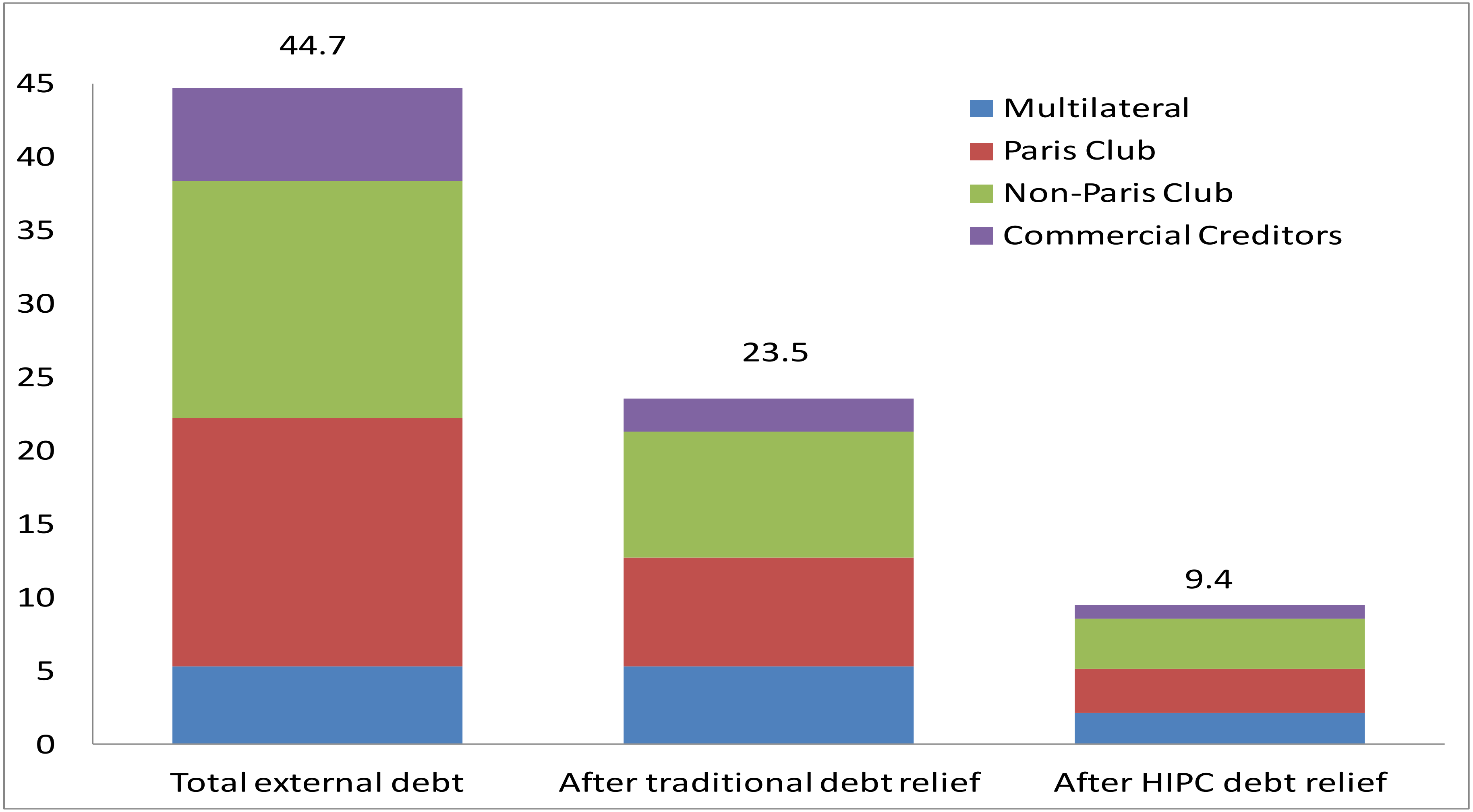


Challenges to Financing Debt Relief

Key Role of Donors

Sudan's external debt is exceptional among HIPCs:

- Debt is very large; about 690 pct of exports at end-2013
- Share of non-Paris Club debt in bilateral debt is large (about 37%); thus engaging with all creditors is critical
- Large and protracted arrears to IMF, World Bank, and AfDB
- Some Paris Club creditors have particular constraints for delivering debt relief for Sudan

Ongoing Progress

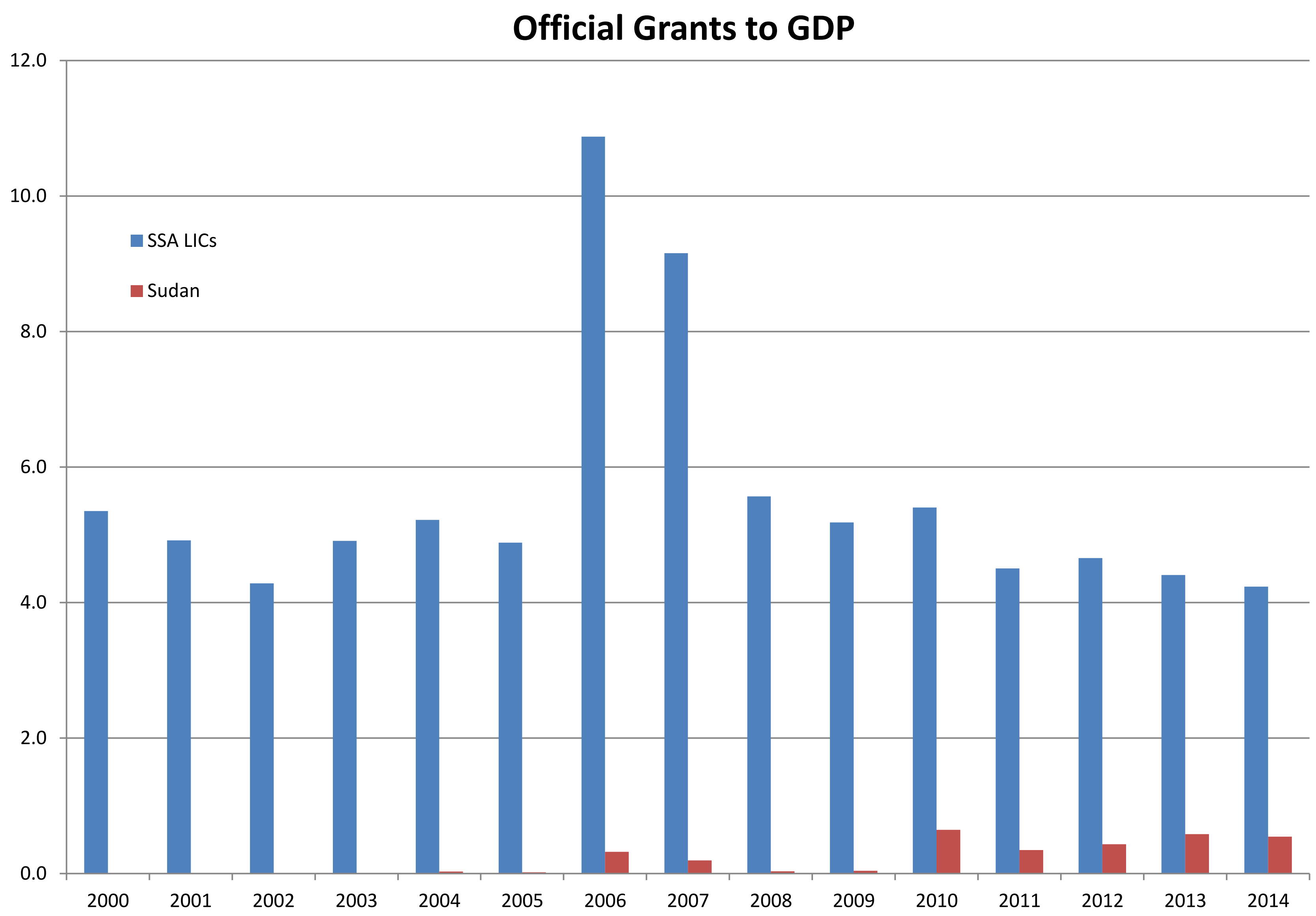
- Technical Working Group created in late 2010 to discuss technical issues related to Sudan's external debt.
- Debt reconciliation: over 90% of multilateral, bilateral, and commercial debt stock outstanding at end-2010.
- Interim-Poverty Reduction Strategy Paper recently discussed by the IMF/WB board.
- Establishing track record

Next Steps

- Obtain financing assurances from bilateral creditors to allow Paris Club and the traditional mechanism to proceed.
- Maintain macroeconomic stability and build a track record supporting medium-term economic growth.
- Mobilizing financial resources for arrears clearance and debt relief operations (IFIs) which would require assurances from many donors.
- And last but not least, (i) reach out to creditors with a view to seek debt relief; (ii) minimize non-concessional borrowing; (iii) continue cooperation with the IMF.

Importance of Debt Relief

- Normalization of relations with traditional creditors means:
  - New access to official grants
  - New access to concessional loans
- It also implies lifting of economic and financial sanctions, providing a boost for foreign direct investment


Official Grants to GDP
12.0
10.0
8.0
6.0
4.0
2.0
0.0
SSA LICs
Sudan
2000
2001
2002
2003
2004
2005
2006
2007
2008
2009
2010
2011
2012
2013
2014