



Sudan External Debt Position

Second Quarter

As at 30st of June 2022

Prepared by the External Debt Unit
Central Bank of Sudan

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Abbreviations

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| AFDB | African Development Bank Group |
| AFESD | Arab Fund for Economic and Social Development |
| AMF | Arab Monetary Fund |
| CBOS | Central Bank of Sudan |
| DOD | Disbursed and Outstanding Debt |
| EDU | External Debt Unit |
| EIB | European Investment Bank |
| IDA | International Development Association |
| IDB | Islamic Development Bank |
| IFAD | International Fund for Agricultural Development |
| IMF | International Monetary Fund |
| OPEC | Organization of Petroleum Exporting Countries |
| SAMA | Saudi Arabian Monetary Agency |

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Second Quarter

Preface

The objective of public debt management is to ensure that the Government's financing needs and its payment obligations are met at the lowest possible cost over the medium to long term, consistent with a prudent degree of risk through establishing and executing a debt strategy.

The External Debt Unit at the Central Bank of Sudan is the primary department of Government of Sudan entrusted with managing the country's external debt as stipulated in the ministerial decree no. (22) issued in May 2000 by H.E. the Minister of Finance and National Economy, to shoulder, among others, the responsibility of compiling and disseminating of external debt statistics, as well as Debt Portfolio Analysis.

This Semi-annual report prepared by the External Debt Unit (EDU) of the Central Bank of Sudan. As per the IMF 39-month arrangement under the Extended Credit Facility (ECF), one of its requirements is to provide up-to-date reports of the country's external debt structure, and projections of debt service.

The report contains a number of analytical tables includes analysis of the debt composition, with a more dynamic view. It also assesses the composition of external debt portfolio according to different debt classifications.

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Executive Summary

Sudan's external debt position as at 30.6.2022 amounted to US\$ 64,156 million with a decrease of about 17% from the same quarter 2021. This decrease mainly attributed to the arrears clearance of the IMF, IDA and African development group besides the Paris Club debt relief.

About 7% of external debt owed to Multilaterals, while 16% to Paris Club Bilateral creditors, 50% owed to Non-Paris Club bilateral creditors, 10% to the Foreign Commercial Banks, 4% to Foreign Suppliers, 8% Facilities (deposits, trade credits & financial facilities from various creditors) and 5% oil Financing (sales and purchases with Malaysia, India, and CNPC).

No disbursements and repayments were recorded during the second quarter of 2022.

Debt Portfolio analysis for the second quarter of 2022, showed that 88% of external debt was in arrears of which 58% was interest arrears, mainly due to non-concessional borrowing and weak repayment.

Sudan's external debt is assessed to be unsustainable and Sudan has been classified as a country in debt distress, reached the Decision Point under the HIPC Initiative on 28 June 2021. It is assessed to be sustainable in a forward-looking sense conditional on the full delivery of the debt relief under HIPC, MDRI, and beyond-HIPC at the Completion Point.

Section 1

Highlights on Sudan's External Debt

- External Debt Profile:

The External Debt position as at 30.6. 2022 reached US\$ 64,156 million, with a decrease of about 17% from the same quarter 2021. This decrease is mainly attributed to the arrears clearance of the IMF, IDA and (ADB&ADF) arrears besides the Paris club debt relief, table (1) explains the Position.

Table (1)

External Debt Position of Sudan as at 30.6.2022 (Estimated)

(US\$ Million)

| Creditor Type | DOD* | Principal Arrears | Interest Arrears | Penalty Interest | Total Arrears | Total Debt | % Share of Total Debt |
|---------------------------------|---------------|-------------------|------------------|------------------|---------------|---------------|-----------------------|
| Multilateral | 4,245 | 513 | 119 | 63 | 695 | 4,427 | 7% |
| Bilateral | | | | | | | |
| Paris Club | 1,028 | 988 | 688 | 8,471 | 10,147 | 10,187 | 16% |
| Non-Paris Club | 12,406 | 8,317 | 4,093 | 15,333 | 27,743 | 31,832 | 50% |
| Foreign Commercial Banks | 2,790 | 2,790 | 356 | 3,420 | 6,566 | 6,566 | 10% |
| Facilities** | 5,200 | 5,200 | - | - | 5,200 | 5,200 | 8% |
| Oil Financing*** | 3,171 | 3,171 | - | - | 3,171 | 3,171 | 5% |
| Foreign Suppliers | 2,773 | 2,773 | - | - | 2,773 | 2,773 | 4% |
| Total | 31,613 | 23,752 | 5,256 | 27,287 | 56,295 | 64,156 | 100% |

* **DOD:** Disbursed & Outstanding Debt.

****Facilities:** Consist of deposits, trade credits & financial facilities from various creditors.

*** **Oil Financing:** Consist of Oil sales & Purchase with Malaysia, India, and CNPC.

The breakdowns of the creditor type in the above table are as follows:

- Multilateral Creditors:

Total external debt owed to multilateral creditors as at 30.6.2022 recorded a slight decrease of 0.3% compared to the total debt of the same quarter of 2021 due mainly to appreciation of US dollar rate against SDR.

The share of total debt of the main multilateral creditors is as follows:

- Arab Fund for Economic and Social Development (34%).
- International Monetary Fund (30%).
- Arab Monetary Fund (11%).
- Islamic Development Bank (8%).
- International Development Association (7%).

Table (2) shows the position of multilateral creditors:

Table (2)

Total External Debt of Multilateral Creditors as at 30.6. 2022 (Estimated)

(US\$ Million)

| Creditors | DOD* (1) | Principal Arrears (2) | Interest Arrears (3) | Penalty Interest (4) | Total Arrears 5=(2+3+4) | Total Debt 6=(1+3+4) | % Share T Debt |
|--------------|--------------|-----------------------------|----------------------------|----------------------------|-------------------------------|----------------------------|----------------------|
| ADF | 118 | 7 | 1 | - | 8 | 119 | 3% |
| AFESD | 1,419 | 40 | 68 | - | 108 | 1,487 | 34% |
| AMF | 467 | 132 | 11 | - | 143 | 478 | 11% |
| EIB | 51 | 188 | 10 | 63 | 261 | 124 | 3% |
| IDA | 318 | 56 | 11 | - | 67 | 329 | 7% |
| IFAD | 111 | 3 | - | - | 3 | 111 | 3% |
| IMF | 1,317 | - | 0 | - | 0 | 1,317 | 30% |
| IDB | 367 | 34 | 6 | - | 40 | 373 | 8% |
| OPEC | 77 | 53 | 12 | - | 65 | 89 | 2% |
| Total | 4,245 | 513 | 119 | 63 | 695 | 4,427 | 100% |

* DOD: Disbursed & Outstanding Debt.

- Paris Club Creditors:

The Paris Club is an informal group of Twenty-Two official creditors. Its role is to find coordinated and sustainable solutions to the payment difficulties encountered by debtor countries. The debt of Paris Club Creditors to Sudan as at 30.6. 2022 -as shown in table (3) amounted to of US\$ 10,187 million, compared to of US\$ 24,356 million in the second quarter of 2021, with a decrease of US\$ 14,178 million due to clearance of Sudan s arrears to Paris club creditors according to the general frame work agreement signed on 15th July 2021.

Table (3)
Total External Debt of Paris Club Creditors as at 30 .6. 2022(Estimated)

(US\$ Millions)

| Creditor | DOD* (1) | Principal Arrears (2) | Interest Arrears (3) | Penalty Interest (4) | Total Arrears 5=(2+3+4) | Total Debt 6=(1+3+4) |
|------------------|--------------|-----------------------------|----------------------------|----------------------------|-------------------------------|----------------------------|
| Total Paris Club | <u>1,028</u> | <u>988</u> | <u>688</u> | <u>8,471</u> | <u>10,147</u> | <u>10,187</u> |

* DOD: Disbursed & Outstanding Debt.

- Non- Paris Club Creditors:

Total debt owed to non-Paris Club represents an increase of 4% compare to the total amount of debt in the same quarter of 2021 as shown on table (4)

Table (4)
Total External Debt of Non- Paris Club Creditors as at 30.6 2022(Estimated)

(US\$ Million)

| Creditors | DOD* (1) | Principal Arrears (2) | Interest Arrears (3) | Penalty Interest (4) | Total Arrears 5=(2+3+4) | Total Debt 6=(1+3+4) |
|-----------------------|-------------|-----------------------------|----------------------------|----------------------------|-------------------------------|----------------------------|
| OPEC Countries | | | | | | |
| Abu Dhabi Fund | 1,955 | 798 | 336 | - | 1,134 | 2,291 |
| Abu Dhabi Govt. | 55 | 55 | 59 | - | 114 | 114 |
| Algeria | 186 | 35 | - | - | 35 | 186 |
| Iran | 180 | 180 | 237 | 12 | 429 | 429 |
| Iraq | 72 | 72 | 34 | - | 106 | 106 |
| Kuwait Fund | 503 | 51 | 29 | - | 80 | 532 |
| Kuwait Govt. | 356 | 356 | 1,341 | 12,682 | 14,379 | 14,379 |

| | | | | | | |
|---------------------------------------|----------------------|---------------------|---------------------|----------------------|----------------------|----------------------|
| Libya Govt. | 260 | 260 | - | - | 260 | 260 |
| Oman | 90 | 90 | 12 | 6 | 108 | 108 |
| Qatar | 29 | 27 | 6 | 8 | 41 | 43 |
| Saudi Fund | 432 | 238 | 260 | - | 498 | 692 |
| SAMA | 2,869 | 2,869 | 368 | 1,799 | 5,036 | 5,036 |
| Saudi Export Program | 271 | 164 | 25 | 114 | 303 | 410 |
| Saudi Ministry of Finance | 150 | 150 | 68 | 315 | 533 | 533 |
| Total OPEC Countries | 7,408 | 5,345 | 2,775 | 14,936 | 23,055 | 25,118 |
| Former-Comecon Countries | | | | | | |
| Croatia | 40 | 40 | 5 | - | 45 | 45 |
| Czech | 25 | 25 | 26 | 92 | 143 | 143 |
| Hungry | 12 | 6 | 6 | 13 | 25 | 31 |
| Poland | 20 | 20 | 14 | 95 | 129 | 129 |
| Romania | 126 | 126 | 47 | - | 173 | 173 |
| Serbia | 29 | 29 | 7 | 34 | 70 | 70 |
| Total Former-Comecon Countries | 252 | 246 | 105 | 234 | 585 | 591 |
| Other Countries | | | | | | |
| China | 4,082 | 2,612 | 1,129 | 127 | 3,868 | 5,339 |
| India | 605 | 55 | 55 | 3 | 113 | 663 |
| Pakistan | 10 | 10 | 24 | 14 | 48 | 48 |
| Turkey | 49 | 49 | 5 | 19 | 73 | 73 |
| Total Other Countries | 4,746 | 2,726 | 1,213 | 164 | 4,103 | 6,123 |
| Total Non-Paris Club | <u>12,406</u> | <u>8,317</u> | <u>4,093</u> | <u>15,333</u> | <u>27,743</u> | <u>31,832</u> |

* DOD: Disbursed & Outstanding Debt.

- Foreign Commercial Banks and Foreign Suppliers:

The total debt of Foreign Commercial Banks and Foreign Suppliers as at 30.6. 2022 amounted to US\$ 17,710 million.

Foreign Commercial Banks consist of the refinanced obligations (London Club refinancing agreement signed on 30th Dec. 1981) and non-refinanced obligations.

Foreign Suppliers reflect the Private sector obligations executed through the local commercial banks.

Table (5) below shows the details:

Table (5)

**Total External Debt of Foreign Commercial Banks &
Foreign Suppliers as at 30.6. 2022**(Estimated)

(US\$ Million)

| Creditors | DOD* (1) | Principal Arrears (2) | Interests Arrears (3) | Penalty Interests (4) | Total Arrears 5=(2+3+4) | Total Debt 6=(1+3+4) |
|--------------------------|---------------------------|--|--|--|--|---|
| Foreign Commercial Banks | 2,790 | 2,790 | 356 | 3,420 | 6,566 | 6,566 |
| Facilities | 5,200 | 5,200 | - | - | 5,200 | 5,200 |
| OIL Financings | 3,171 | 3,171 | - | - | 3,171 | 3,171 |
| Foreign Suppliers | 2,773 | 2,773 | - | - | 2,773 | 2,773 |
| Total | <u>13,934</u> | <u>13,934</u> | <u>356</u> | <u>3,420</u> | <u>17,710</u> | <u>17,710</u> |

* DOD: Disbursed & Outstanding Debt.

Section 2

Review of External Debt Portfolio

Such analysis is considered to be extremely important as it shows not only the external debt dynamics in recent years, but explains them in terms of changes in the debt structure, analyses the flow and stock of the government external debt. It also addresses the significant impact of arrears reflecting the importance of adopting a prudent debt management policy. The currency composition, interest rate structure examined and analysed to show that Sudan is still under debt stress.

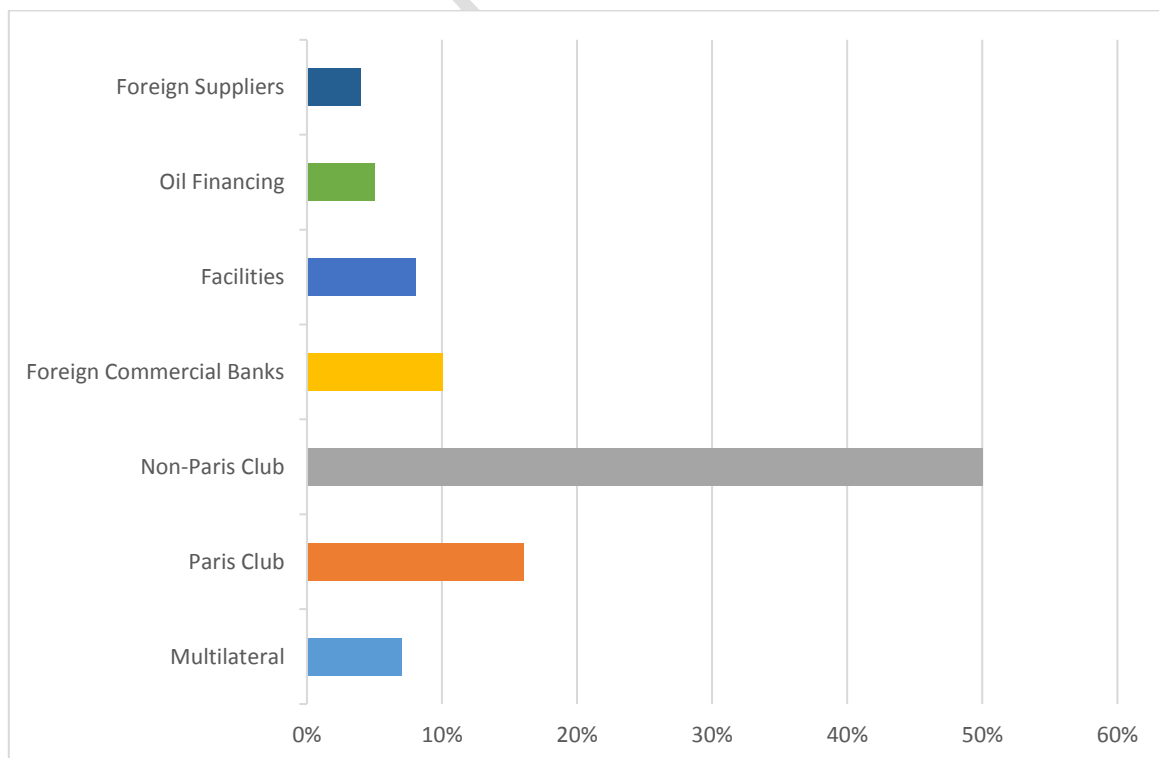
External Debt by Creditor Type:

Bilateral creditors' debt represented the largest share in Sudan external debt approximately 67% followed by Foreign commercial Banks and Multilateral, chart (1) shows the details.

Chart (1)

Share of Creditors in Total External Debt

as at 30.6.2022



Total External Debt VS Total Arrears:

The external debt portfolio of Sudan is characterized by a high rate of arrears as usually, but in the second quarter of 2022 the debt portfolio achieved a noticeable decline rate of arrears mainly resulted to the arrears clearance of the IMF, IDA and African development group arrears besides the Paris club debt relief. As illustrated in table (6) and charts (2), (3) below:

Table (6)

Total External debt VS Total arrears

30.6.2021- 30.6.2022

| Item | Q2 2021 | Q2 2022 |
|----------------------------------|---------------|---------------|
| Total Debt | 77,006 | 64,156 |
| Total Arrears | 63,676 | 56,295 |
| Principal Arrears | 19,546 | 23,752 |
| Interest Arrears | 6,166 | 5,256 |
| Penalty Interest | 37,964 | 27,287 |
| Total Arrears / Total Debt | 83% | 88% |
| Principal Arrears/ Total Arrears | 31% | 42% |
| Interest Arrears / Total Arrears | 10% | 9% |
| Penalty Interest / Total Arrears | 59% | 49% |

Chart (2)

Total External Debt VS Total Arrears

30.6.2021- 30.6.2022

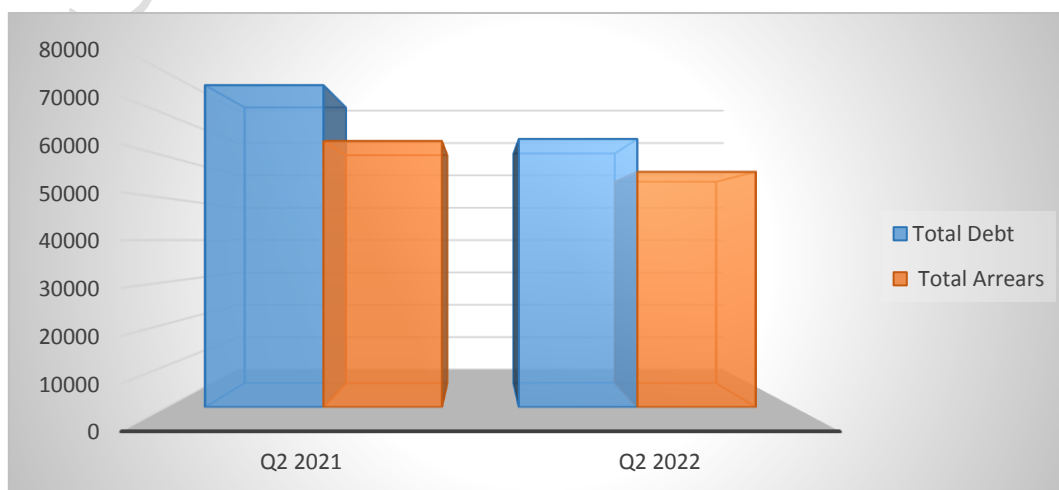
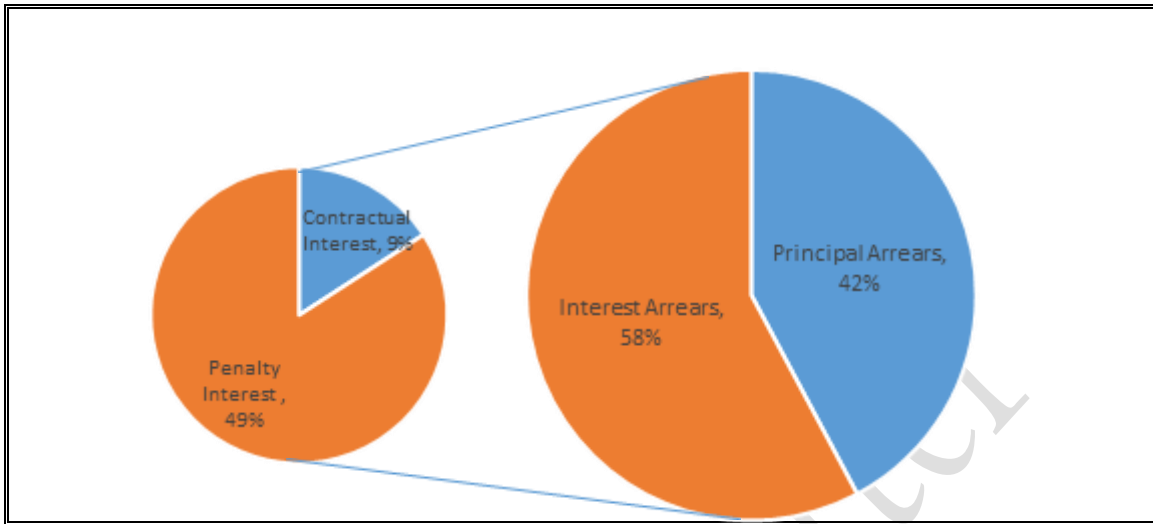


Chart (3)

Share of Total Arrears

as at 30.6.2022



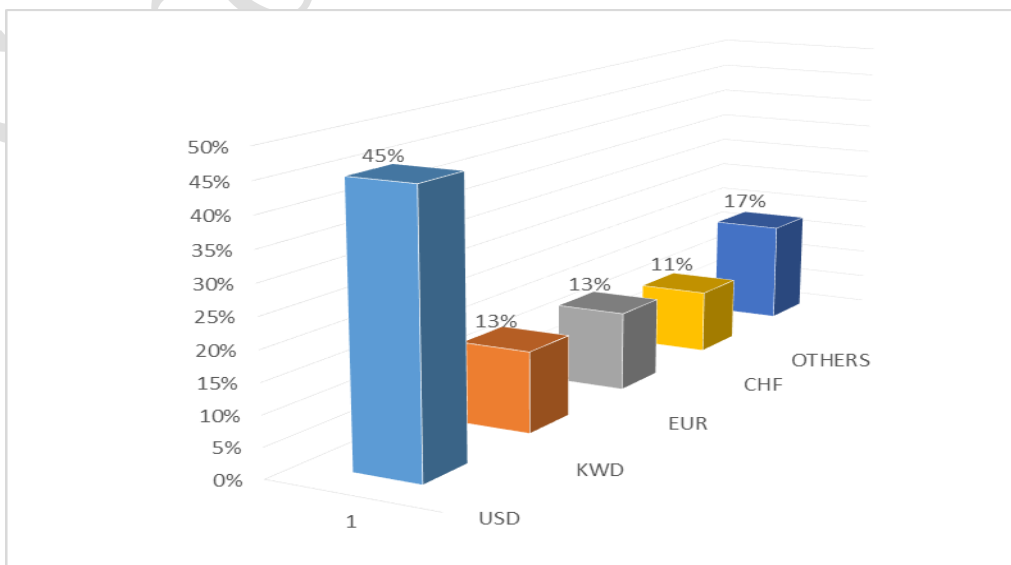
Currency Composition of External Debt:

The share of USD denominated debt (45%) remained dominant in the external debt portfolio, followed by EUR & KWD denominated debt (13%) and CHF denominated debt (11%) as at end June 2022.

Chart (4)

Currency Composition of External Debt

as at 30.6.2022



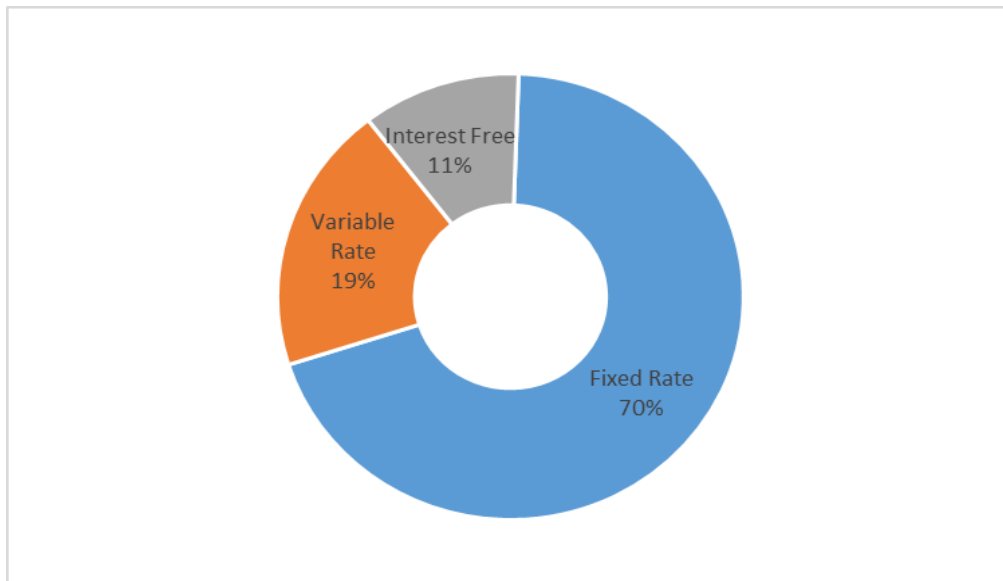
Interest Rate Structure of External Debt:

The external debt portfolio largely comprises fixed rate debt, which accounted for 70 percent of the external debt as at end second quarter, 2022. The share of variable debt in the external debt portfolio was 19 percent whereas interest-free debt accounted for 11 percent over the same period.

Chart (5)

Interest Rate Structure of External Debt

as at 30.6.2022



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Section 3

Heavily Indebted Poor Countries Initiative (HIPC)

and

Sudan status

The HIPC Initiative Process for Sudan is a two-step milestone-based framework. The formal start of the HIPC process known as the Decision Point, and the culmination is the Completion Point. Sudan had done huge efforts to get debt relief under (HIPC) Initiative. On 28 June 2021, Sudan has reached decision point, which means that a new Extended Credit Facility (ECF) arrangement will be in place to anchor the authorities' policies and reforms between the Decision Point and the Completion Point, at which time Sudan's pre-Decision Point debt to the IMF, World bank IDA and AfDB would be cleared. The key efforts were as follows: -

Reconciliation:

External Debt Unit (EDU) in close collaboration with IMF and the World Bank has started a reconciliation exercise with the creditors and accordingly reconciled 91% percent of external debt for the year 2020.

Poverty Reduction Strategy:

Sudan had developed an interim poverty reduction strategy (I-PRSP), and with the assistance of AfDB a full PRSP was prepared in 2020 by conducting household income, expenditure and poverty survey.

The PRSP document was finalized in April 2021 and identified five preliminary pillars, namely promoting: (i) macroeconomic stability; (ii) inclusive economic growth; (iii) human and social development; (iv) peace; and (v) strengthening governance and institutional capacity. This document will provide an overall assessment of the macroeconomic framework and the poverty profile of Sudan and the suitability of the macroeconomic reforms to release necessary budgetary resources for poverty reduction.

Staff Monitored Programs (SMPs):

Sudan has had 15 Staff Monitored Programs (SMPs) since 1997. These programs provided the authorities with comprehensive frameworks to design and implement policies and reforms to address economic challenges.

The last one signed in September 2020 for 12 months as Upper Credit Tranche (UCT). The purpose of this program was to restore macroeconomic stability and meet one of the requirements for reaching the Decision Point under the debt relief (HIPC) - Initiative.

Despite very challenging conditions, which exacerbated by the COVID-19 pandemic, the Sudanese authorities were committed to make sustained progress on their ambitious reform agenda.

External Arrears Clearance Process: -

Clearing arrears with international financial institutions was one of the preconditions for Sudan under the Highly Indebted Poor Countries (HIPC) Initiative, which is paramount for clearing other debt owed to the Paris and Non-Paris Club creditors.

The scale of Sudan's arrears distinguished from previous HIPC cases and a large share of HIPC debt relief expected to be delivered through concessional arrears clearance operations. IDA, the IMF and the AfDB Group arrears were cleared on concessional terms during 2021 as at follow: -

World Bank (International Development Association) (IDA):

On March 26, 2021, Sudan's arrears to IDA cleared; the payment of these arrears facilitated by a \$1.15 billion short-term bridge loan from the United States government. The bridge loan repaid using grant financing from the Reengagement and Reform Development Policy Operation approved by the World Bank.

International Monetary Fund (IMF):

IMF arrears were cleared in June 2021 through a bridge loan from France. This paved the way to approve a 39-month arrangement under the Extended Credit Facility (ECF). Other than the initial disbursement to repay the bridge loan, the new Fund arrangement will be back loaded.

African Development Bank Group (AfDB):

On May 2021, (AfDB) Group cleared about \$413 million in arrears through a bridge financing provided by the government of the United Kingdom, and contributions from Sweden and the Republic of Ireland. In addition, this has enabled Sudan to have immediate access to new financing from the AfDB.

Paris Club Group Arrears Treatment:

Treatment under Naples terms and Cologne terms;

- 67% cancellation of pre cut-off-date (1 January 1984) non Official Development Assistance (NODA) claims and rescheduling of the remaining claims over 23 years, with a 6 years' grace period
- 100% rescheduling of pre cut-off-date ODA claims treated over 40 years with a 16 years' grace period.

On an exceptional basis, the Paris Club creditors have also decided to defer over 16 years' period from 1 December 2024 the repayment of arrears accumulated by Sudan on short term and post cut-off date debts, the maturities falling due during the consolidation period under the post cut-off date debts as well as all moratorium interest due during the consolidation period on the rescheduled and deferred amounts.

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