



## A Leverage Point for Peace: how the United States should deal with Sudan's troubling debt

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### Executive Summary

The current global economic crisis has significantly affected Sudan's fragile economy. The country's large existing public debt burden—which ballooned under the National Islamic Front/National Congress Party reign from 1989 until today—frustrates its attempt to access needed foreign capital during the financial downturn. Like other struggling countries, Sudan has sought a debt-relief package from its creditors to overcome its current challenges.

This debt, however, has been incurred by an unrepentant, unreformed regime, and has effectively subsidized war and genocide waged by the Sudanese government against its own people. The Sudanese people have been burdened with more than \$23 billion in “odious debt” from the Omar Al-Bashir regime's campaign of negligence and destruction over the last 20 years.<sup>1</sup> During the past six years, moreover, robust economic gains have underpinned the government's hubris and intransigence in confronting the international community on Darfur. Now in dire straits, the Sudanese government has redoubled its push to secure a debt-relief package and economic foreign assistance agreement as part of its bilateral talks with the United States, with American allies, and with multilateral creditor institutions in which the United States plays a key role.

With Sudan at a dangerous crossroads, President Obama must present those in power in Khartoum with a choice between earned incentives or serious consequences. His administration should lead an international coalition of Sudan's creditors to condition any consideration of debt-relief or debt-servicing adjustments on concrete and lasting progress toward peace in Darfur, the full implementation of the Comprehensive Peace Agreement (CPA), and significant structural political and judicial reforms that fundamentally change the repressive systems in Sudan. For a more prosperous future in Sudan, the international community must rid the Sudanese people of this burdensome and “odious” debt created by the regime in Khartoum – but Sudan's leaders should know they first must finally commit to extinguishing the flames and embers of decades of war in Sudan.

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<sup>1</sup> For more on the concept of odious debt, visit [www.jubileeusa.org/truth-about-debt/dont-owe-wont-pay/the-concept-of-odious-debt.html](http://www.jubileeusa.org/truth-about-debt/dont-owe-wont-pay/the-concept-of-odious-debt.html).

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## Background

While many have expressed concerns about the impact of the financial crisis and global recession in Sudan,<sup>2</sup> the recent International Monetary Fund (IMF) report (July 2009)<sup>3</sup> for the first time highlights in detail the immense and imminent challenges facing the Sudanese economy. In short, the large drop in oil prices over the last year has sharply lowered government revenues. The Sudanese government has compounded the problem since late fall 2008 by defending the exchange rate to prevent a rise in domestic food and import prices.<sup>4</sup> This policy is now unsustainable as the Sudanese government is running out of foreign reserves and has trouble accessing needed foreign capital in the form of new loans because of its already precarious debt burden position.

In the July report, the IMF states that Sudan's external public debt "remains a serious concern" for the Sudanese government. Despite the boom period of the last decade in Khartoum, Sudan's debt has risen from \$15 billion to an estimated \$36 billion – owed mostly to western, multi-lateral, Chinese, Arab and Indian creditors. It is also estimated that the total public debt reached 100 percent of GDP in 2008, and the government budget for 2010 projects a \$3 billion deficit.<sup>5</sup>

Even before the financial crisis last year, the IMF reported that despite Sudan's "considerable economic progress since 2000, it remains in debt distress."<sup>6</sup> In public remarks, the Sudanese Finance Minister Dr. Awad al-Jaz and his associates regularly raise concerns about the effects of Sudan's foreign debt on the overall Sudanese economy.<sup>7</sup> Facing these immediate challenges, the Sudanese government wrote to the IMF recently that it continued to hope that it would receive a debt-relief package provided to other countries in similar circumstances. In the short-term, the Sudanese government is seeking to reschedule its debt-servicing agreements with its foreign creditors. For example, it informed the IMF that it will make only a token payment to the Fund this year.

Sudan's diplomacy will no doubt be affected by the troubled state of its economy. Over the past six years, robust economic gains have underpinned the government's hubris and intransigence in confronting the international community on Darfur. **Now in dire straits, the Sudanese government will redouble its push to secure a debt-relief package and economic foreign assistance agreement as part of its bilateral talks with the United States, with American allies, and with multilateral creditor institutions in which the United States plays a key role.** Debt-servicing and debt-relief are a critical part

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<sup>2</sup> *The Sudan Tribune*, "Sudanese economy hurt by falling oil prices and ICC case against Bashir," 23 February 2009.

<sup>3</sup> International Monetary Fund, "Sudan: Staff-Monitored Program for 2009-10," July 2009.

<sup>4</sup> In 2008, oil represented 95 percent of export revenues and 60 percent of the Government of National Unity's revenues. For South Sudan, oil represented 98 percent of total revenues for the year compared to 65 percent of the northern economy.

<sup>5</sup> Economist Intelligence Unit, Sudan: Country Risk Service, October 2009; and *The Sudan Tribune*, "Sudan parliament reviewing 2010 budget," 5 November 2009.

<sup>6</sup> International Development Association and International Monetary Fund, "SUDAN: Joint World Bank/IMF 2008 Debt Sustainability Analysis," 12 November 2008.

<sup>7</sup> See for example, "The Government Studies How to Deal with Debt," *Al-Ray Al-Aam* 5 November 2009 (translated from Arabic).

<sup>8</sup> *Christian Science Monitor*, "China boosts African economies, creating a second opportunity," 7 July 2007.

of all of Sudan's bilateral relationships with creditor countries. China represents Sudan's most significant current creditor. In 2007 on a trip to Khartoum, President Hu Jintao "cheerily waved away \$80 million in debt." His announcement incidentally coincided with his visit to the controversial new hydroelectric plant financed by Chinese loans.<sup>8</sup>

Other countries and institutions also share a considerable stake in Sudan's debt – and, thus, Sudan has recently reached out to them. This summer, for example, Japan wrote off \$28 million in debt,<sup>9</sup> and NCP cabinet officials raised the subject with British officials on at least two occasions.<sup>10</sup> Securing a debt-relief package was reportedly at the top of the Sudanese delegation's agenda at the recent IMF/World Bank annual meetings in Turkey.<sup>11</sup> In October, Dr. al-Jaz also held discussions with the president of the African Development Bank on the matter.<sup>12</sup> Even David Shinn, former U.S. Ambassador to Ethiopia, in his testimony before the U.S. Senate Foreign Relations Committee in July 2009 recommended that the international community "begin the process of looking at Sudan's debt, especially if Khartoum makes progress in ending the Darfur conflict."<sup>13</sup>

Given Sudan's earnest desire for debt-relief, continuing to refuse to dismiss debts should be regarded as a current bilateral American stick that, with changed behavior from the Sudanese government, could become a potential bilateral carrot. It is worth noting that the Obama administration cannot act unilaterally on this issue, because debt write-offs—like lifting sanctions—require Congressional authorization. In short, securing a coordinated position on conditioning Sudanese debt from at a minimum Paris Club<sup>14</sup> members and multilateral lenders would constitute the first major effort to coordinate effectively multilateral economic pressure on Bashir's National Congress Party (NCP).

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### More Details on Debt

Sudan's external public debt has increased from \$13 billion in 1989, when President Omar al-Bashir and the National Islamic Front's engineered a coup and came to power, to an estimated \$36 billion today.<sup>15</sup> While Sudan's disputes with the IMF pre-date the current regime, President Omar al-Bashir and his cohorts took direct ownership of this debt when they carried out their unconstitutional coup in 1989 and usurped all vestiges of state power. Flouting the international community, they ignored the arrears that piled up as they instituted their reign of

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<sup>9</sup> Global Insight, "\$28US million of Sudanese Debt Cancelled by Japan," 15 July 2009. Yuichi Ishii, the Japanese Ambassador to Sudan, said Sudan should use the equivalent amount of the cancelled debt for projects which will promote the implementation of the CPA through Unity Support Fund of the Government of the Sudan.

<sup>10</sup> *The Sudan Tribune*, "Sudan pleads with UK for debt relief," 24 July 2009.

<sup>11</sup> Sudan News Agency (SUNA), "Sudanese finance minister to attend IMF, WB joint meeting in Turkey, to discuss debts," 30 September 2009.

<sup>12</sup> *Al-Ray Al-Aam*, "Dr. Al Jaz discusses Sudan's debt with the President of the African Bank," 9 October 2009 (translate from Arabic).

<sup>13</sup> David Shinn, "Testimony at Senate Foreign Relations Hearing on Sudan," 30 July 2009.

<sup>14</sup> The Paris Club is the informal name for a consortium of Western creditor countries that have made loans or have guaranteed export credits to developing nations. The organization has no formal or institutional existence and no fixed membership. Its secretariat is run by the French treasury, and it has a close relationship with the World Bank and the International Monetary Fund.

<sup>15</sup> Current estimates of Sudan's debt come from the latest figures provided by the Economist Intelligence Unit.

terror in the 1990s.<sup>16</sup> Consequently, Sudan almost became the first country expelled from the Fund until it agreed to make token payments to avoid expulsion.

Due to a combination of economic reforms and rising oil revenue, the Khartoum-based economy has experienced a boom over the last decade. It has used this new revenue stream and new loans from economic partners like China, India, and Gulf states to help finance its wars in South Sudan and Darfur.<sup>17</sup> Indeed, a strong case can be made that the debt that the Sudanese regime has incurred over the last two decades should be classified as “odious” – that is this debt was contracted without the consent of the people, not spent in the interests of the people, and finally the creditors were aware of the odious use of these funds.<sup>18</sup>

From 1989 until today, the Sudanese government has received an estimated \$4 billion in new public medium and long-term loans and \$5 billion in new private medium and long-term loans. Much of this new debt is even more recent (see chart below). Sudan collected over \$2 billion in new loans from international lenders (almost half of it from non-Paris Club bilateral loans) between 2001 and 2006 when it was still waging war in south Sudan and orchestrating its campaign of death and destruction in Darfur. In 2007 and 2008, Sudan contracted another \$1.44 billion in new loans, mostly from Arab multilateral and non-Paris club creditors, as well as from China and India.<sup>19</sup> Furthermore, Sudan was expected to increase its borrowing from Asian and Gulf Arab allies in 2009 and borrow approximately \$550 million a year in 2010 and 2011.<sup>20</sup>

Creditors	Principal as of 2001 (in billions) <sup>21</sup>	Principal as of 2006	Increase in Principal from 2001 to 2006	Percent change
Multilateral Institutions	2.831	3.326	0.495	+17%
Non-Paris Club Bilateral	3.515	4.491	0.976	+28%
Paris Club Bilateral	2.165	2.405	0.240	+11%
Foreign Commercial Banks	1.415	1.774	0.359	+25%
Foreign Suppliers	0.777	0.830	0.053	+07%
<b>Total</b>	<b>10.703</b>	<b>12.826</b>	<b>2.123</b>	<b>+20%</b>

These data reveal that many in the international community continued to finance the Sudanese regime while it has waged war and genocide against its own people.

Today, the Sudanese government is increasingly dependent on foreign governments and multilateral organizations for critical assistance. In its letter of intent to the IMF establishing a Staff Monitored Program from July 2009 through December 2010, the Sudanese government wrote:

<sup>16</sup> Some may argue that the current regime inherited a significant portion of its debt (\$13 billion) and, therefore, should not be burdened with this debt and accumulated interest. Sudan’s arrears certainly have increased by \$15 billion (roughly \$3 billion in commercial arrears on new loans and roughly \$13 billion in arrears to official creditors such as the IMF). It has been the regime’s decision, however, since it came to power, to ignore these arrears, pile up new debt, and spurn the international finance community.

<sup>17</sup> The IMF report shows that the Sudanese government received \$1.1 billion in such loans in 2008.

<sup>18</sup> For more on the concept of odious debt, see the Jubilee Network USA’s site.

<sup>19</sup> International Monetary Fund, “Sudan: Staff-Monitored Program for 2009-10,” July 2009.

<sup>20</sup> Economist Intelligence Unit, Sudan: Country Risk Service, October 2009.

<sup>21</sup> Central Bank of Sudan, “Sudan External Debt Position as of 31<sup>st</sup> December 2006”

This cooperation [with the IMF] has helped us implement economic policies that aim at maintaining economic stability, fostering growth, and reducing poverty—which are necessary to promote peace and reconciliation throughout the country....We are committed to enhancing economic integration, both within Sudan and with the international community. **But our success will in part depend on the level of support from multilateral institutions and development partners. We remain hopeful that the international community will recognize the important efforts that we have made over the past decade with respect to cooperation on policies and payments, and will take concrete action on debt relief for Sudan comparable to that provided to numerous other countries.**

Accurate and updated statistics regarding Sudan’s debt are difficult to obtain. At the end of 2007, the Central Bank of Sudan reported the following break down of its estimated \$31.873 billion in debt that year:

<b>Creditors</b>	<b>Composition of Extern Debt, 2006 - 2007 (in billions)<sup>22</sup></b>
Multilateral Creditors	5.084
Non-Paris Club Bilateral	11.586
Paris Club Bilateral	10.345
Foreign Commercial Banks	3.888
Foreign Suppliers	0.970
<b>Total</b>	<b>31.873</b>

As can be seen above, debt to the Paris Club and Multilateral Creditors, such as the World Bank and IMF, amounted to over \$15 billion and almost 50 percent of total debt. Sudan services only a small portion of its foreign debt, mostly recent loans at concessional rates from Asian or Arab allies and the IMF. The Economist Intelligence Unit estimates that only about one-fifth of Sudan’s scheduled debt-service was actually paid in 2008. The available breakdown from 2001 to 2005 shows that the Paris Club debt increased by over \$3 billion due largely to penalties for servicing:

**Paris Club Bilateral Debt (in billions)<sup>23</sup>**

<b>Year</b>	<b>Principal</b>	<b>Interest</b>	<b>Delayed Interest</b>	<b>Total</b>
2001	2.165	1.29	2.682	6.137
2002	2.344	1.414	3.308	7.066
2003	2.66	1.747	4.115	8.522
2004	2.619	1.616	4.489	8.724
2005	4.257	1.232	4.175	9.664

<sup>22</sup> International Development Association and International Monetary Fund, “SUDAN: Joint World Bank/IMF 2008 Debt Sustainability Analysis,” 12 November 2008.

<sup>23</sup> Central Bank of Sudan, “Sudan External Debt Position as of 31<sup>st</sup> December 2006.”

To compare, Sudan's total external debt roughly matches that of Nigeria's before the latter signed a debt-relief package with the Paris Club in 2005, reducing its external debt from \$38 billion in 2004 to roughly \$8 billion today.<sup>24</sup> Were the Sudanese government considered a responsible actor in the international community and not still responsible for the conflict in Darfur, its external debt position would no doubt make it a likely candidate for debt-relief from the international community.<sup>25</sup>

The IMF and the World Bank have developed a joint and comprehensive approach to debt reduction that, they claim, is to ensure that no poor country faces an unmanageable debt burden. The chief vehicle for debt reduction packages is the Heavily Indebted Poor Countries (HIPC) Initiative. To date, 35 countries (29 in Africa) have received \$51 billion in debt-service relief through HIPC. Half the funding for HIPC comes from the IMF and other multilateral institutions, and the remaining amount comes from bilateral voluntary loan and subsidy resources. On strictly economic grounds, the IMF lists Sudan as a "pre-decision point country" for HIPC which means that it has not yet fulfilled the four economic conditions for eligibility.<sup>26</sup> Sudan's external-debt-to-export ratio (the main indicator used to measure debt sustainability under the HIPC Initiative) over the last five years though has been similar to that of a number of countries that have qualified for HIPC.<sup>27</sup>

	<b>Sudan (2004)</b>	<b>Sudan (2005)</b>	<b>Sudan (2006)</b>	<b>Sudan (2007)</b>	<b>Sudan (2008)</b>	<b>Sudan (2009)</b>
<b>Debt Export Ratio</b>	500%	450%	375%	263%	205%	304%

\* The HIPC Initiative's threshold for unsustainability is a ratio more than 150.

	<b>Cameron (2000)</b>	<b>Ethiopia (2001)</b>	<b>Ghana (2000)</b>	<b>Haiti (2006)</b>	<b>Senegal (2000)</b>	<b>Uganda (2000)</b>
<b>Debt Export Ratio</b>	391%	565%	207%	84.6%	223%	367%

<sup>24</sup> BBC, "Nigeria to get \$18bn debt relief," 30 June 2005.

<sup>25</sup> UK Department for International Development, "Background note on Sudan Debt Relief," 6 July 2006.

<sup>26</sup> The four conditions are: 1) be eligible to borrow from the World Bank's International Development Agency and from the IMF's Poverty Reduction and Growth Facility; 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; and 4) have developed a Poverty Reduction Strategy Paper (PRSP) through a broad-based participatory process in the country.

<sup>27</sup> Figures come from the Economist Intelligence Unit.

Despite this high debt-to-export ratio, Sudan faces another significant economic obstacle to debt relief: its protracted arrears to the IMF. Countries cannot begin to participate in the HIPC Initiative until they have cleared their arrears with the preferred multilateral lenders. Sudan, in fact, accounts for a staggering 75 percent of total arrears owed to the IMF.<sup>28</sup> Of the 41 HIPC countries in 2007, only the comparable arrears of Liberia and Somalia blocked the full participation of those countries in the initiative. At that time, the IMF wrote:

**Countries in arrears are all experiencing some form of crisis, ranging from violent conflict to serious governance problems and political paralysis. Typically, these crises are of long duration...Inflation tends to be far higher, and the external debt and fiscal balance ratios tend to be worse.**<sup>29</sup>

Of course, Liberians in 2007 were actually well on their way to rebuilding their country after its long and costly civil war. The next year the United States and the international community supported the new democratic government of President Ellen Johnson-Sirleaf by providing bridge loans so that it could clear its IMF arrears and reach the decision point of the HIPC Initiative.<sup>30</sup> On the other hand, Somalia remains as troubled as ever; the country's conflict threatens any realistic prospect of peace, institutional integrity, and good governance. As such, its IMF arrears endure, and debt-relief remains elusive. Poised between these two paths, the Sudanese government in Khartoum currently has a choice: it can elect to go the direction of Liberia by ending its conflict and rebuilding its economy to serve the interests of its people, or it can follow Somalia's example, perpetuating its conflict for years to come and giving Sudanese citizens no hope of climbing out of wretched poverty with the help of the international community.

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### United States and Paris Club Leverage: A New Tool

The above figures also confirm that the United States and other western countries have a vital role to play in Sudan's steep climb toward reducing its burdensome financial obligations to the international community. These countries will make decisions on Sudan's servicing and repayment of its bilateral debt to them – and they will also play critical roles in the decision-making of multilateral lenders. The U.K. Department of International Development in 2006 wrote: “[R]esolving the problem [of Sudan's debt] will require exceptional effort from the international community. In particular, the international community will find it hard to agree to debt relief while there is still conflict in Darfur. Financing of HIPC will require some large cash injections from the international community to multilateral agencies, spread over about five years.”<sup>31</sup> While this is

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<sup>28</sup> International Monetary Fund, “Review of the Fund's Strategy on Overdue Financial Obligations,” 18 August 2009.

<sup>29</sup> International Development Association, “Further Elaboration of a Systematic Approach to Arrears Clearance,” June 2007.

<sup>30</sup> International Monetary Fund, “IMF Executive Board Fully Restores Liberia's IMF Status, Approves Financial Support Amounting to US\$952 Million and HIPC Decision Point Designation,” 14 March 2008.

<sup>31</sup> UK Department for International Development, “Sudan Country Engagement Plan.”

undoubtedly true, simply ignoring Sudan's pleas for debt-relief would waste an opportunity to build a common multilateral position towards Sudan, backed by already existing multilateral economic pressures.

As for the United States, the Obama administration should lead the international community in developing a plan for addressing Sudan's economic troubles while simultaneously dealing with Sudan's human rights abuses and political crises. This plan though must directly tie debt-relief to the resolution of the Darfur crisis, adherence to the Comprehensive Peace Agreement (CPA), and the larger process of democratization and judicial reform in Sudan. With Sudan at a dangerous crossroads, President Obama must present those in power in Khartoum with a choice between earned incentives or serious consequences. Similar to the Door 1/Door 2 approach advocated by the Save Darfur Coalition in May 2009,<sup>32</sup> the U.S. government should lead a coalition of Sudan's international creditors to present potential relief of Sudan's debt as both a carrot and stick during the current period of intensive engagement with the Sudanese government. Unfortunately, the Obama administration's recently released Sudan Policy Review did not mention debt-relief as a possible leverage point with the NCP.

If the Sudanese government demonstrably changes its behavior to the equitable benefit of its people, the United States should be prepared to lead the way in facilitating a debt-relief package for Sudan with the international community. On the other hand, if the Sudanese government fails to match its rhetoric for peace with proven action, then the United States should make it clear to Sudan that it will use its role at the IMF and World Bank, as well as its position in the Paris Club, to block any potential debt-relief package. The American message should be simple: the international community will not help Sudan with its economic crisis unless the Sudanese regime takes proven and substantive steps to resolve Darfur, implement the CPA, and enact true reform to the benefit of its citizens.

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## Historical Precedent

Using the established legal principle of "odious debt," one can make a strong argument against the international community developing a debt-relief package for the Sudanese government until it has taken the above actions in the interests of its people and the region.<sup>33</sup> As the Jubilee Network USA writes:

**[D]ebt is to be considered odious if the government used the money for personal purposes or to oppress the people. Moreover, in cases where borrowed money was used in ways contrary to the people's interest, with the knowledge of the creditors, the creditors may be said to have committed a**

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<sup>32</sup> Save Darfur Coalition, "President Obama and Sudan: A Blueprint for Peace," 30 April 2009.

<sup>33</sup> For additional information on "odious debt," see the Centre for International Sustainable Development Law's Working Paper, "Advancing the Odious Debt Doctrine" (2003); and Patricia Adam's *Odious Debts: Loose Lending, Corruption and the Third World's Environmental Legacy* (1991).

**hostile act against the people. Creditors cannot legitimately expect repayment of such debts.<sup>34</sup>**

While many of Sudan's new loans were contracted expressly to finance investment in the oil infrastructure and large-scale infrastructure projects, it is impossible to disconnect the state resources gained from oil revenues and state-run agriculture with the revenues available for war-making. Sudan's state accounts and revenues are entirely fungible especially with a system that lacks any transparent budget mechanisms.<sup>35</sup> From their own reporting, furthermore, Sudan imported weapons worth \$76.3 million between 2004 and 2006, not including fighter jets and combat aircraft.<sup>36</sup> The cost of Sudan's purchase of 20 advanced fighter aircraft and 26 attack helicopters from 2004 to 2008 is unknown but most experts conservatively estimate the price tag at hundreds of millions of dollars.<sup>37</sup> Recent reports, furthermore, allege that this advanced military buildup continues.<sup>38</sup>

There is precedent for the United States employing leverage via international financial instruments with a genocidal hard-line regime in order to achieve dramatic changes in behavior and ultimate peace. During the late 1990s, the Clinton administration blocked Serbia from receiving urgent loans from the IMF and other sources of lending because of Slobodan Milosevic's policies in Kosovo. As a result, Serbia could not service much of its debt during this period. After Serbians removed Milosevic and turned him over to the International Criminal Tribunal for the former Yugoslavia, the United States participated in a debt reduction agreement with Serbia that rescheduled the country's \$4.5 billion Paris Club government debts in 2001 and \$2.8 billion London Club debts in 2004.<sup>39</sup> These agreements wrote off 66% of Serbia's Paris Club debt and 62% of the country's London Club debt. A subsequent IMF program provided for by the Paris Club creditors came into effect in 2006, reducing 15% of the net present value of the original external debt amount.

The United States has also recently used debt-relief as a means to support reconstruction in post-Saddam Hussein Iraq and post-Charles Taylor Liberia. In May 2003, the United States pushed for the passage of U.N. Security Council Resolution 1483 which prohibited any country from initiating debt claims against the proceeds of Iraq's petroleum or gas industries until January 1, 2008. Over the next five years, the United States pushed the Paris Club members to reduce their claims against Iraq by 80 percent to \$7.8 billion.<sup>40</sup> Likewise, in 2008, the United States supported the new democratic government of President Ellen Johnson-

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<sup>34</sup> Jubilee USA Network, "The Concept of Odious Debt," at [www.jubileeusa.org/truth-about-debt/dont-owe-wont-pay/the-concept-of-odious-debt.html](http://www.jubileeusa.org/truth-about-debt/dont-owe-wont-pay/the-concept-of-odious-debt.html).

<sup>35</sup> The Open Budget Index in 2008 gave Sudan a 0 rating out of 100. It stated, "Sudan's score...shows that the government provides the public with no information on the central government's budget and financial activities during the course of the budget year. This makes it very difficult for citizens to hold government accountable for its management of the public's money."

<sup>36</sup> Human Rights First, "Arms Transfers to Sudan, 2004-2006."

<sup>37</sup> Small Arms Survey, "Skirting the Law: Sudan's Post-CPA Arms Flows" (2009).

<sup>38</sup> Strategy Page.com "Everyone Wants A Piece Of The RD93," 30 September 2009.

<sup>39</sup> United Press International, "Much of Yugoslavia's Debt Written Off," 16 November 2001.

<sup>40</sup> For more information on Iraq's debt and debt-relief packages, see <http://www.jubileeiraq.org/>.

Sirleaf by providing it bridge loans so that it could clear its IMF arrears and reach the decision point of the HIPC Initiative.<sup>41</sup>

President Obama has also demonstrated an awareness of the importance of debt-relief in supporting post-conflict societies, even though his administration has yet to fully operationalize this important foreign policy tool. On the campaign trail, he pledged to create a “Rapid Response Fund for young democracies and post-conflict societies that will provide foreign aid, **debt relief**, technical assistance and investment packages that show the people of newly hopeful countries that democracy and peace deliver, and the United States stands by them.”<sup>42</sup>

Conditioning consideration of Sudan’s debt relief on peace in Darfur and throughout Sudan can be seen as a natural extension of Obama’s inaugural pledge: “To those leaders around the globe who seek to sow conflict, or blame their society's ills on the West: Know that your people will judge you on what you can build, not what you destroy. To those who cling to power through corruption and deceit and the silencing of dissent, know that you are on the wrong side of history; but that we will extend a hand if you are willing to unclench your fist.”<sup>43</sup> It remains to be seen, however, whether President Obama will take advantage of the natural multilateral economic leverage Sudan’s significant foreign debt provides.

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## Conclusion

The global economic crisis and Sudan’s growing foreign debt create a unique set of circumstances that economically compel the NCP regime to seek debt relief from the United States and other Paris Club nations and multilateral lenders. President Obama should take advantage of both the reality of the NCP’s economic need and the existence of a broad array of states who share the distinction of being Sudan’s creditors.

Specifically, President Obama should lead an international coalition of Sudan’s creditors to condition any consideration of debt-relief or debt-servicing adjustment on concrete and lasting progress towards peace in Darfur, the full implementation of the CPA, and significant structural political and judicial reforms that fundamentally change the repressive systems in Sudan. Debt-relief may still play an important role in helping Sudan’s struggling economy, but not until Sudan’s leaders earn it.

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<sup>41</sup> International Monetary Fund, “IMF to Back Liberia With Debt Relief, New Financing,” 18 March 2008.

<sup>42</sup> Council on Foreign Relations, “The Candidates on Democracy Promotion in the Arab World,” 26 September 2008.

<sup>43</sup> President Barack Obama, “Inaugural Address,” 21 January 2009.