IMF Country Report No. 20/289

SUDAN

October 2020

STAFF-MONITORED PROGRAM—PRESS RELEASE; STAFF REPORT; AND STATEMENT BY THE EXECUTIVE DIRECTOR FOR SUDAN

In the context of the Staff-Monitored Program, the following documents have been released and are included in this package:

- A **Press Release** including a statement by the Chair of the Executive Board.
- The **Staff Report** prepared by a staff team of the IMF for the Executive Board's consideration on September 23, 2020, following discussions that ended on June 18, 2020, with the officials of Sudan on economic developments and policies underpinning the IMF arrangement under the Staff-Monitored Program. Based on information available at the time of these discussions, the staff report was completed on September 10, 2020.
- A **Debt Sustainability Analysis** prepared by the staff of the IMF and the International Development Association (IDA).
- A **Statement by the Executive Director** for Sudan.

The IMF's transparency policy allows for the deletion of market-sensitive information and premature disclosure of the authorities' policy intentions in published staff reports and other documents.

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PRESS RELEASE

PR20/298

IMF Board Endorses Staff-Monitored Program for Sudan

FOR IMMEDIATE RELEASE

- The Executive Board endorsed Sudan's Staff-Monitored Program (SMP), which was approved by the Managing Director on September 9, 2020, as meeting the Upper Credit Tranche Conditionality standard.
- The government requested the SMP to establish a strong track record of policy and reform implementation—a key requirement for eventual debt relief.
- The 12-month SMP will support the government's home-grown program of reforms aimed at stabilizing the economy, improving competitiveness, and strengthening governance.

Washington, DC – September 23, 2020: The Executive Board of the International Monetary Fund (IMF) endorsed the Staff-Monitored Program (SMP) approved by the Managing Director on September 9, 2020 as meeting the Upper Credit Tranche Conditionality (UCT) standard.[1]

Following the Executive Board discussion, Ms. Antoinette Sayeh, Deputy Managing Director and Acting Chair, made the following statement:

"With the move to a transitional government, Sudan now has a window of opportunity for fundamental reforms to address major macro imbalances and lay the groundwork for inclusive growth. The transitional government has laid out a home-grown program of reforms aimed at stabilizing the economy, removing distortions, improving competitiveness, and strengthening governance. The authorities have requested an IMF Staff-Monitored Program to establish a track record on policy and reform implementation, which is a requirement for eventual debt relief visa-vis official creditors.

"The COVID-19 pandemic has compounded the challenges facing the country. Fiscal and external imbalances are large, inflation is high at 167 percent in August and rising, and competitiveness is weak. The humanitarian situation is dire with large numbers of internally displaced people and refugees.

"Under the 12-month SMP covering July 1, 2020 – June 30, 2021, the authorities plan to continue the process of eliminating large fuel subsidies making space for greater social spending, including for the Sudan Family Support Program and health spending; the tax base will also be broadened, including through the rationalization of tax exemptions. The resulting fiscal adjustment is key to reducing monetization and inflation. The authorities also intend to take measures toward a unified market-clearing exchange rate. The removal of economic distortions together with measures to improve governance will reduce opportunities for

[1] An SMP is an informal agreement between country authorities and Fund staff to monitor the implementation of the authorities' economic program. SMPs do not entail financial assistance or endorsement by the IMF Executive Board.

corruption and help strengthen the business environment and competitiveness. A key element to the success of the program is sufficient donor funding to support the population through the difficult transition to a well-functioning market-based economy. Strong coordination among donors and IFIs on technical assistance to Sudan will also be important.

"Sudan's external debt is high and with longstanding arrears which severely limit access to external borrowing. In particular, Sudan remains unable to access IMF resources because of its continued arrears to the Fund. A strong track record of macroeconomic performance and implementation of reforms, together with a comprehensive strategy of arrears clearance and debt relief supported by Sudan's development partners, is required for addressing Sudan's high debt overhang."

SUDAN

STAFF-MONITORED PROGRAM

September 10, 2020

EXECUTIVE SUMMARY

Context: The transitional government has requested a Staff-Monitored Program (SMP) to help address major macro imbalances, lay the groundwork for inclusive growth, and establish a track record of sound policies that is a requirement for eventual HIPC debt relief. Major challenges lie ahead. Economic contraction since 2018 is set to intensify sharply in 2020 as a result of the COVID-19 pandemic. Fiscal and external imbalances are large, inflation is high and rising, the currency is overvalued, and competitiveness is weak. The humanitarian situation is dire with large numbers of internally displaced people and refugees. Despite the desperate situation, Sudan cannot access Fund financial assistance on account of (i) arrears to the Fund, (ii) arrears to other IFIs and other creditors, and (iii) unsustainably large external debt. Sudan remains on the U.S. state sponsors of terrorism list (SSTL), which effectively hinders progress toward HIPC debt relief. While there is broad agreement between the authorities and staff about the key reform priorities, public tolerance for painful reforms is fragile given prolonged economic hardship. Notably, donor financial assistance has been well short of the amounts needed to facilitate gradual orderly adjustment. Hence, risks to the SMP are high.

Policies embedded in the SMP:

- A move to a unified and market-clearing exchange rate, preceded by measures to (i) identify and address individual bank resilience to exchange rate shocks, and (ii) set up a reserve money targeting framework.

- Fiscal adjustment of 4 percent of GDP in the revised 2020 budget, reflecting the impact of exchange rate reform on foreign currency denominated receipts, revenue measures, higher donor grants, and the elimination of diesel and gasoline subsidies. The measures also create fiscal space to address COVID-19 and mitigate policy adjustment pain through significantly higher social, health, and wage spending.

- A further fiscal adjustment of 3¼ percent of GDP for 2021 as the completion of customs exchange rate reform substantially increases the taxation of imports and the adverse impact of COVID-19 on revenues is reversed, notwithstanding higher social spending with the full implementation of the Sudan Family Support Program.

- Measures to strengthen governance and curb corruption, including establishing an independent anti-corruption commission, strengthening oversight and corporate governance rules for public enterprises, publishing comprehensive fiscal data, strengthening public financial management, and vigorously reclaiming the illicit wealth of the previous regime.

- Upgrade of the central bank law to strengthen its independence and governance, limit monetization of deficits, and establish a mandate based on price stability. The central bank will also continue to strengthen financial sector soundness and mitigate risks, including through enhanced risk-based AML/CFT supervision.

- Structural reforms, in consultation with the World Bank and IFC, to support private sector development and higher and more inclusive growth.

Modalities. Staff agreed with the authorities on a 12-month SMP with semi-annual reviews, from July 2020–June 2021. The first review based on end-December 2020 benchmarks and targets would be completed by end-March 2021; the second review would be based on end-June 2021 targets set during the first review. Quantitative benchmarks comprise: (i) a ceiling on banking system net credit to government; (ii) a ceiling on central bank net domestic assets; (iii) a floor on net international reserves; and (iv) a ceiling on non-concessional external borrowing. In addition, there are indicative targets on social spending, reserve money, and the non-oil primary fiscal deficit. There are 11 structural benchmarks focusing on customs exchange rate reform, public financial management (PFM), governance and anti-corruption efforts, central bank independence, and banking supervision.

Board engagement. In staff's view, the SMP contains forward-looking policy commitments of UCT quality. Staff will seek Directors' endorsement of this view at a Board meeting tentatively planned for September 23, 2020.

Risks. Public tolerance for policy adjustment has been eroded by economic hardship, and delays in implementing fundamental reforms are gradually undermining the goodwill the government enjoys, limiting the window of opportunity for implementing reforms. Limited donor support implies substantial monetization and high inflation and exchange rate pressures alongside reform implementation, potentially aggravating social tensions. Capacity weaknesses are substantial. The authorities have committed to take additional policy measures to ensure the attainment of program objectives if implementation risks were to materialize. However, flexibility on reform timelines may also be needed given the fragility of the social and economic conditions.

Approved By
Subir Lall (MCD) and Gavin Gray (SPR)

A virtual mission was held during June 8–22, 2020. The team comprised Daniel Kanda (head), Qiaoe Chen, Atif Chaudry, Mohammed Zaher (all MCD), Tryggvi Gudmundsson (SPR), and Abdikarim Farah, (Resident Representative). Carol Baker (incoming mission chief), Mr. Mahlinza (OED) and Mr. Ismail (OED) participated in the discussions. The mission met with outgoing Finance Minister Ibrahim Elbadawi, incoming Acting Finance Minister Hiba Ahmed, Central Bank Governor Mohamed Elfatih Zeinelabdin Mohamed, other senior government officials, and members of the diplomatic community.

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CONTEXT

1. The COVID-19 pandemic has compounded the challenges faced by the transition government. Large and rising fiscal and external imbalances driven by ballooning fuel subsidies have fueled a vicious cycle of fiscal deficit monetization, inflation, and exchange rate depreciation. The economy has been contracting since 2018, poverty is widespread, and the humanitarian situation is dire with large numbers of internally displaced people and refugees. Large arrears block financing from the major IFIs, including the Fund, World Bank, and African Development Bank. Despite signs of rapprochement between the two governments, Sudan remains on the U.S. state sponsors of terrorism list (SSTL), which effectively hinders progress toward HIPC debt relief (Annex I) and renewed financing from IFIs. The pandemic and related containment measures have exacerbated the hardship. Despite strong containment measures the number of infected people has risen rapidly to 13,189, with 823 deceased (as of August 30).

2. The authorities have requested a Staff-Monitored Program (SMP) to help formulate and implement comprehensive reforms. The 2019 Article IV Staff report indicated that progress towards an SMP would be contingent on (i) adequate progress by the authorities in finalizing viable plans and mobilizing public support for energy subsidy and social safety net reforms, and (ii) securing adequate donor financing, given an estimated financing need of $6.2 billion over 2020–21 (25 percent of GDP) to support orderly gradual reform implementation and mitigate adjustment pain. At this juncture, a comprehensive reform package has been prepared that focuses on exchange rate and monetary policy reforms, and strong fiscal consolidation, to strengthen macroeconomic stability and competitiveness—while creating fiscal space for increased social and health spending, and public wages, to respond appropriately to the COVID-19 pandemic—and reforms to governance and the business environment lay the foundation for robust and inclusive growth. The authorities also expressed a preference for a UCT-caliber program that would build a track record toward eventual HIPC debt relief.

3. However, external financing to support reform implementation remains limited, and therefore the risks to the SMP are high. At the Sudan Partnership Conference held on June 25, 2020, donor pledges totaled $1.8 billion, plus a World Bank pre-arrears clearance grant of about $400 million expected to be approved in September 2020. However, the bulk of donor pledges was for off-budget humanitarian assistance and development projects, with only about $500 million pledged to support the Sudan Family Support Program (SFSP)—a quasi-universal basic income scheme that is crucial for mitigating adjustment pain and facilitating reform implementation.[1] In addition, about $200 million had been previously received to support the authorities' COVID-19 response. Thus, overall, about $1.1 billion in additional external financing has been made available by donors thus far to support the authorities' fiscal operations over 2020–21, with no donor support for augmenting international reserves. Together with normal flows of development project grants estimated at $410 million, total external financing over 2020–21 is estimated at $1.5 billion. Staff estimates a financing need of $5.4 billion to eliminate fiscal deficit monetization and increase gross usable international reserves to 3 months of imports—thus

[1] The World Bank grants are also expected to support the SFSP.

substantially reducing inflation and exchange rate depreciation pressures and associated social tensions—and therefore the limited donor support implies elevated risks to reform implementation.[2] More donor assistance would substantially reduce the risks to the program.

4. Social and political constraints to reform abound. Public tolerance for policy adjustment has been eroded by economic hardship, and delays in implementing fundamental reforms are gradually undermining the goodwill the government enjoys, limiting the window of opportunity for implementing reforms. Delays in concluding a comprehensive peace agreement with all rebel groups and establishing a legislative assembly have also added to social uncertainty. A continuation of the authorities' information and communication campaign (ICC) will be needed to bolster public support for potentially painful reforms.

5. Concerns about governance and corruption persist.[3] While regime change has provided opportunity for substantial improvements, the challenge is formidable. Sudan suffers from weak institutional capacity and deep-seated weak governance. Cross-country indicators point to pervasive perceived corruption, lack of judicial independence, and weak rule of law and public-sector accountability. There are widespread fiscal governance weaknesses: Sudan publishes little fiscal information; internal monitoring reports are compiled from unreconciled data sources; and spending control and bank account reconciliation need strengthening. Multiple currency practices (MCPs) and associated distortions persist, encouraging rent-seeking and increasing vulnerabilities to corruption.

RECENT DEVELOPMENTS AND OUTLOOK

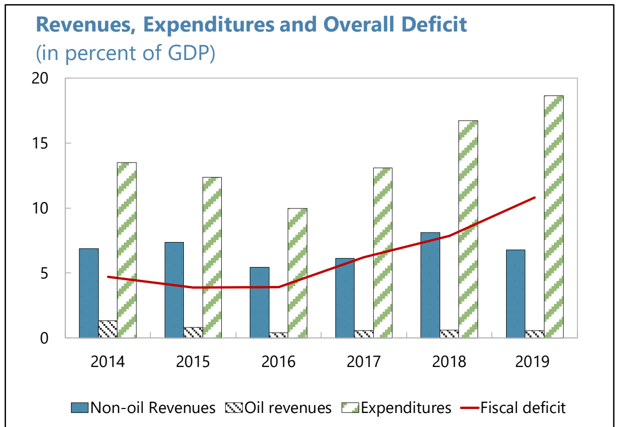
6. Economic contraction in 2018 and 2019 is set to deepen considerably in 2020 on account of the pandemic (Tables 1–7; Figures 1–4). Reflecting weak competitiveness, the poor business environment, and social turmoil, GDP is estimated to have contracted by 2½ percent in 2019, on top of a 2¼ percent contraction in 2018. The pandemic in 2020 has exacerbated the economic downturn due to the disruptions to international trade and domestic economic activities, and a further contraction of 8½ percent is expected in 2020.

7. The fiscal position has deteriorated because of ballooning fuel subsidies and weak revenue mobilization. Revenues and grants fell by one percentage point to 7¾ percent of GDP in 2019 (among the lowest in the world) as continued overvaluation of the official and customs duty exchange rates depressed foreign-currency denominated and import-related revenues. In addition, total expenditure increased by 2 percentage points to 18¾ percent of GDP in 2019, largely due to a continued increase of fuel subsidies (on-budget and off-budget) resulting from higher international oil prices, exchange rate depreciation, and increased fuel consumption. Also, the wage bill rose by ½ percent of GDP on account of higher wages for some segments of the civil service and the security

[2] The financing need under the program is somewhat lower than the $6.2 billion estimated in the Article IV primarily because of lower oil price assumption and frontloaded fuel subsidy reform.

[3] See also the Selected Issues Papers for the 2019 Article IV consultation

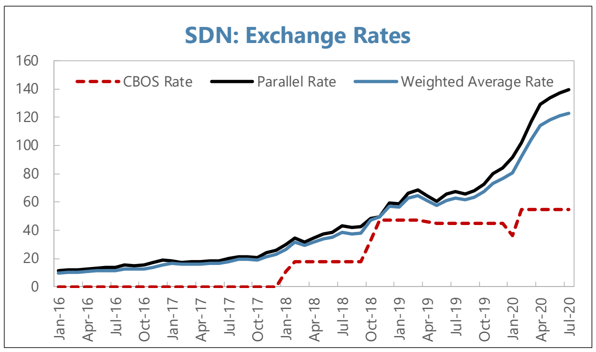
forces. There were modest cuts to expenditure on goods and services, and transfers to state governments, while capital expenditure fell by ½ percent of GDP to nearly zero. Thus, the fiscal deficit rose by 3 percentage points to 10¾ percent of GDP in 2019. Available data through April 2020 indicate total revenues and grants were 50 percent below initial budget projections as COVID-19 disrupted tax collections and grant disbursement considerably.



Sources: Sudanese authorities, and IMF staff calculations.

8. **With limited external financing, the fiscal deficit has primarily been financed by monetization, fueling a vicious cycle of exchange rate depreciation and deficit expansion.** With domestic fuel prices fixed in Sudanese pound (SDG) terms, exchange rate depreciation automatically increases the size of the fiscal subsidy, which in turn increases deficit monetization, leading to pressures on the exchange rate and inflation. As a result, the parallel market exchange rate has depreciated from SDG 85/$ at end-2019 to SDG 143/$ in July 2020, while inflation has risen from 57 percent in December 2019 to 144 percent in July 2020.

9. **The exchange rate system remains highly distorted with multiple currency practices (MCPs) and the real exchange rate is substantially overvalued.** At the beginning of 2020, the budget exchange rate was devalued from SDG 18/$ to SDG 55/$. Subsequently, the central bank official rate was devalued gradually from SDG 45/$ to equal the budget exchange rate. The customs duty exchange rate and fuel import exchange rate remain at SDG 15/$ and SDG 6.7/$, respectively. The parallel market continues to dominate, accounting for about 80 percent of all transactions. EBA-lite estimates indicate a 53 percent average real exchange rate overvaluation in 2019. Much of the impact of nominal exchange rate depreciation on the REER has been offset by sharp increases in inflation.

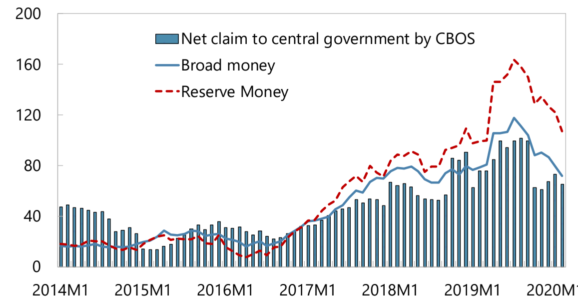


10. **The external position is substantially weaker than implied by fundamentals and desirable policy settings (Annex II).** The current account deficit (cash basis) increased from 8¾ percent of GDP in 2018 to 10½ percent of GDP in 2019, significantly higher than the estimated norm. Gross usable international reserves stood at $190 million at end 2019 (0.3 months of imports), far below the 6–8 months suggested by the Fund's reserve adequacy metric. Limited forex for fuel imports has led to rationing, persistent shortages, and disruptions to electricity and food supplies.

11. Sudan continues to be in debt distress (see DSA). Public and external debt ratios remain high and unsustainable, with most external debt in arrears. Public and external debt ratios stood at 200.3 percent of GDP and 198 percent of GDP, respectively, in 2019.

12. Monetary aggregates have expanded rapidly, reflecting fiscal deficit monetization and exchange rate devaluation. Islamic banking precludes conventional interest-rate-based policy instruments in Sudan, and in practice has limited the scope to mop up liquidity via sales of central bank or government paper because of low rates of return offered. Thus, reserve money growth has been high, and stood at 54 percent as of June 2020.

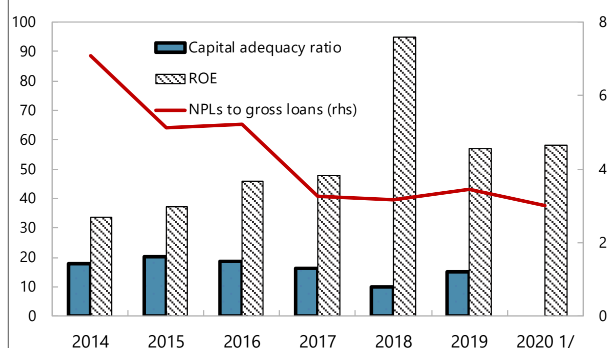
Monetary Development and Central Bank's Lending to Government
(Growth in percentage, y-o-y)



Sources: Central Bank of Sudan and IMF staff calculations.

13. The banking sector is fragile, with several banks undercapitalized (Table 8). Twelve banks (accounting for 25 percent of banking system capital) have capital adequacy ratios below the regulatory 12 percent minimum. Despite the revocation of U.S. sanctions in 2017, most correspondent banks have been reluctant to re-establish relationships with Sudanese banks, reflecting concerns with ML/TF risks, AML/CFT deficiencies, and the SSTL. Preliminary bank stress tests indicate some vulnerability to exchange rate depreciation. As of March 2020, 10 out of 37 commercial banks (with more than 40 percent market share) had short net foreign exchange positions, with 5 banks positions outside the regulatory limit.

Financial Soundness Indicators
(In percent)



Source: Central Bank of Sudan.
1/ 2020 data are the latest available.

14. With large imbalances and loose policies, the outlook is alarming without policy reforms. Absent corrective measures, growth is likely to remain very weak over the medium term, with minimal investment and subdued consumption, while bank fragility will continue to rise. High inflation and pervasive shortages will continue to aggravate social tensions. The large fiscal imbalance would increase substantially, while the current account deficit would remain large, and risks of disorderly adjustment would continue to rise strongly.

THE STAFF-MONITORED PROGRAM

15. The SMP will support the authorities' plans for comprehensive reforms to stabilize the economy and promote robust and inclusive growth. Exchange rate, monetary, and financial sector reforms, and fiscal consolidation would help entrench macroeconomic stability and strengthen competitiveness. Alongside, governance and structural reforms would strengthen institutions, reduce corruption, and improve the business environment. These measures would support an increase in

GDP growth to 4½ percent over the medium term. In addition, policy tightening and real exchange rate depreciation generated by the reforms would generate a sharp reduction in the current account deficit to 3¼ percent of GDP over the medium term, supporting the restoration of external viability. On the fiscal front, fuel subsidy reforms, revenue measures, and donor grants would create space for the SFSP while supporting a decline in the deficit by 7¼ percent of GDP over 2020–21, with a further deficit reduction in 2022 following the planned exit from the SFSP (to be replaced with a targeted cash transfer system covering only vulnerable families). While fuel subsidy and exchange rate reforms would generate sharp increases in prices over 2020–21, potentially increasing social tensions, inflation would fall considerably thereafter as policy tightening advances. High inflation also reflects limited external financing, which results in substantial fiscal deficit monetization.

16. Staff assesses that the macroeconomic and structural policies under the SMP are of UCT quality. Successful implementation of the program would restore a viable external position and support sustainable inclusive growth over the medium term if combined with sufficient program financing and debt relief. As regards external viability, steadfast implementation of measures under the program is expected to deliver a sizable current account adjustment, restore competitiveness and deliver some improvement in international reserves albeit from very low levels. The authorities have the commitment and capacity to implement the proposed policies, as illustrated by their design of an ambitious adjustment program and adoption of prior actions in critical areas. Also, conditionality design is consistent with applicable policies for a UCT program, and thus the program meets the UCT standard.

17. While adjustment pain is likely to be significant, it would be mitigated by wage increases and the SFSP, and moreover, failure to implement reforms would leave Sudan in an untenable position. The reforms are associated with additional economic contraction and much higher inflation over the program period given limited donor assistance, potentially increasing social tensions. However, failure to implement reforms would be untenable. On the political front, rising concern about delays in addressing the economic challenges and prospects for exiting the dire economic and humanitarian situation would undermine the government's credibility. Also, with persistently large macro imbalances the economy would remain highly vulnerable to a variety of shocks. Inflationary expectations could also rise much faster than projected without clear policy adjustment, with elevated risks to social order. Prospects for additional donor assistance would also dwindle absent reforms.

18. Reform implementation risks are substantial. Inadequate donor funding for the SFSP would mean more monetization, higher inflation, and added risks to social stability. Public reaction to the reforms is uncertain and capacity weaknesses are substantial. Moreover, the yield from revenue measures could disappoint. The impact of COVID-19 on the outlook could be larger or more persistent than envisaged. The authorities have committed to take additional policy measures to ensure the attainment of the program objectives, if these risks were to materialize (LOI). However, flexibility on reform timelines may be needed. In general, materialization of these risks would cause fiscal adjustment to be more gradual than anticipated, requiring larger donor financing to cover deficits. If the required donor financing is not available, additional monetization or arrears accumulation would likely be the only financing option, with attendant elevated risks.

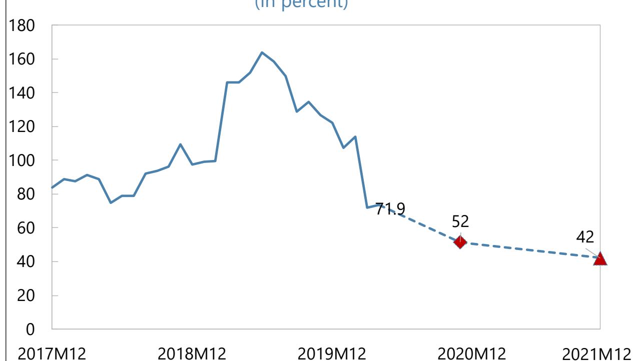
A. Exchange Rate, Monetary, and Financial Sector Policies

19. A unified market-clearing exchange rate is critical for restoring macro stability and growth. It would bolster competitiveness and transparency, boost central bank independence, and minimize rent-seeking activities that increase risks of corruption, contributing to efforts to restore macro stability and kickstart growth. Unification of the customs exchange rate—which is only used in assessing customs duty and VAT on imports—with other rates would increase fiscal revenues substantially but would also cause a substantial increase in prices of imported goods and the overall price level, potentially aggravating social tensions, and thus a more gradual pace is advisable.

20. The authorities' plan for exchange rate reform is as follows (MEFP ¶11–13):

- Key pre-requisites for successful exchange rate reforms have been put in place. These include:
  - *Financial stability*. As a prior action, the authorities finalized bank-by-bank stress testing to understand the impact of exchange rate movements on the banking system, and prepared appropriate responses for identified problem banks. The results indicated that nine banks (of which two are systemically important) could be vulnerable to exchange rate adjustment, and the central bank then met with each of these banks and agreed on measures for each bank—including capital injections, restrictions on dividend payouts, and other regulatory measures—to ensure that exchange rate reform in September does not undermine banking system stability. About SDG 3 billion could be needed to increase capital in the problematic banks to levels that support resilience to exchange rate reform.
  - *Monetary policy*. The monetary policy framework has been anchored to adhere to the reserve money targets under the SMP, thus helping to contain inflation.
    - Given strong fiscal dominance, fiscal adjustment is the primary tool to help contain reserve money growth under the program.
    - In addition, the central bank stands ready to tighten monetary policy by increasing the rate of required reserves if needed to help meet program reserve money targets. However, the adverse impact on banking system profitability at a time of enhanced fragility given the sharp economic contraction suggests that this instrument should be applied with caution. Sales of central bank securities could

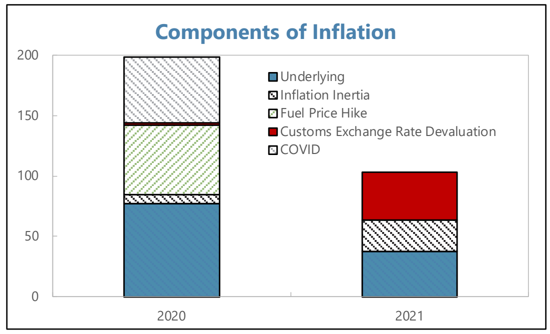
Growth of Reserve Money 1/
(In percent)



1/ Excluding foreign currency denominated liabilities.
Source: Central Bank of Sudan and IMF staff calculations.

also be deployed, albeit with relatively marginal impact on reserve money given the limited stock.

- An active treasury committee would also be established to enhance coordination between the central bank and the ministry of finance to improve liquidity management and forecasting to strengthen monetary control.



- With the pre-requisites in place, all but the customs exchange rate would be unified in September 2020, and banks and FX bureaus would be permitted to set exchange rates in line with market conditions *(Structural benchmark)*.

- However, to help manage potentially high volatility in the initial period of the reform a band on the daily exchange rates set by banks and FX bureaus would be established (which would place a cap on daily exchange rate changes but would not prevent large cumulative appreciation or depreciation over time). The band would be widened progressively. If necessary, in consultation with Fund staff, the width of the band could be adjusted to ensure that it does not cause a market segmentation by excessively restraining commercial banks and FX bureaus from adapting to market conditions. After end-March 2021, staff and the authorities would discuss whether the band remains necessary or can be removed.

- The customs exchange rate will be adjusted gradually, from the current SDG 15/$, from end-September 2020 and unified with the market rate by June 2021 (structural benchmark), thus allowing more time for importers and the general public to adjust to the significant impact on prices. To limit the price impact of this measure, there would be a reform of the import tariff structure, with IMF TA, to reduce the average import tariff rate from the current 20 percent to 10 percent.

- The authorities also committed to refrain from imposing any administrative restrictions on current account transactions as a means of constraining exchange rate movements.

21. Building a strong government securities market would help reduce inflationary pressures and strengthen monetary policy considerably over the medium term. It would help eliminate deficit monetization and augment the stock of securities available for central bank monetary operations. To this end, the authorities intend to progressively increase sales of government securities over the near to medium term, supported by IMF TA, with the objective of establishing a sizeable government securities market with active participation of banks, nonbanks and the general public. Alongside, the authorities plan over the course of the program to begin converting substantial long-term claims of the central bank on the government (SDG 263 billion, about 13 percent of GDP in 2019) into government securities, thus increasing the available stock of securities for monetary policy as well as the logistical ease of trading those securities. In the short run, given the low ROE of commercial banks (which has fallen to around 11.7 percent in 2020), government securities would be attractive to banks even with negative real return. However, significant sales of government securities outside of the financial sector would require much higher returns and would likely only gain traction as policy adjustment advances and inflation declines significantly after the effects of the reforms and COVID-19 on prices dissipate.

22. Central bank independence will be strengthened to boost governance (MEFP ¶14). Monetizing the fiscal deficit has led to loss of monetary control by the central bank. By end-December 2020, a new Central Bank Law will be submitted to the legislative council that will focus the central bank's mandate on price and financial stability, limit monetary financing of the government, and strengthen central bank governance (structural benchmark), developed in consultation with IMF staff. Passage of the law will be a structural benchmark for June 2021.

23. The central bank will continue to strengthen its capacity to supervise and mitigate financial stability risks (MEFP ¶15–17). Key measures include modernizing banking regulations in line with Islamic Financial Stability Board standards and boosting supervisory vigilance to ensure that banks comply with prudential regulations—notably limits on net open foreign currency position and on-lending in foreign currency. By end-March 2021 regular communication procedures will be established between banking supervision and regulation departments and semi-annual stress tests will be conducted to identify and address vulnerabilities of individual banks (structural benchmark). Over time, banking supervision would be strengthened by moving toward a risk-based supervisory regime. The authorities expect to complete asset quality reviews of systemically important banks based on international standards by June 2021 to obtain a true picture of the health of the banking sector as a basis for policymaking. In addition, the bank recovery and resolution framework will be strengthened based on international good practice by September 2021. Corporate governance in the banking sector will also be strengthened in line with the Basel Committee on Banking Supervision Corporate Governance Principles. Notably, central bank officials serving on commercial bank boards will be replaced with independent directors by end 2020, and the central bank will exit its positions in state-owned banks by February 2021 and commercial banks by December 2021. These steps would be supported by TA from various IFIs, including from METAC.

24. Addressing AML/CFT deficiencies remains a priority (MEFP ¶18). To this end, the authorities aim to complete a national ML/TF risk assessment, increase the capacity of the Financial Intelligence Unit (FIU), fully implement risk-based AML/CFT supervision, and improve the process of freezing terrorist assets. They will also conduct by end-March 2021 thematic AML/CFT on-site inspections of the highest-risk banks as determined by the central bank's off-site tool, and provide aggregate data to the Fund on any related violations found and sanctions levied by the central bank, in line with the existing legal framework (structural benchmark).

B. Fiscal Consolidation

25. Fiscal measures over 2020–21 strike a balance between required consolidation and creating adequate space for essential social needs (MEFP ¶19–23). Measures envisaged for 2020 have been incorporated into a supplementary budget for 2020 (prior action).

Fiscal Adjustments in 2020 and 2021

% of GDP	2020	2021
Total revenue and grants change	**-1.1**	**7.0**
Oil revenue		
Exchange rate liberalization	0.0	0.4
International trade taxes		
Gradual customs exchange rate liberalization	0.4	2.0
VAT		
Tax exemptions/administration	0.3	0.5
Gradual customs exchange rate liberalization	0.0	1.6
Grants	1.0	1.3
Other revenue	-0.2	0.0
COVID_19 impact	-2.6	1.2
Total expenditure change	**-5.1**	**3.7**
Wages	2.2	0.0
Transfer to states	-0.5	3.0
Total subsidies	-8.1	-1.6
o/w fuel subsidies	-8.3	-1.6
Social spending	1.3	1.7
Interest payment	-0.2	0.0
Capital spending	0.2	0.6
Overall fiscal balance change	**4.0**	**3.3**

- Reform of diesel and gasoline subsidies commenced in February 2020 with the announcement of commercial prices that were about five times the fully subsidized prices. In subsequent months, the share of fuels sold at commercial prices was steadily increased, cutting subsidization. Moreover, a sharp reduction in government fuel imports, given limited forex, also reduced the subsidy—albeit at the cost of substantial shortages throughout the year. With planned full elimination of gasoline and diesel subsidies in September 2020, total spending on fuel subsidies would be reduced by 8¼ percent of GDP in 2020 and 1½ percent of GDP in 2021. On the other hand, social spending (including the SFSP and additional health expenditure to address COVID-19) would rise by 1¼ percent of GDP in 2020 and 1¾ percent of GDP in 2021. Public wages would rise by 2¼ percent of GDP in 2020 and be stable in 2021.[4] Capital expenditure would rise by ¼ percent of GDP in 2020 and ½ percent of GDP in 2021. Transfers to the states would decline by ½ percent of GDP in 2020, reflecting complications with accessing foreign financing for some planned development projects in 2020, and rise by 3 percent of GDP in 2021. Overall, fiscal expenditure would decline by 5 percent of GDP in 2020, driven by fuel subsidy reform, but rise by 3¾ percent in 2021 with higher social and capital spending, and higher transfers to the states.

- Valuation effects from exchange rate reform would raise oil revenue ½ percent of GDP in 2021. Additional donor grants (for COVID-19 response and to finance the SFSP) would increase receipts by one percent of GDP in 2020 and 1¼ percent of GDP in 2021. Customs exchange rate adjustment would steadily increase the effective tax rates for customs duty and VAT on imports, raising revenues from import taxation by ½ percent of GDP in 2020 and 3½ percent of GDP in 2021. On the other hand, however, in 2020 COVID-19 related disruptions to tax collections reduce revenues by 2½ percent of GDP, with this effect assumed to be partially reversed in 2021. Additional measures, notably on broadening the VAT base, would also raise revenue by ¼ percent

[4] The public sector wage increase is to mitigate tensions in an important class of middle-class families without a natural hedge to inflation.

of GDP in 2020 and ½ percent of GDP in 2021. Overall, revenue and grants decrease by 1 percent of GDP in 2020 and increase by 7 percent of GDP in 2021.

- Overall, these measures and additional donor grants would reduce the fiscal deficit by 4 percent of GDP and 3¼ percent of GDP in 2020 and 2021, respectively. To the extent that donor support falls short of anticipated levels, however, the deficits would be larger, and more monetization would be needed in the absence of commensurate cuts in expenditure.

Donor Support under the SMP

	2020		2021	
	(in million dollars)	(% of GDP)	(in million dollars)	(% of GDP)
Project grants	120	0.1	290	0.9
COVID-19 grants	202	0.4	0	0.0
Family Support Program grants	328	1.0	600	1.8
Total	650	1.5	890	2.7

Note: In 2020, project grants and $113 million for covid-19 was converted to national currency at budget rate of SDG/$55. The rest is converted at SDG/$138 in line with the exchange rate reform in the second half of 2020.

26. Additional consolidation is envisaged beyond 2021 to entrench macro stability and fiscal sustainability. This would largely focus on measures to rationalize tax exemptions—notably those embedded in the Investment Law and personal and corporate income taxes—which would also strengthen governance. There is also significant room to increase the base and progressivity of the personal income tax. Exiting from the SFSP would also create room for further consolidation. A deficit target in the range of 1–2 percent of GDP would be an appropriate medium-term fiscal anchor, reflecting a conservative view of the outlook for foreign financing and what can be comfortably financed from non-inflationary domestic sources, and would generate a gradual decline in the debt ratio. Restoring debt sustainability would however require HIPC debt relief.

27. A strong rollout of the SFSP would mitigate the pain from policy adjustment and COVID-19, thus facilitating reform implementation. Payments commenced in July, with coverage to be progressively expanded until 80 percent of the population is covered by February 2021. Urban areas, which present a lesser logistical challenge for provision of payments, would be at the forefront in terms of expansion of coverage, with the more distant and rural areas being covered later. The monthly benefit per person would be SDG 500 (about $3) in 2020, with an inflation adjustment implemented in 2021. There will also be need for strong upfront communication to mitigate potential political difficulties arising from exiting the SFSP in 2022.

28. Responding to COVID-19 requires significant fiscal resources. The authorities have therefore allocated SDG 45 billion to this effort, including (i) to increase healthcare equipment such as ambulances, CT scans, laboratory test kits and other medical supplies, establish isolation facilities and ICUs, train health care staff and strengthen education of public on COVID-19, and (ii) social protection schemes including unemployment benefits, cash transfers, and provision of basic commodities. With cases continuing to rise, however, more could be needed than currently budgeted to deal with the healthcare implications.

Expenditure to Respond to COVID-19

Item	SDG billion
Health and related infrastructures	23.5
Unemployment benefits	4.5
Social protection (cash transfers during lock-down)	7
Basic commodities support	10
Total	45

29. Public financial management will also be strengthened, thus also improving governance (MEFP ¶24). Key areas include budget planning, fiscal reporting, fiscal risk management, and the treasury single account (TSA). The authorities intend to incorporate a medium-term fiscal framework into budget planning by 2022 and strengthen the macro-fiscal unit to enhance policy formulation. Good progress has been made in establishing the TSA, and the authorities intend to continue to improve cash forecasting, extending the setting of cash ceilings for ministries, departments, and agencies from one to three months, improving management of payments, and gradually extending to extrabudgetary funds, in line with Fund TA. They also recently consolidated all bank accounts of ministries and public corporations held at the central bank into a single account. To enhance transparency of budget execution, by end-December 2020, the authorities will publish monthly budget execution reports consistent with the GFSM2001 (structural benchmark). The authorities also intend to strengthen public procurement rules with technical assistance from the World Bank.

C. Strengthening Governance

30. The authorities are strongly committed to strengthening anti-corruption efforts and governance, in line with the new constitution (MEFP ¶26). In this regard, they pointed to plans and efforts to fight corruption and strengthen central bank governance, the oversight of public enterprises including those in the security sector, and Public Financial Management. Key areas for their immediate focus include:

- They are well advanced in preparing a new Anti-Corruption Law, which is expected to be passed by October 2020 (structural benchmark). Once the law is passed, an independent Anti-Corruption Commission would be established by March 2021 with a strong mandate to prevent, detect, and investigate (structural benchmark). The law also aims to strengthen the role of civil society and journalism in combating corruption.

- They are vigorously implementing the law—passed in December 2019—to dismantle the corrupted institutions of the former regime, recover looted assets, and bring to justice individuals associated with the former regime who obtained these assets through corrupt practices. All these assets will be transferred to the Ministry of Finance, and their disposal and use of related resources will adhere to fully transparent procedures.

- Plans are being developed to enhance oversight over state-owned enterprises (SOEs) by preparing and publishing by end-December 2020 an inventory of all SOEs including those supervised by ministry of finance, line ministries and the security sector. By end-December 2020 oversight responsibilities of all SOEs (excluding purely military companies) will be transferred to the ministry of finance, and new corporate governance rules governing SOEs will be introduced. Over the medium term the strategic objective of each SOE would be assessed to determine those that should remain public and those to be privatized.

- Once COVID-19 is under control, an IMF comprehensive governance diagnostic mission would be deployed to help motivate additional measures for reducing governance and corruption vulnerabilities.

D. Promoting Inclusive Growth

31. While exchange rate and governance reform would strengthen competitiveness, unlocking Sudan's private sector development potential is key for higher inclusive growth. The IFC and the World Bank, together with donors, have been supporting the authorities' efforts to improve the investment climate, foster Public-Private Dialogue, strengthen the legal and institutional framework for Public-Private Partnerships (PPPs), and support MSME development, focusing on access to finance, business entry and taxation, innovation and entrepreneurship. The IFC will also prepare a private sector diagnosis to provide the analytical underpinning for prioritizing economy-wide and sector-specific interventions. In addition, the IFC intends to scale up its advisory services to support the establishment of the new Investment and Private Sector Development Authority and assess the authorities' investment projects. The authorities also intend to prioritize efforts to significantly improve macroeconomic data quality, including national accounts, BOP, and labor market data.

E. Program Modalities

32. Staff and the authorities agreed on a 12-month SMP with semi-annual reviews, from July 2020–June 2021 (Tables 9–10). The first review based on end-December 2020 benchmarks and targets would be completed by end-March 2021; the second review would be based on end-June 2021 targets set during the first review. In addition, two staff visits would support active engagement with the authorities.

- **Prior actions.** The two prior actions, which have both been completed, include: (i) completing bank by bank stress tests to exchange rate shocks and developing remedial measures to address identified weaknesses, including through recapitalization and temporary regulatory forbearance, ahead of exchange rate reform; and (ii) passing a revised 2020 budget consistent with program objectives, including incorporating a substantial expansion of the social safety net under the Sudan Family Support Program, increased health expenditure to address COVID-19 needs, and revenue mobilization through customs exchange rate reform and expansion of the tax base.

- **Quantitative targets.** Quantitative benchmarks comprise: (i) a ceiling on banking system net credit to government; (ii) a ceiling on central bank net domestic assets; (iii) a floor on net international reserves; and (iv) a ceiling on non-concessional external borrowing.[5] In addition, there would be indicative targets on social spending, reserve money, and the non-oil primary fiscal deficit.

- **Structural benchmarks.** There are 11 structural benchmarks focusing on customs exchange rate reform, public financial management (PFM), governance and anti-corruption efforts, central bank independence, and banking supervision.

F. Progress Towards HIPC Debt Relief

33. The authorities continue to engage with international partners to secure comprehensive support for debt relief (Annex I). Discussions continue with the U.S. government on the removal of Sudan from the SSTL. With AfDB and World Bank assistance, a full PRSP is nearing completion. Staff reiterated recommendations for the authorities to adopt a prudent debt strategy that minimizes non-concessional borrowing and avoids selective debt servicing of bilateral lenders, to avoid complicating debt relief efforts. Debt management capacity should also be strengthened considerably, with World Bank assistance ahead of HIPC debt relief. Work on a debt reconciliation exercise is underway, with support from Fund and Bank staff. There is also a need to mobilize resources for the IMF's share of debt relief given that the original financing of the HIPC Initiative did not include the cost of debt relief to Sudan.

34. The authorities also reaffirmed their commitment to cooperate with the Fund on both policies and payments. With highly limited sources of external financing, partial debt service payments have been made to those creditors who provide net positive flows to Sudan to assure the flow of financing for critical development projects. Sudan's capacity to repay has fallen considerably in light of the substantial reduction in reserves and the impact of the COVID-19 pandemic. The authorities welcomed staff's assessment of Sudan's capacity to repay which supports a reduced annual payment to the Fund sufficient to cover obligations falling due. The authorities also remain committed to increase payments as capacity to repay improves.

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35. The authorities have put together a comprehensive package of reforms under the SMP to stabilize the economy and lay the foundation for robust and more inclusive growth. Successful implementation of these reforms would help Sudan to exit from the current dire economic situation, strengthen the credibility of the transitional government, and take a major step toward fulfilling the requirements for eventual HIPC debt relief, clearance of arrears, and the resumption of

[5] The MEFP includes commitments to strictly limit non-concessional borrowing and avoid collateralized debt.

badly needed financing from the key IFIs. Against this background, the importance of strong policy implementation by the authorities cannot be overstated. It will also be critical for donors to deliver on their pledges in a timely fashion and to provide significantly more financing to help ensure successful reform implementation.

36. A unified market-clearing exchange rate is critical for strengthening competitiveness, facilitating fiscal consolidation, and bolstering governance. It would help address the longstanding large real exchange rate overvaluation that has stunted competitiveness, investment, and growth in Sudan. It would also add considerably to fiscal revenues by raising the effective taxation of imports and the valuation of foreign currency denominated receipts, thus making a substantial contribution to fiscal consolidation. In addition, eliminating the multiple currency practices would significantly reduce economic distortions and rent-seeking behavior that have amplified vulnerabilities to corruption.

37. The authorities' plan for exchange rate reform appears appropriate at the current juncture. While the plan envisages the unification and market determination of the exchange rate, it stops short of a free float by incorporating a band to limit intra-day volatility of the exchange rate. However, the band is sufficiently wide that it would only bind under extreme circumstances, and thus should not unduly constrain forex bureaus and banks from setting exchange rates in line with market conditions. As concerns about volatility subside with successful reform implementation, consideration could be given to dropping the band to aid the development of the forex market.

38. Fiscal consolidation is crucial for macroeconomic stabilization and efforts to restore external viability. Thus, the authorities appropriately envisage substantial adjustment in 2020 and 2021. In the revised 2020 budget—despite the adverse impact of COVID-19 on revenues—the valuation effects of exchange rate reform on foreign currency denominated receipts, higher donor grants, and the elimination of diesel and gasoline subsidies, enable the authorities to address COVID-19 and mitigate policy adjustment pain through higher social, health, and wage spending while substantially reducing the fiscal deficit. A further large fiscal adjustment is envisaged for 2021 as the adverse impact of COVID-19 on revenues is reversed and the completion of customs exchange rate reform increases the taxation of imports, despite higher social spending with the full implementation of the SFSP. It is assumed that enough donor support would be forthcoming to ensure that deficit monetization does not exceed programmed levels. Additional base-broadening revenue measures and exiting from the SFSP would help reduce the fiscal deficit further over the medium term to the 1–2 percent of GDP range that is consistent with macro stability.

39. Boosting governance and institutions, and curbing corruption, are critical for enhancing inclusive growth and sustaining public support for the government and reforms. To this end, the authorities are finalizing plans to pass an anti-corruption law and establish an independent anti-corruption commission in line with international best practice, substantially improve the oversight of state-owned enterprises, and upgrade the central bank law to strengthen its independence. Public accountability is being vigorously implemented against corrupt practices of the previous regime as well. In addition, the authorities continue to make good progress in strengthening public financial management with Fund TA. Broadening the tax base, strengthening revenue administration and publication of comprehensive fiscal data would also strengthen governance, transparency and accountability.

40. Central bank plans to continue to upgrade its capacity to supervise and mitigate financial stability risks are broadly in line with Fund advice. These plans include modernizing banking regulations, strengthening banking supervision, and continuing to address AML/CFT deficiencies in line with Fund TA.

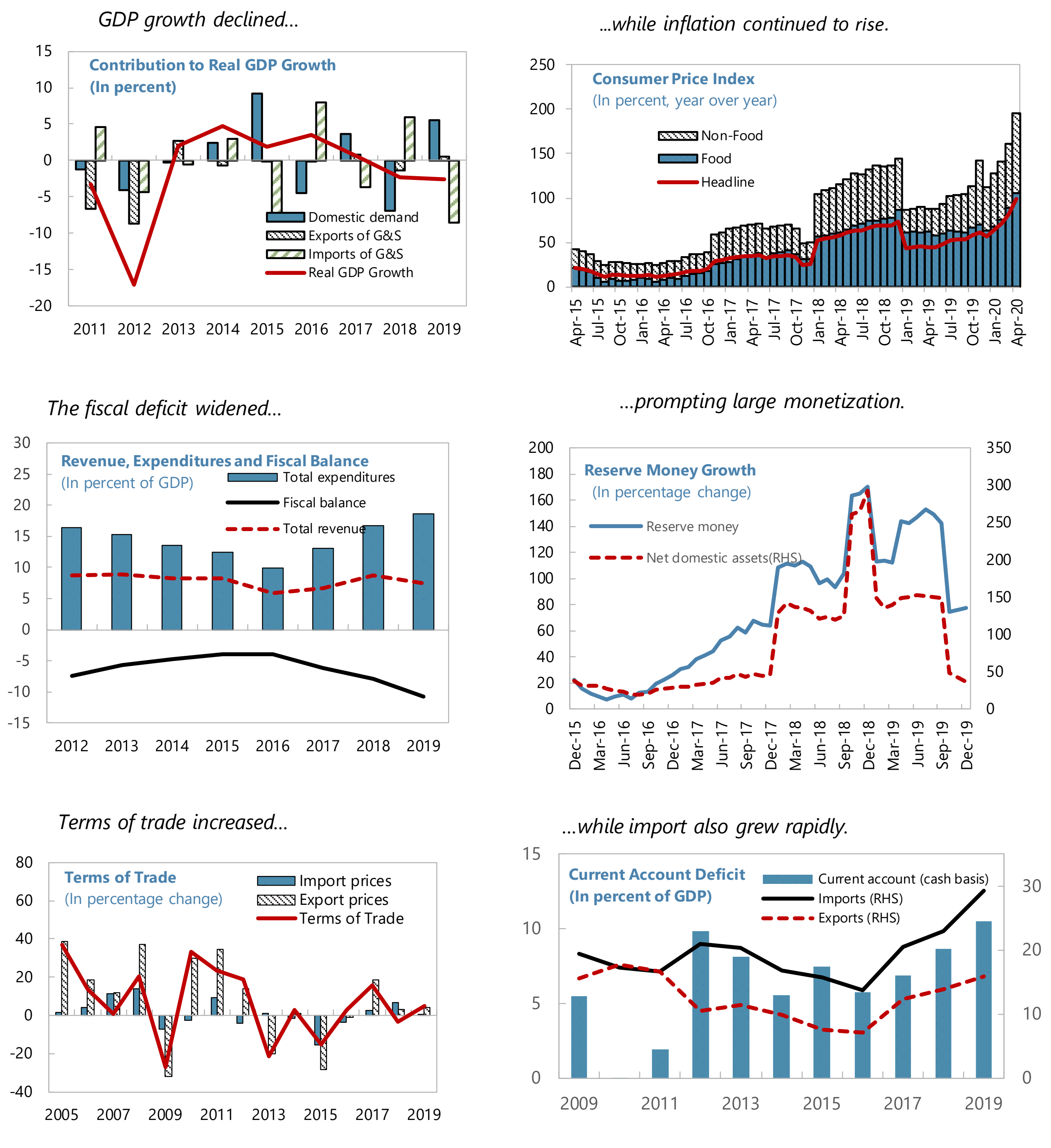
41. However, reform implementation risks are substantial. Public tolerance for policy adjustment has been eroded by economic hardship, shortfalls in projected donor support could undermine the SFSP and amplify deficit monetization, potentially aggravating social tensions. Capacity weaknesses are material. Additional measures may be needed to ensure the attainment of program objectives if implementation risks were to materialize, but flexibility on reform timelines may also be needed given the fragile social and economic conditions (LOI). Implementation slippages could however undermine the UCT assessment of the program. Nevertheless, failure to implement reforms would leave Sudan in an untenable situation, with no clear path toward exiting the dire economic and humanitarian situation and high vulnerability to a variety of shocks.

42. Unlocking Sudan's private sector development potential is key for higher inclusive growth and competitiveness. This will require crafting measures, with help from the World Bank and IFC, to improve the business environment considerably, drawing also on the IFC's private sector diagnosis.

43. Sudan remains in debt distress and is eligible for debt relief under the HIPC Initiative. The authorities should continue to engage with international partners to secure comprehensive support for debt relief and strengthen their cooperation with the Fund on policies and payments.

44. Staff assesses that the macroeconomic and structural policies under the SMP are of UCT quality. Successful implementation of the program would restore a viable external position and support sustainable inclusive growth over the medium term if combined with sufficient program financing and debt relief. As regards external viability, steadfast implementation of measures under the program is expected to deliver a sizable current account adjustment, restore competitiveness and deliver some improvement in international reserves albeit from very low levels. Notwithstanding capacity constraints, the authorities have the commitment and capacity to implement the proposed policies, as illustrated by their design of an ambitious adjustment program and adoption of prior actions in critical areas. Moreover, conditionality design is consistent with applicable policies for a UCT program, and thus the program meets the UCT standard.

Figure 1. Sudan: Selected Economic Indicators

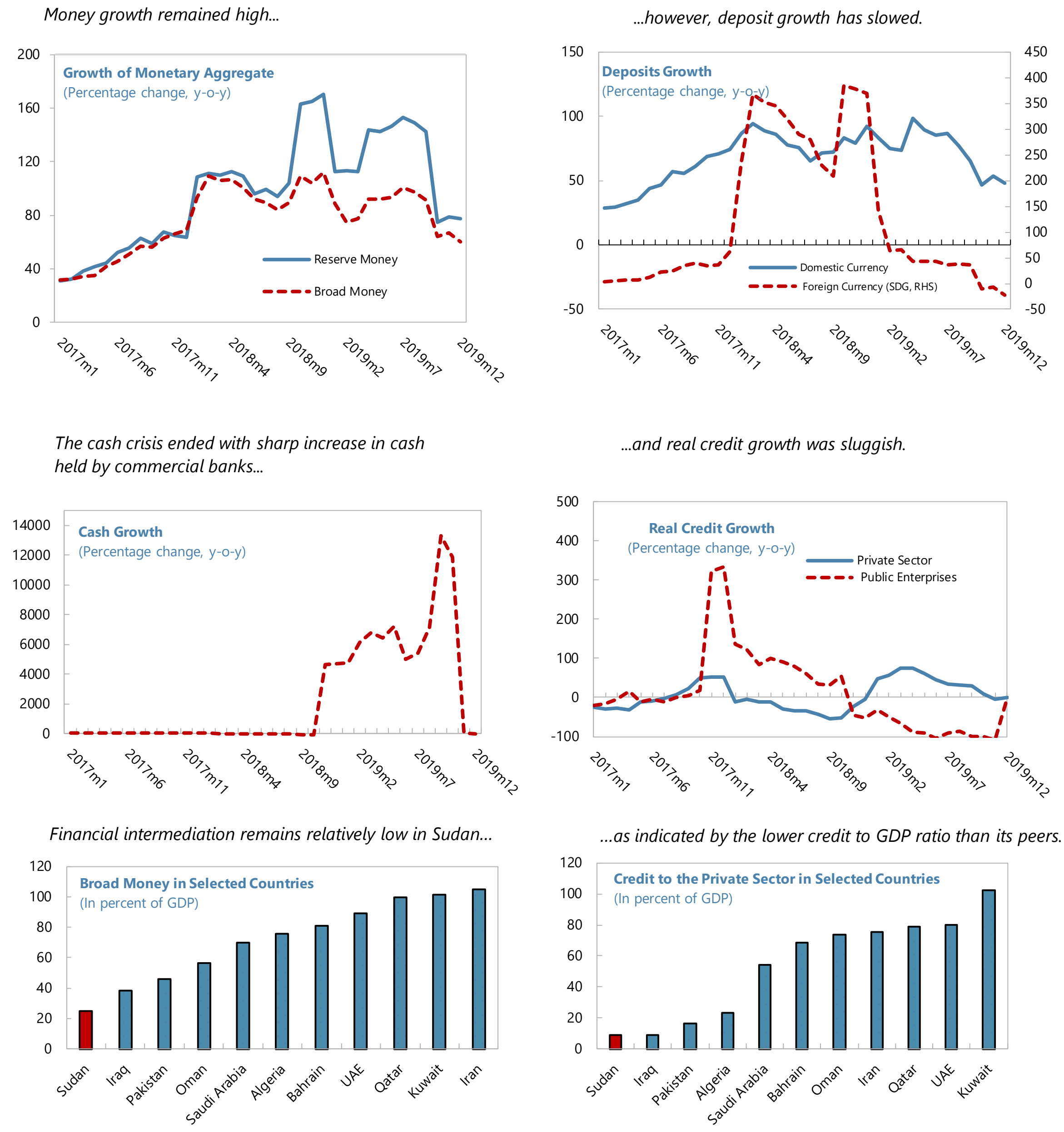


Sources: Sudanese authorities; and IMF staff calculations.

Figure 2. Sudan: Fiscal Sector

Sources: Sudanese authorities, and IMF Staff estimates.

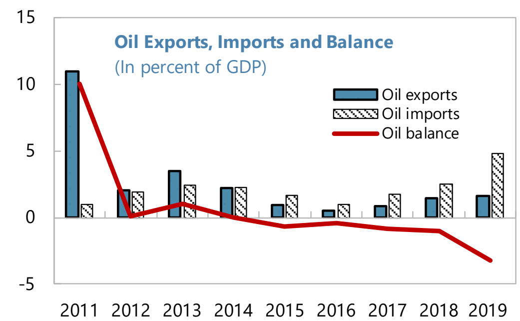
Figure 3. Sudan: Monetary Sector



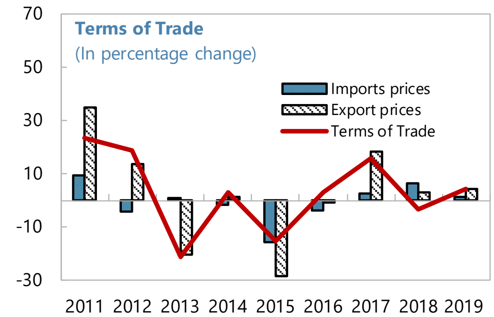
Sources: World Economic Outlook, Central Bank of Sudan, and IMF staff calculations.

Figure 4. Sudan: External Sector

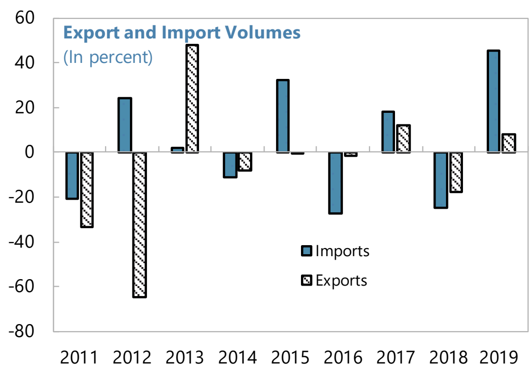
Oil surplus has disappeared following the seccession of South Sudan.



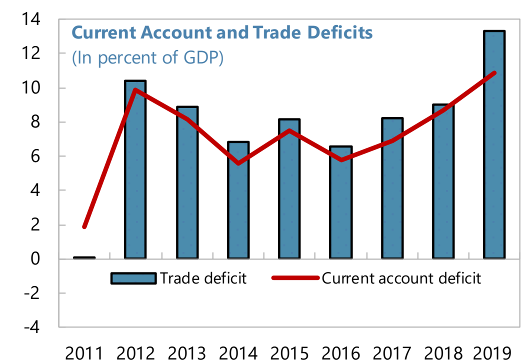
Terms of trade increased...



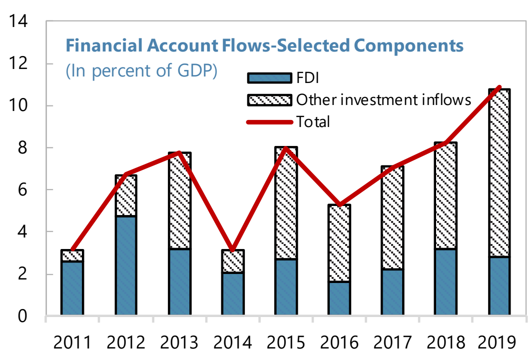
...and import volumes increased...



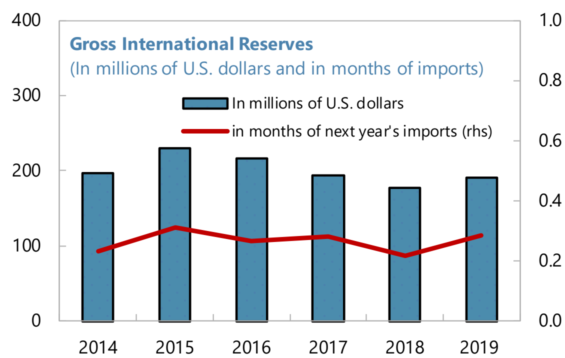
...and the current account deficits remained high.



Capital inflows increased due to support by Gulf countries...



...but the gross reserves reamined low due to increasing imports.



Sources: Central Bank of Sudan; and IMF Staff calculations.

Table 1. Sudan: Selected Economic Indicators, 2017–25 1/

	2017	2018	2019	2020	2021	2022	2023	2024	2025
		Est.				Proj.			
Output and prices				(Annual change in percent)					
Real GDP (market prices)	0.7	-2.3	-2.5	-8.4	0.8	1.4	2.7	3.6	4.5
Consumer prices (end of period)	25.2	72.9	57.0	198.9	103.0	36.7	21.2	17.9	16.0
Consumer prices (period average)	32.4	63.3	51.0	141.6	129.7	57.5	27.8	19.4	16.8
Central government				(In percent of GDP)					
Revenue and grants	7.2	8.9	7.9	6.8	13.9	13.2	14.3	15.0	15.7
Revenue	7.0	8.8	7.4	5.3	11.1	12.3	13.4	14.1	14.9
Tax revenue	5.4	6.8	5.5	3.5	8.9	9.9	11.2	11.9	12.7
Expenditure 2/	13.6	16.8	18.8	13.7	17.4	15.6	16.4	16.7	17.0
Current 2/	13.0	16.3	18.6	13.3	16.4	14.1	14.4	14.7	15.0
Wage bill	3.7	2.4	2.9	5.1	5.1	5.1	5.1	5.1	5.1
Goods and services	1.5	1.2	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Interest	0.5	0.2	0.2	0.0	0.0	0.0	0.1	0.1	0.1
Subsidies 2/	4.2	9.6	11.9	3.8	2.1	2.3	2.4	2.4	2.4
Transfers	2.3	2.1	1.7	1.2	4.3	4.0	4.4	4.6	4.8
Other current	0.8	0.8	0.9	2.2	3.9	1.6	1.5	1.6	1.6
Capital	0.6	0.5	0.1	0.4	1.0	1.5	2.0	2.0	2.0
Overall balance 2/	-6.5	-7.9	-10.9	-6.9	-3.5	-2.4	-2.1	-1.7	-1.3
Public debt 1/	159.2	186.7	201.6	259.4	250.0	220.5	209.2	203.9	197.8
Monetary sector				(Annual changes in percent)					
Broad money	68.8	111.8	60.1	88.2	86.1	45.9	38.4	23.1	16.8
Reserve money	63.8	170.5	77.5	94.5	68.6	43.4	32.9	21.5	16.7
Balance of payments				(In percent of GDP, unless otherwise indicated)					
Exports of goods	8.9	9.8	11.9	14.2	16.7	19.0	19.3	19.3	19.4
Imports of goods	17.9	19.8	25.2	25.0	25.8	26.5	26.5	26.0	25.2
Trade balance	-8.6	-9.1	-13.4	-11.1	-8.9	-6.8	-6.5	-5.8	-4.9
Current account balance (cash basis)	-7.2	-8.7	-10.9	-8.4	-5.5	-6.8	-5.4	-4.0	-3.2
External debt	150.4	177.1	198.9	253.1	245.6	210.0	196.4	191.5	187.3
External debt (in billions of US$)	53.9	55.1	56.3	57.5	58.8	58.5	59.0	60.3	61.6
Gross usable international reserves (in millions of US$	193	178	190	324	491	870	1,688	2,595	3,600
In months of imports	0.3	0.2	0.2	0.4	0.6	1.0	2.0	3.0	4.1
Memorandum items:									
Nominal GDP (in billions of SDGs)	833	1,362	2,017	4,481	10,424	16,652	21,840	26,983	32,910
Nominal GDP (in $US billion)1/	45.9	35.7	33.4	32.6	32.5	31.9	32.7	33.9	35.4
Exchange rate (SDG/US$, end of period) 1/	24.0	45.2	71.6	…	…	…	…	…	…
Exchange rate (SDG/US$, period average) 3/	18.1	38.2	60.5	…	…	…	…	…	…
NEER (2007=100, percent change, period average)	-32.4	-52.2	-41.0	…	…	…	…	…	…
REER (2007=100, percent change, period average)	-13.2	-24.5	-12.5	…	…	…	…	…	…

Sources: Central Bank of Sudan and Ministry of Finance and Economic Planning; and IMF staff estimates and projections.

1/ GDP and public debt estimated at the weighted average of the parallel and official exchange rate.

2/ Including implicit subsidies recorded on central bank's balance sheet.

3/ Exchange rate is calcuated as the weighted average of offical and parallel exchange rate.

Table 2. Sudan: Medium-Term Macroeconomic Outlook, 2017–25

	2017	2018	2019	2020	2021	2022	2023	2024	2025
	Est.	Est.	Est.			Proj.			
Output and prices				(Annual change in percent)					
Real GDP (at market prices)	0.7	-2.3	-2.5	-8.4	0.8	1.4	2.7	3.6	4.5
Consumer prices (end of period)	25.2	72.9	57.0	198.9	103.0	36.7	21.2	17.9	16.0
Consumer prices (period average)	32.4	63.3	51.0	141.6	129.7	57.5	27.8	19.4	16.8
GDP deflator	29.8	69.8	36.3	142.5	130.9	57.6	27.7	19.2	16.7
Investment and savings				(In percent of GDP)					
Gross domestic expenditure	108.7	109.2	109.4	111.1	108.9	106.8	106.5	105.8	104.9
Final consumption	97.5	95.6	99.5	101.1	97.9	94.8	93.5	92.3	90.9
Gross capital formation	11.2	13.6	9.9	10.0	11.0	12.0	13.0	13.5	14.0
Gross Savings	1.2	0.5	-5.2	-2.7	1.2	1.3	3.5	5.3	6.8
Central government operations									
Revenue and grants	7.2	8.9	7.9	6.8	13.9	13.2	14.3	15.0	15.7
Revenue	7.0	8.8	7.4	5.3	11.1	12.3	13.4	14.1	14.9
Of which: Oil revenues 1/	0.8	1.3	1.3	1.3	1.8	1.7	1.4	1.4	1.4
Taxes	5.4	6.8	5.5	3.5	8.9	9.9	11.2	11.9	12.7
Expenditure 2/	13.6	16.8	18.8	13.7	17.4	15.6	16.4	16.7	17.0
Current 2/	13.0	16.3	18.6	13.3	16.4	14.1	14.4	14.7	15.0
Wages	3.7	2.4	2.9	5.1	5.1	5.1	5.1	5.1	5.1
Subsidies 2/	4.2	9.6	11.9	3.8	2.1	2.3	2.4	2.4	2.4
Transfers	2.3	2.1	1.7	1.2	4.3	4.0	4.4	4.6	4.8
Capital	0.6	0.5	0.1	0.4	1.0	1.5	2.0	2.0	2.0
Overall balance	-6.5	-7.9	-10.9	-6.9	-3.5	-2.4	-2.1	-1.7	-1.3
Primary balance	-5.7	-7.6	-10.6	-6.8	-3.5	-2.4	-2.0	-1.6	-1.2
Public debt 3/	159.2	186.7	201.6	259.4	250.0	220.5	209.2	203.9	197.8
Monetary sector				(Annual change in percent, unless otherwise indicated)					
Broad money	68.8	111.8	60.1	88.2	86.1	45.9	38.4	23.1	16.8
Reserve money	63.8	170.5	77.5	94.5	68.6	43.4	32.9	21.5	16.7
Credit to the private sector	38.4	69.3	45.8	90.5	71.9	56.1	32.6	24.2	25.3
Broad money (percent of GDP)	24.4	31.6	34.2	29.0	23.2	21.2	22.3	22.3	21.3
Net claims on government (percent of GDP)	18.9	21.4	23.3	22.0	15.9	13.3	12.4	11.8	10.8
Credit to the private sector (percent of GDP)	8.7	9.0	8.9	7.6	5.6	5.5	5.6	5.6	5.8
External sector				(In percent of GDP, unless otherwise indicated)					
Exports of goods (in US$, annual percent change)	32.5	-15.0	14.0	16.6	16.9	11.9	4.3	3.6	4.7
Imports of goods (in US$, annual percent change)	9.9	-14.1	18.8	-2.9	2.8	0.8	2.6	1.5	1.3
Merchandise trade balance	-8.6	-9.1	-13.4	-11.1	-8.9	-6.8	-6.5	-5.8	-4.9
Current account balance (cash basis)	-7.2	-8.7	-10.9	-8.4	-5.5	-6.8	-5.4	-4.0	-3.2
External debt 3/	150.4	177.1	198.9	253.1	245.6	210.0	196.4	191.5	187.3
External debt (in billions of US$)	53.9	55.1	56.3	57.5	58.8	58.5	59.0	60.3	61.6
Gross usable international reserves (in millions of US	193	178	190	324	491	870	1,688	2,595	3,600
In months of next year's imports of G&S	0.3	0.2	0.2	0.4	0.6	1.0	2.0	3.0	4.1
Memorandum items:									
Nominal GDP (in billions of SDG)	833	1,362	2,017	4,481	10,424	16,652	21,840	26,983	32,910
Exchange rate (SDG/US$, weighted average)	18.1	38.2	60.5	…	…	…	…	…	…
NEER (2007=100, percent change, period average)	-32.4	-52.2	-41.0	…	…	…	…	…	…
REER (2007=100, percent change, period average)	-13.2	-24.5	-12.5	…	…	…	…	…	…

Sources: Central Bank of Sudan and Ministry of Finance and Economic Planning; and IMF staff estimates and projections.

1/ Oil sales, oil transit fees, and Transitional Financial Arrangement.

2/ Including implicit subsidies recorded on central bank's balance sheet.

3/ GDP estimated at the weighted average of the parallel and official exchange rate.

Table 3a. Sudan: Balance of Payments, 2017–25
(In millions of U.S. dollars)

	2017	2018	2019	2020	2021	2022	2023	2024	2025
						Proj.			
Current account balance	-4,611	-4,679	-5,040	-4,146	-3,186	-3,422	-3,122	-2,775	-2,536
Current account balance (cash basis)	-3,297	-3,118	-3,637	-2,742	-1,781	-2,157	-1,770	-1,364	-1,123
Trade balance	-3,935	-3,242	-4,476	-3,606	-2,900	-2,178	-2,111	-1,976	-1,725
Oil	-401	-377	-1,089	-1,140	-1,063	-966	-965	-936	-889
Non-oil	-3,534	-2,864	-3,387	-2,466	-1,837	-1,211	-1,146	-1,040	-837
Exports, f.o.b.	4,100	3,485	3,973	4,634	5,419	6,062	6,323	6,549	6,859
Oil	417	520	532	88	123	152	183	228	291
Non-oil	3,683	2,965	3,441	4,546	5,296	5,909	6,140	6,321	6,568
Of which: Gold	1,559	832	1,221	1,637	1,854	1,932	2,002	2,061	2,102
Imports, f.o.b.	8,220	7,065	8,393	8,152	8,384	8,451	8,671	8,797	8,913
Oil	818	897	1,621	1,228	1,187	1,119	1,148	1,164	1,180
Non-oil	7,402	6,168	6,771	6,923	7,197	7,332	7,523	7,632	7,733
Services (net)	185	339	-57	-89	65	212	238	271	328
Receipts	1,780	1,511	1,368	1,350	1,544	1,703	1,768	1,824	1,901
Payments	1,595	1,172	1,425	1,439	1,480	1,491	1,530	1,552	1,573
Primary income (net)	-1,651	-1,812	-1,620	-1,662	-1,673	-2,131	-1,837	-1,646	-1,654
Receipts	4	127	102	50	57	68	81	71	65
Payments	1,655	1,939	1,722	1,712	1,730	2,198	1,918	1,717	1,719
Of which: Public interest due	1,351	1,596	1,438	1,438	1,438	1,438	1,438	1,438	1,438
Secondary income (net)	975	375	1,056	1,123	1,387	887	826	847	843
Private	538	24	174	143	396	547	564	585	581
Official	437	351	910	980	990	339	262	262	262
Capital account	152	163	180	200	200	200	200	200	200
Financial account (net)	-3,401	-2,981	-3,638	-3,350	-2,986	-3,222	-2,922	-2,575	-2,336
Direct Investment (net)	-1,065	-1,136	-945	-821	-1,056	-1,277	-1,311	-1,209	-1,102
Portfolio Investment (net)	22	-3	-36	-38	-40	-42	-44	-46	-49
Other investment (net)	-2,335	-1,822	-2,669	-2,624	-2,057	-2,281	-2,385	-2,227	-2,191
Reserve assets	-23	-21	12	134	167	379	818	906	1,006
Overall balance	-1,059	-1,534	-1,222	-596	0	0	0	0	0
Errors and omissions	1,059	1,534	1,222	596	0	0	0	0	0
Memorandum:									
Terms of trade (percentage change)	15.9	-3.4	3.9	12.1	4.9	-0.8	-1.7	-1.8	-1.8
Terms of trade	230.8	223.1	231.8	259.8	272.5	270.2	265.6	260.9	256.4
Import prices	134.0	143.0	145.3	153.7	159.0	162.1	165.0	168.2	171.3
Export prices	309.3	318.9	332.1	364.7	389.7	393.3	396.5	399.5	402.7
External debt	53,857	55,084	56,309	57,544	58,772	58,473	59,047	60,329	61,621
External debt (percent of GDP)	150.4	177.1	198.9	253.1	245.6	210.0	196.4	191.5	187.3
Arrears:	46,547	48,128	49,702	51,279	52,858	54,441	56,027	57,616	59,209
Of which: Arrears to the IMF	1,366	1,341	1,329	1,362	1,369	1,371	1,370	1,368	1,364
Interest		1,596	1,438	1,438	1,438	1,438	1,438	1,438	1,438
Total donor grants under the SMP	…	…	…	650	890	…	…	…	…
Gross usable international reserves	193	178	190	324	491	870	1,688	2,595	3,600
Imports coverage (in months)	0.3	0.2	0.2	0.4	0.6	1.0	2.0	3.0	4.1
Nominal GDP	45,944	35,680	33,359	32,576	32,476	31,868	32,706	33,857	35,354

Sources: Central Bank of Sudan; and IMF staff estimates and projections.

Table 3b. Sudan: Balance of Payments, 2017–25
(In percent of GDP)

	2017	2018	2019	2020	2021	2022	2023	2024	2025
						Proj.			
Current account balance	-10.0	-13.1	-15.1	-12.7	-9.8	-10.7	-9.5	-8.2	-7.2
Current account balance (cash basis)	-7.2	-8.7	-10.9	-8.4	-5.5	-6.8	-5.4	-4.0	-3.2
Trade balance	-8.6	-9.1	-13.4	-11.1	-8.9	-6.8	-6.5	-5.8	-4.9
Oil	-0.9	-1.1	-3.3	-3.5	-3.3	-3.0	-3.0	-2.8	-2.5
Non-oil	-7.7	-8.0	-10.2	-7.6	-5.7	-3.8	-3.5	-3.1	-2.4
Exports, f.o.b.	8.9	9.8	11.9	14.2	16.7	19.0	19.3	19.3	19.4
Oil	0.9	1.5	1.6	0.3	0.4	0.5	0.6	0.7	0.8
Non-oil	8.0	8.3	10.3	14.0	16.3	18.5	18.8	18.7	18.6
Of which: Gold	3.4	2.3	3.7	5.0	5.7	6.1	6.1	6.1	5.9
Imports, f.o.b.	17.9	19.8	25.2	25.0	25.8	26.5	26.5	26.0	25.2
Oil	1.8	2.5	4.9	3.8	3.7	3.5	3.5	3.4	3.3
Non-oil	16.1	17.3	20.3	21.3	22.2	23.0	23.0	22.5	21.9
Services (net)	0.4	0.9	-0.2	-0.3	0.2	0.7	0.7	0.8	0.9
Primary income (net)	-3.6	-5.1	-4.9	-5.1	-5.2	-6.7	-5.6	-4.9	-4.7
Receipts	0.0	0.4	0.3	0.2	0.2	0.2	0.2	0.2	0.2
Payments	3.6	5.4	5.2	5.3	5.3	6.9	5.9	5.1	4.9
Secondary income (net)	2.1	1.1	3.2	3.4	4.3	2.8	2.5	2.5	2.4
Private	1.2	0.1	0.5	0.4	1.2	1.7	1.7	1.7	1.6
Official	1.0	1.0	2.7	3.0	3.0	1.1	0.8	0.8	0.7
Capital account	0.3	0.5	0.5	0.6	0.6	0.6	0.6	0.6	0.6
Financial account (net)	-7.4	-8.4	-10.9	-10.3	-9.2	-10.1	-8.9	-7.6	-6.6
Direct Investment (net)	-2.3	-3.2	-2.8	-2.5	-3.3	-4.0	-4.0	-3.6	-3.1
Portfolio Investment (net)	0.0	0.0	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1
Other investment (net)	-5.1	-5.1	-8.0	-8.1	-6.3	-7.2	-7.3	-6.6	-6.2
Reserve assets	-0.1	-0.1	0.0	0.4	0.5	1.2	2.5	2.7	2.8
Errors and omission	2.3	4.3	3.7	1.8	0.0	0.0	0.0	0.0	0.0
Overall balance	-2.3	-4.3	-3.7	-1.8	0.0	0.0	0.0	0.0	0.0

Sources: Central Bank of Sudan; and IMF staff estimates and projections.

Table 4a. Sudan: Central Government Operations, 2017–25
(In billions of Sudanese pounds)

	2017	2018	2019	2020	2021	2022	2023	2024	2025
							Proj.		
Revenue and grants	59.8	121.4	159.2	304.7	1,447.7	2,194.1	3,127.7	4,046.8	5,170.2
Revenue	58.1	119.3	149.8	238.3	1,162.2	2,042.7	2,934.3	3,816.1	4,900.8
Of which : Nonoil revenue	51.4	101.5	123.1	178.6	978.2	1,763.3	2,621.4	3,431.9	4,436.6
Taxes	45.3	92.4	110.5	157.8	925.3	1,654.9	2,453.5	3,212.8	4,169.4
Goods and services	30.4	68.2	82.4	109.2	559.5	1,053.2	1,555.1	1,985.0	2,537.9
International trade and transactions	10.7	17.4	19.4	31.8	326.7	539.3	706.9	855.7	1,012.5
Income, profits, property and others	4.3	6.8	8.7	18.7	39.1	62.4	191.5	372.1	619.0
Oil revenue	6.7	17.8	26.7	59.7	184.0	279.4	312.9	384.2	464.2
Oil sales	4.9	8.2	11.8	21.0	77.9	133.2	177.6	222.6	275.6
Transitional Financial Arrangement	1.0	3.7	5.8	26.9	41.0	40.3	0.0	0.0	0.0
Oil transit fees	0.9	5.9	9.0	11.8	65.1	106.0	135.4	161.5	188.6
Other revenue	6.1	9.1	12.7	20.8	52.9	108.5	167.9	219.1	267.1
Property income	3.2	5.8	8.9	11.0	36.7	75.3	116.5	164.8	201.0
Administrative fees	2.0	3.2	3.7	4.8	16.2	33.2	51.4	54.2	66.1
Grants	1.7	2.1	9.4	66.4	285.5	151.4	193.4	230.8	269.5
of which: Family support program	n.a.	n.a.	n.a.	42.7	192.6	n.a.	n.a.	n.a.	n.a.
Total expenditure 1/	113.5	229.3	378.8	612.7	1,814.9	2,595.2	3,590.5	4,512.0	5,594.8
Expense (current expenditure) 1/	108.2	222.3	375.9	596.7	1,710.1	2,344.1	3,151.6	3,969.8	4,933.7
Wages	30.4	32.8	58.4	226.8	527.2	841.8	1,103.7	1,363.3	1,662.5
Goods and services	12.4	16.1	20.7	45.0	104.6	167.1	219.0	270.6	329.9
Interest	4.1	3.2	3.6	0.4	3.8	6.6	13.2	24.2	38.0
Foreign	0.2	0.0	0.4	0.1	1.0	3.5	9.6	20.1	33.2
Domestic	3.9	3.2	3.1	0.3	2.8	3.2	3.7	4.1	4.8
Subsidies 2/	35.0	130.9	239.9	168.2	222.9	389.0	520.9	646.4	791.3
of which: Fuel	18.0	114.4	214.0	100.6	69.3	122.3	168.6	213.5	266.4
Wheat	12.1	8.6	19.5	54.1	141.8	251.4	333.3	413.0	500.8
Transfers	19.4	28.1	35.1	55.6	444.2	673.3	959.8	1,241.8	1,586.6
of which: States (current)	13.9	18.3	22.8	34.7	329.1	493.6	714.8	934.6	1,206.7
States (capital)	5.1	9.6	11.7	12.8	76.3	120.8	161.0	198.5	241.0
Other transfers	0.3	0.3	0.6	4.1	19.3	29.3	41.7	54.0	69.0
Other current	6.9	11.3	18.3	100.7	407.3	266.3	334.9	423.5	525.3
Of which : Social spending	5.2	10.5	15.0	98.7	402.7	258.9	325.1	411.4	510.6
Net acquisition of nonfinancial assets	5.3	7.0	2.9	16.0	104.8	251.1	438.9	542.1	661.1
Budget overall balance	-12.7	-39.2	-41.3	-271.4	-367.2	-401.1	-462.7	-465.1	-424.5
Overall balance 1/	-53.7	-107.9	-219.2	-308.1	-367.2	-401.1	-462.7	-465.1	-424.5
Non-oil Primary balance 1/	-56.4	-122.5	-242.3	-367.3	-547.4	-673.8	-762.4	-825.1	-850.7
Financing	53.7	107.9	219.2	308.1	367.2	401.1	462.7	465.1	424.5
Foreign financing	-0.3	3.4	1.6	7.0	41.9	100.4	175.6	216.8	264.4
Disbursements for projects	0.8	3.9	5.6	7.0	41.9	100.4	175.6	216.8	264.4
Principal repayments	1.1	0.5	4.0	0.0	0.0	0.0	0.0	0.0	0.0
Domestic financing	50.9	98.7	211.3	301.1	325.3	300.6	287.2	248.3	160.1
Sale of government recovered assets	0.0	0.0	0.0	35.0	41.0	0.0	0.0	0.0	0.0
CBOS	43.3	79.5	200.0	217.1	231.9	217.0	177.5	112.8	60.9
Commercial banks	5.1	3.4	0.4	50.0	52.4	83.7	109.7	135.5	99.2
Nonbanks	2.7	16.1	11.2	0.0	0.0	0.0	0.0	0.0	0.0
Change in net domestic arrears	-0.2	-0.3	-0.3	-1.0	0.0	0.0	0.0	0.0	0.0
Accumulation of arrears	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Repayment of arrears	0.2	0.3	0.3	1.0	0.0	0.0	0.0	0.0	0.0
Memorandum items:									
Public debt	1,325	2,543	4,067	11,624	26,058	36,713	45,683	55,016	65,089
External	1,252	2,412	3,906	11,097	25,019	34,004	41,616	50,109	59,338
Domestic 2/	73.3	131.5	160.6	526.6	1,039.4	2,708.9	4,067.4	4,907.3	5,750.5

Sources: Ministry of Finance and Economic Planning; and IMF staff estimates and projections.

1/ Including implicit subsidies recorded on central bank's balance sheet.

2/ Staff estimates and projections.

Table 4b. Sudan: Central Government Operations, 2017–25
(In percent of GDP)

	2017	2018	2019	2020	2021	2022	2023	2024	2025
							Proj.		
Revenue and grants	7.2	8.9	7.9	6.8	13.9	13.2	14.3	15.0	15.7
Revenue	7.0	8.8	7.4	5.3	11.1	12.3	13.4	14.1	14.9
Of which : Nonoil revenue	6.2	7.5	6.1	4.0	9.4	10.6	12.0	12.7	13.5
Taxes	5.4	6.8	5.5	3.5	8.9	9.9	11.2	11.9	12.7
Goods and services	3.6	5.0	4.1	2.4	5.4	6.3	7.1	7.4	7.7
International trade and transactions	1.3	1.3	1.0	0.7	3.1	3.2	3.2	3.2	3.1
Income, profits, property and others	0.5	0.5	0.4	0.4	0.4	0.4	0.9	1.4	1.9
Oil revenue	0.8	1.3	1.3	1.3	1.8	1.7	1.4	1.4	1.4
Oil sales	0.6	0.6	0.6	0.5	0.7	0.8	0.8	0.8	0.8
Transitional Financial Arrangement	0.1	0.3	0.3	0.6	0.4	0.2	0.0	0.0	0.0
Oil transit fees	0.1	0.4	0.4	0.3	0.6	0.6	0.6	0.6	0.6
Other revenue	0.7	0.7	0.6	0.5	0.5	0.7	0.8	0.8	0.8
Property income	0.4	0.4	0.4	0.2	0.4	0.5	0.5	0.6	0.6
Administrative fees	0.2	0.2	0.2	0.1	0.2	0.2	0.2	0.2	0.2
Grants	0.2	0.2	0.5	1.5	2.7	0.9	0.9	0.9	0.8
of which: Family support program	n.a.	n.a.	n.a.	1.0	1.8	n.a.	n.a.	n.a.	n.a.
Total expenditure 1/	13.6	16.8	18.8	13.7	17.4	15.6	16.4	16.7	17.0
Expense (current expenditure) 1/	13.0	16.3	18.6	13.3	16.4	14.1	14.4	14.7	15.0
Wages	3.7	2.4	2.9	5.1	5.1	5.1	5.1	5.1	5.1
Goods and services	1.5	1.2	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Interest	0.5	0.2	0.2	0.0	0.0	0.0	0.1	0.1	0.1
Foreign	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.1
Domestic	0.5	0.2	0.2	0.0	0.0	0.0	0.0	0.0	0.0
Subsidies 2/	4.2	9.6	11.9	3.8	2.1	2.3	2.4	2.4	2.4
of which : Fuel	2.2	8.4	10.6	2.2	0.7	0.7	0.8	0.8	0.8
Wheat	1.5	0.6	1.0	1.2	1.4	1.5	1.5	1.5	1.5
Transfers	2.3	2.1	1.7	1.2	4.3	4.0	4.4	4.6	4.8
Other current	0.8	0.8	0.9	2.2	3.9	1.6	1.5	1.6	1.6
Of which : Social spending	0.6	0.8	0.7	2.2	3.9	1.6	1.5	1.5	1.6
Net acquisition of nonfinancial assets (capital exp.)	0.6	0.5	0.1	0.4	1.0	1.5	2.0	2.0	2.0
Overall balance 1/	-6.5	-7.9	-10.9	-6.9	-3.5	-2.4	-2.1	-1.7	-1.3
Non-oil primary balance	-6.8	-9.0	-12.0	-8.2	-5.3	-4.0	-3.5	-3.1	-2.6
Financing	6.5	7.9	10.9	6.9	3.5	2.4	2.1	1.7	1.3
Foreign financing	0.0	0.3	0.1	0.2	0.4	0.6	0.8	0.8	0.8
Disbursements for projects	0.1	0.3	0.3	0.2	0.4	0.6	0.8	0.8	0.8
Principal repayments	0.1	0.0	0.2	0.0	0.0	0.0	0.0	0.0	0.0
Domestic financing	6.1	7.2	10.5	6.7	3.1	1.8	1.3	0.9	0.5
Sale of government recovered assets	0.0	0.0	0.0	0.8	0.4	0.0	0.0	0.0	0.0
CBOS	5.2	5.8	9.9	4.8	2.2	1.3	0.8	0.4	0.2
Commercial banks	0.6	0.2	0.0	1.1	0.5	0.5	0.5	0.5	0.3
Nonbanks	0.3	1.2	0.6	0.0	0.0	0.0	0.0	0.0	0.0
Change in net domestic arrears	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Memorandum items:									
Public debt	159.2	186.7	201.6	259.4	250.0	220.5	209.2	203.9	197.8
External	150.4	177.1	193.6	247.6	240.0	204.2	190.6	185.7	180.3
Domestic 2/	8.8	9.7	8.0	11.8	10.0	16.3	18.6	18.2	17.5

Sources: Ministry of Finance and Economic Planning; and IMF staff estimates and projections.

1/ Including implicit subsidies recorded on central bank's balance sheet.

2/ Staff estimates and projections.

Table 5. Sudan: Monetary Survey, 2014–21
(in millions of Sudanese Pounds)

	2014	2015	2016	2017	2018	2019	2020 Proj.	2021 Proj.
Net foreign assets	-14,537	-28,492	-38,712	-42,761	-304,027	-296,856	-1,284,080	-2,761,004
Central Bank of Sudan	-17,689	-30,413	-40,269	-46,385	-314,393	-313,433	-1,357,430	-2,922,996
Commercial banks	3,152	1,921	1,556	3,624	10,366	16,577	73,350	161,992
Net domestic assets	92,254	122,434	159,201	246,128	734,813	986,454	2,581,765	5,176,489
Net domestic credit	104,852	134,809	172,662	257,045	452,205	687,196	1,376,783	2,318,804
Net claims on general government (NCGG)	61,560	82,229	106,916	157,431	291,495	470,467	986,266	1,658,112
Central Bank of Sudan	50,930	69,069	91,209	135,174	291,495	431,130	895,430	1,513,783
Commercial banks	10,629	13,159	15,707	22,257	33,829	39,337	90,836	144,329
Claims on Nongovernment sectors	43,292	52,581	65,746	99,614	160,710	216,729	390,517	660,692
Public enterprises	6,008	9,071	11,736	24,554	33,294	31,032	38,414	55,659
Private sector	35,920	41,606	52,561	72,735	123,107	179,478	341,842	587,768
Other	1,364	1,903	1,449	2,325	4,308	6,219	10,261	17,264
Other items (net)	-12,597	-12,375	-13,461	-10,917	282,608	299,258	1,204,981	2,857,685
Broad money (M2)	77,717	93,942	120,489	203,368	430,786	689,598	1,297,685	2,415,485
Money	47,981	57,939	77,163	128,462	263,727	473,389	825,933	1,498,297
Currency in circulation	23,343	27,495	38,712	61,455	112,832	281,336	432,362	746,340
Demand deposits	24,638	30,443	38,451	67,007	150,895	192,053	393,571	751,958
Domestic currency	19,764	25,776	33,461	59,546	119,612	157,948	242,737	419,010
Foreign currency	4,874	4,668	4,990	7,462	31,283	34,105	150,835	332,947
Quasi-money	29,736	36,004	43,327	74,905	167,059	216,209	471,752	917,188
Domestic currency	21,146	27,639	34,420	59,840	92,647	167,877	257,996	445,351
Foreign currency	8,590	8,364	8,907	15,065	74,412	48,332	213,756	471,837
				(Change in percent, end of period)				
Broad money	17	21	28	69	112	60	88	86
Money	19	21	33	66	105	79	74	81
Currency in circulation	22	18	41	59	84	149	54	73
Demand deposits	17	24	26	74	125	27	105	91
Quasi-money	13	21	20	73	123	29	118	94
Savings Deposits	15	22	23	74	124	28	112	93
Domestic currency	12	31	25	74	55	81	54	73
Foreign currency	16	-3	6	69	394	-35	342	102
Net foreign assets	-2	96	36	10	611	-2	333	115
Net domestic assets	14	33	30	55	199	34	162	101
Net claims on government	26	34	30	47	85	61	110	68
Credit to the nongovernment sectors	15	21	25	52	61	35	80	69
Claim on public enterprises	50	51	29	109	36	-7	24	45
Claim on private sector	9	16	26	38	69	46	90	72
Broad money to GDP	17.6	18.3	18.9	24.4	31.6	34.2	29.0	23.2
Money to broad money	62	62	64	63	61	69	70	70
Currency in circulation to M2	30	29	32	30	26	41	33	31
Net claims on government to GDP	14	16	17	19	21	23	22	16
Credit to the economy to GDP	9.8	10.3	10.3	12.0	11.8	10.7	8.7	6.3
Velocity (GDP/M2, eop)	5.7	5.5	5.3	4.1	3.2	2.9	3.5	4.3
Foreign currency deposits to M2	17	14	12	11	25	12	28	33
Money multiplier (M2/reserve money, eop)	1.8	1.8	1.8	1.9	1.5	1.3	1.3	1.4

Sources: Central Bank of Sudan; and IMF staff estimates and projections.

Table 6. Sudan: Summary Accounts of the Central Bank of Sudan, 2014–21
(in millions of Sudanese Pounds)

	2014	2015	2016	2017	2018	2019	2020 Proj.	2021 Proj.
Net foreign assets	-17,689	-30,413	-40,269	-46,385	-314,393	-313,433	-1,357,430	-2,922,996
Foreign assets	9,030	6,401	6,110	6,813	52,115	67,137	323,543	787,528
Of which : Gross usable international reserves (exclude SDR)	87	343	313	164	213	840	30,336	140,311
SDR holdings	1,084	1,057	1,110	1,189	8,222	7,729	34,181	75,451
Foreign liabilities	26,719	36,814	46,378	53,197	366,509	380,570	1,680,973	3,710,524
Of which : Short-term foreign liabilities	1,722	2,436	4,448	5,335	35,552	41,321	182,748	403,391
Net domestic assets	60,033	82,277	105,882	153,882	605,200	829,598	2,361,120	4,614,777
Net domestic credit	58,865	81,205	103,234	153,305	282,266	468,383	937,583	1,558,044
Net claims on general government (NCGG)	50,930	69,069	91,209	135,174	257,666	431,130	895,430	1,513,783
of which : IMF-onlent	10,436	10,109	10,505	11,201	77,962	72,865	320,106	706,591
Claims on public enterprises	894	1,170	1,400	1,480	4,707	4,554	5,423	5,694
Claims on banks	7,041	10,965	10,625	16,651	19,892	32,698	36,730	38,567
Other items (net)	1,168	1,072	2,648	576	322,934	361,215	1,423,537	3,056,733
Reserve money	42,344	51,864	65,613	107,497	290,806	516,165	1,003,690	1,691,781
Currency outside banks	25,060	29,340	40,904	65,241	113,922	295,274	446,300	760,278
Reserves of commercial banks	16,089	19,143	21,623	38,990	161,214	173,720	499,166	928,973
Required reserves	4,509	5,244	6,164	11,427	25,588	46,253	110,841	133,532
Excess reserves	11,568	13,886	15,445	27,549	135,528	127,374	388,325	795,441
Cash in vault	1,717	1,845	2,192	3,786	1,089	13,939	13,939	13,939
Excess reserves	9,851	12,041	13,253	23,763	134,438	113,436	374,386	781,503
of which: in foreign currency	9,370	10,749	11,569	14,820	96,716	76,243	337,193	744,310
Deposits at CBOS included in broad money	1,196	3,380	3,086	3,266	15,671	47,170	58,223	2,530
				(Change in percent, end of period)				
Net foreign assets	1.1	71.9	32.4	15.2	577.8	-0.3	333	-833
Foreign assets	-4.9	-29.1	-4.6	11.5	665.0	28.8	382	1,073
Gross international reserve	134.8	295.3	-8.8	-47.7	30.3	294.3	3,510	16,597
Foreign liabilities	-1.0	37.8	26.0	14.7	589.0	3.8	342	875
Net domestic assets	11.2	37.1	28.7	45.3	293.3	37.1	185	456
Net domestic credit	27.2	38.0	27.1	48.5	84.1	65.9	100	233
Net claims on general government	26.3	35.6	32.1	48.2	90.6	67.3	108	251
Other items (net)	-84.9	-8.2	147.0	-78.2	55,919	11.9	294	746
Reserve money	16.0	22.5	26.5	63.8	170.5	77.5	94	69
Memorandum items:								
Gross usable international reserves (in millions of US$)	196	230	216	193	178	190	324	491

Sources: Central Bank of Sudan; and IMF staff estimates and projections.

Table 7. Sudan: Summary Accounts of the Commercial Banks, 2014–21
(in millions of Sudanese Pounds)

	2014	2015	2016	2017	2018	2019	2020 Proj.	2021 Proj.
Net foreign assets	3,152	1,921	1,556	3,624	10,366	16,577	73,350	161,992
Foreign assets	5,149	3,859	3,724	6,747	28,138	33,405	147,738	326,112
Foreign liabilities	1,997	1,937	2,168	3,123	17,772	16,828	74,388	164,120
Net domestic assets	52,877	65,471	79,847	142,959	302,381	419,027	1,118,098	2,014,183
Reserves	18,891	21,819	26,320	48,974	181,609	197,138	522,677	952,483
Cash in vaults	1,717	1,845	2,192	3,786	1,089	13,939	13,939	13,939
Required reserves	4,509	5,244	6,164	11,427	25,588	46,253	110,841	133,532
Other reserves	12,666	14,730	17,964	33,761	154,931	136,946	397,897	805,013
Net claims on central government	8,707	11,113	12,365	17,463	22,128	26,752	77,244	129,650
Claims on state & local government	1,923	2,046	3,342	4,794	11,701	12,585	13,592	14,680
Claims on non-government sectors	42,398	51,410	64,347	98,134	156,002	265,836	353,787	635,420
Non-bank financial institutions	1,364	1,903	1,449	2,325	4,308	6,219	10,261	17,264
Other items, net	-19,041	-20,917	-26,526	-26,406	-69,058	-83,284	150,798	281,951
Deposits	56,029	67,392	81,403	146,583	312,748	381,943	902,053	1,707,712
Demand deposits	24,258	29,115	37,236	65,436	147,012	184,771	393,571	751,958
Domestic currency	19,384	24,448	32,246	57,974	115,729	150,666	242,737	419,010
Foreign currency	4,874	4,668	4,990	7,462	31,283	34,105	150,835	332,947
Quasi-money deposits (time & saving)	28,920	33,951	41,455	73,210	155,271	176,321	471,752	917,188
Domestic currency	20,330	25,587	32,548	58,145	80,859	127,989	257,996	445,351
Foreign currency	8,590	8,364	8,907	15,065	74,412	48,332	213,756	471,837
Liabilities to CBOS 1/	2,851	4,326	2,712	7,937	10,465	20,851	36,730	38,567
Memorandum items:								
				(In percent)				
Credit to deposits	94.6	95.8	98.3	82.1	60.7	79.9	49.3	45.7
Reserves to deposits	33.7	32.4	32.3	33.4	58.1	51.6	57.9	55.8
Required reserves to deposits	8.0	7.8	7.6	7.8	8.2	12.1	12.3	7.8
Excess reserves to deposits	22.6	21.9	22.1	23.0	49.5	35.9	44.1	47.1
Cash to deposits	3.1	2.7	2.7	2.6	0.3	3.6	1.5	0.8
Claims on government to reserves	56.3	60.3	59.7	45.4	18.6	20.0	17.4	15.2

Sources: Central Bank of Sudan; and IMF staff estimates and projections.

1/ The difference between commercial banks' liabilities to CBOS and CBOS's claims on banks (Table 6) is due to misclassification of government guarantees.

Table 8. Sudan: Financial Soundness Indicators
(In percent)

	2016	2017	2018	2019	2020 1/
Capital Adequacy					
Regulatory capital to risk-weighted assets	18.7	16.2	9.9	15.4	n.a.
Regulatory Tier I capital to risk-weighted assets	16.2	12.9	7.3	9.9	n.a.
Asset composition and quality					
Gross NPLs to gross loans	5.2	3.3	3.2	3.5	3.0
NPLs net of provisions to core capital	13.0	4.8	8.7	6.6	7.0
NPLs net of provisions to gross loans	2.1	0.6	0.7	0.7	1.0
Loans' provision to NPLs	60.0	81.3	72.1	78.5	79.0
Gross NPLs to gross loans	5.2	3	3.2	3.5	3.0
Foreign currency loans to total loans	4.4	3.8	17.9	6.2	7.2
Deposits and investment accounts to total assets	63.0	71.5	n.a.	73.0	71.0
Foreign currency deposits to total deposits	19.0	18.2	39.9	24.8	n.a.
Off-balance sheet commitments to total assets	22.6	21.2	n.a.	19.2	18.7
Earnings and Profitability					
ROA (before tax)	4.7	3.8	4.9	3.4	1.1
ROE(before tax)	46.1	48.0	95.0	42.9	11.7
Liquidity					
Cash in vault to total assets	2.1	2.1	1.0	3.4	3.5
Liquid assets to total assets	35.1	37.3	51.6	49.5	46.5
Liquid assets to total short-term liabilities	88.0	82.2	112.0	103.3	104.8

Source: Central Bank of Sudan.

1/ Data for 2020 is up to February.

Table 9. Sudan: Quantitative Targets, 2019–2021 1/

	2019	2020	2021
	December	December	June
Quantitative Benchmarks			
Banking system net credit to the central government (ceiling: in SDG billion)	386	672	819
CBOS net domestic assets (ceiling: in SDG billion) 2/	830	1,083	1,203
Net international reserves (floor: in millions of U.S. dollars) 2/	(728)	(594)	(511)
Contracting or guaranteeing of external long term non-concessional debt by the government or the central bank(ceiling: in millions of U.S. dollars) 3/	230	300	150
Indicative Targets			
Social spending (floor: in SDG billion)	15	99	201
Nonoil primary deficit (ceiling: in SDG billion)	242	367	274
Reserve money (ceiling: in SDG million) 2/	516	766	890
Memorandum items:			
Exrernal non-project grants for Family Support Program (in millions of U.S. dollars)		328	600
Other external non-project grants (in millions of U.S. dollars)	-	212	-
Government asset sales (in SGD billion)		35	41
External non-project loans (in millions of U.S. dollars)	91	127	60

1/ The variables are defined according to the TMU.

2/ Evaluated using program exchange rate of 45 SDG per U.S. dollar.

3/ Continuous benchmark; flow from the beginning of the year.

Table 10. Sudan: Prior Actions and Structural Benchmarks Under the SMP		
Benchmarks	**Target Date**	**Macroeconomic Rationale**
Prior Action		
1. Complete the stress testing of individual bank resilience to exchange rate movements and prepare appropriate measures to mitigate risks in each problem bank ahead of exchange rate reform, in consultation with the IMF.		Prepare for the exchange rate reform
2. Legislative council to pass a revised 2020 budget consistent with program objectives, including incorporating a substantial expansion of the social safety net under the Sudan Family Support Program, increased health expenditure to address COVID-19 needs, and revenue mobilization through customs exchange rate reform and expansion of the tax base.		Fiscal consolidation
Structural Measures		
Public financial management		
1. The MOFEP to publish on its website monthly budget execution reports that show actual revenue and expenditure for budgetary central government in comparison with original and revised budget, consistent with the GFSM2001.	Dec. 2020	Improve budget classification and fiscal reporting
Expenditure policy		
2. Adopt automatic fuel pricing mechanism to ensure that retail diesel and gasoline prices reflect all costs, thus eliminating subsidization.	Sept. 2020	Support fiscal consolidation
Governance		
3. Prepare and publish an inventory of all state-owned enterprises including those supervised by ministry of finance, line ministries and security sector.	Dec. 2020	Improve fiscal transparency
4. Pass a new anti-corruption law, in line with international best practices as agreed in consultation with the IMF, that clearly defines what actions constitute corrupt practices and creates an independent anti-corruption commission.	Oct. 2020	Fight corruption and improve governance
5. Establish an independent anti-corruption commission, consistent with the provisions of the new anti-corruption law.	March. 2021	Fight corruption and improve governance
Monetary and Financial Sector		
6. Finalize an amended Central Bank Law in consultation with IMF staff to, inter alia, (i) establish a central bank mandate focusing on price stability; (ii) strengthen the Central Bank institutional, functional, personal, and financial autonomy, including by limiting monetary financing of the Government and prohibiting the central bank to conduct quasi-fiscal operations; (iii) improve its decision-making structure, by ensuring collegial decision-making, providing for effective oversight over executive; and (iv) enhance transparency and accountability provisions.	Dec. 2020	Enhance central bank independence and improve governance
7. Enact a new Central Bank Law in consultation with IMF staff that, inter alia, (i) establishes a proper central bank mandate focusing on price stability; (ii) strengthens the Central Bank institutional, functional, personal, and financial autonomy, including by limiting monetary financing of the Government and prohibiting the central bank to conduct quasi-fiscal operations; (iii) improves its decision-making structure, by ensuring collegial decision-making, providing for effective oversight over executive; and (iv) enhances transparency and accountability provisions.	Jun. 2021	Enhance central bank independence and improve governance
8. Unify all but the customs exchange rate and allow commercial banks and FX bureaus to set exchange rates in line with market conditions, but subject to an adjustable band around the daily official exchange rate. Central Bank sets daily official exchange rate based on market average exchange rate.	Sept. 2020	Strengthen competitiveness and reduce distortions
9. Gradually adjust customs exchange rate towards market exchange rate and fully unify by June 2021.	Jun. 2021	Eliminate distortion in the exchange rate market
10. Establish regular procedures for communication between banking supervision and regulation departments; and conduct semi-annual stress tests to identify and address vulnerabilities of individual banks to exchange rate movements.	Mar. 2021	Strengthen financial sector soundness
11. (i) Conduct thematic AML/CFT on-site inspections of the ten highest-risk banks as determined by the CBOS off-site tool, focusing on politically exposed persons (PEPs), suspicious transaction reporting, and higher-risk customers and transactions in the real estate sector; and (ii) provide aggregate data to the Fund on any related violations found and sanctions levied by the CBOS, in line with the existing legal framework.	Mar. 2021	Reduce vulnerabilities to corruption and related money laundering

Annex I. Path to Debt Relief

1. **Sudan is eligible for debt relief under the HIPC initiative but has yet to meet all the qualifications.** In particular, it needs to obtain assurances from bilateral official and commercial creditors that they are willing to consider providing debt relief. Progress, however, has been blocked because Sudan remains on the SSTL, which prevents the United States from offering aid (including debt relief) and impedes the reaching of consensus on debt relief in the Paris Club. Sudan currently meets the following conditions for the HIPC initiative:

- Sudan faces an unsustainable debt burden even after the assumed full application of traditional debt relief mechanisms.

2. **To reach the HIPC Decision Point, Sudan would need to undertake the following:**

- Complete a debt reconciliation process and obtain assurances of support for HIPC debt relief from a large majority of creditors representing at least 70 percent of HIPC-eligible debt;

- Establish with the IMF an adequate track record of strong policy performance in the period leading up to the Decision Point, under an SMP judged by the Executive Board to meet the policy standards associated with upper-credit tranche arrangements;

- Clear its arrears with the IMF and have a fully financed plan and a timetable to clear arrears with the World Bank and the African Development Bank to restore its eligibility to borrow from these sources; and.

- Prepare an updated Interim Poverty Reduction Strategy (I-PRSP) or a full PRSP document, as the previous I-PRSP and Joint Staff Advisory Note that were discussed at the IMF's and World Bank's Executive Boards in September 2013 is now out of date.

- Reach an agreement on appropriate Completion Point triggers to be included in the Decision Point document.

3. **The resources required for the IMF's participation in the HIPC Initiative have not yet been identified.** As the costs to the IMF for providing debt relief to Sudan were not included in the original costing estimates for the HIPC Initiative, additional financing will need to be secured when Sudan is ready to clear its arrears and embark on the HIPC Initiative. As of end-June 2020, Sudan's outstanding arrears to the IMF stood at SDR 963.58 million.

Annex II. External Sector Assessment

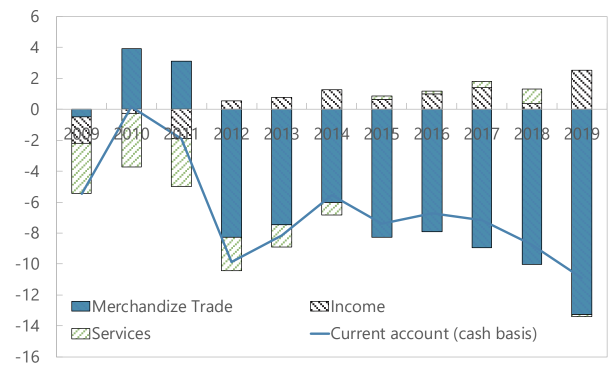
The external position of Sudan in 2019 was substantially weaker than implied by fundamentals and desirable policy settings. Despite repeated nominal devaluations in 2018 and a depreciating parallel exchange rate, the current account deficit has continued to worsen amid accelerating inflation and weak responses by exports and imports. At the same time, exchange rate restrictions and multiple-currency practices exacerbate economic distortions and undermine export competitiveness. To reduce external imbalances and enhance resilience, the authorities need to tighten fiscal and monetary policies, eliminate deficit monetization, remove multiple exchange rate practices and allow for greater exchange rate flexibility, and undertake urgent structural reforms to improve export competitiveness.

Current Account

Background

1. **The current account deficit (cash basis) increased to 10.5 percent of GDP in 2019 from 8.7 percent in 2018.** The trade deficit accounts for most of the deficit. The economy is yet to fully adjust to the sharp decline in exports following the loss of three-quarters of its oil production with the secession of South Sudan in 2011. While imports of most goods were broadly stagnant, the trade deficit increased due to higher imports of food items and petroleum products. Apart from a slight increase in gold exports, exports were also stagnant. The large trade balance continues to reflect overvalued exchange rates, slow recovery in oil production, and large dependence on imported food.

Current Account Balance (Cash Basis)
(Percent of GDP)



Sources: Central Bank of Sudan and IMF Staff Calculations

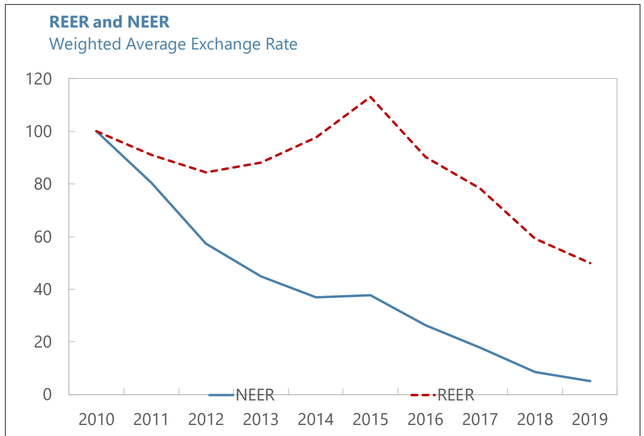
Assessment

2. **Results from the EBA-lite analysis suggest that Sudan's current account deficit was substantially weaker than implied by fundamentals and desirable policy settings.** In 2019, the model estimates that the cyclically adjusted current account deficit was 10 percent of GDP, while the multilaterally consistent cyclically-adjusted current account norm was -1.8 percent. The underlying CA gap was therefore assessed to be -8.1 percent, of which -4.5 percent could be explained by deviation of the authorities' current policies from the desirable policies, notably a large and growing fiscal deficit, less than desired growth in reserves, and slower credit growth than desirable. The remaining large unexplained portion of the CA deficit, however, suggests that the model does not capture well the specific set of external constraints Sudan faces, such as being placed on the U.S. State Sponsors of Terrorism List which effectively hinders access to external financing, and having arrears to most creditors. The EBA-lite also does not incorporate the structural break caused by the 2011 secession of South Sudan.

Real Effective Exchange Rate

Background

3. **In April 2019, the customs rate and the commercial bank rate were revalued.** The customs rate was revalued from SDG18/$ to SDG15/$ and commercial bank rate was revalued from SDG47.5/$ to SDG45/$ despite a depreciating parallel exchange rate. The official and the budget exchange rates were then devalued to 55 SDG/$ in early 2020, and both rates have remained constant thereafter, while the parallel exchange rate continues to depreciate. Currently, there are four exchange rates: (i) the official rate (SDG 55/$) for government, central bank and commercial bank transactions: (ii) the fuel exchange rate (SDG 6.7/$) for fuel imports; (iii) the customs duty rate (SDG15/$) for the calculation of import duties and VAT on imports; and (iv) the parallel market rate (SDG 143/$ in July 2020) where all other transactions (about 80 percent of total) take place.



Sources: Central Bank of Sudan and IMF Staff calculations

Assessment

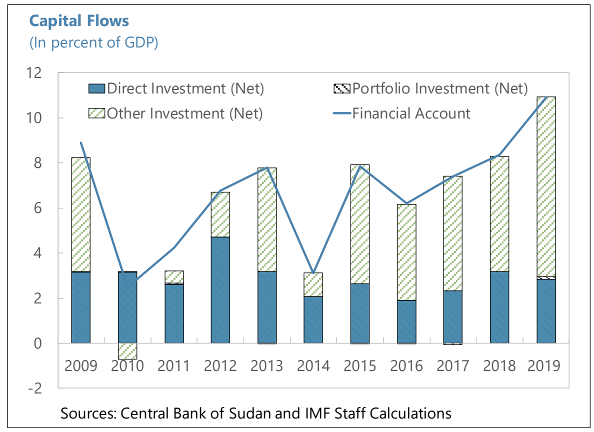
4. **The EBA-lite Current Account model estimates that, despite the repeated currency devaluations during the year, the REER remains overvalued by 53 percent.** The REER overvaluation estimated by the model reflects both Sudan's large current account deficit and relatively low elasticity of the current account to real depreciation—estimated to be -0.15 based on the differences in the estimated elasticities of exports (-0.4) and imports (0.3) weighted by the country's export- and import-to-GDP ratios in 2019 (16 percent and 29 percent, respectively). The low elasticity implies that reducing the current account deficit by 1 percent of GDP requires about 6.5 percent real depreciation, which in turn implies that 53 percent depreciation in the REER would be necessary to close the estimated CA gap of 8.1 percent of GDP. Although the size of the REER overvaluation estimated by the model seems extreme and is equally subject to the caveats discussed earlier, other indicators also point to substantial overvaluation of REER, including: (i) persistent current account deficit; (ii) remaining large gap between the official and the parallel market exchange rates; (iii) much higher inflation relative to trading partners, while the official exchange rate is fixed; (iv) low international reserves; and (v) continued accumulation of external arrears.

Capital and Financial Flows

Background

5. **Capital flows in Sudan are dominated by Foreign Direct Investment (FDI) and Other Inflows (averaging around 40 percent and 60 percent, respectively, in 2014–18).** FDI declined to $945 million in 2019 (2.8 percent of GDP), lower than the FDI of $1.1 billion recorded in 2018. The

decrease in Foreign Direct Investment was due to sustained protests in 2019 that constrained investors and economic activity and an unfavorable official exchange rate for repatriation of profits. Other inflows, mostly to official sectors representing the overdue debt principal and penalty interest payments in addition to soft loans from Gulf countries, increased to $2.7 billion from $1.8 billion in the previous year, partly due to a $500 million deposit made by Saudi Arabia and the UAE in the Central Bank of Sudan Account.



Assessment

6. The recent easing of U.S. sanctions is unlikely to affect either the level or the composition of capital flow in the short term. Sudan is yet to be removed from the U.S. list of State Sponsors of Terrorism (SSTL), further limiting the country's access to external resources. Potentially slow progress on reforms and sizeable external debt and arrears would also be a drag on capital flows.

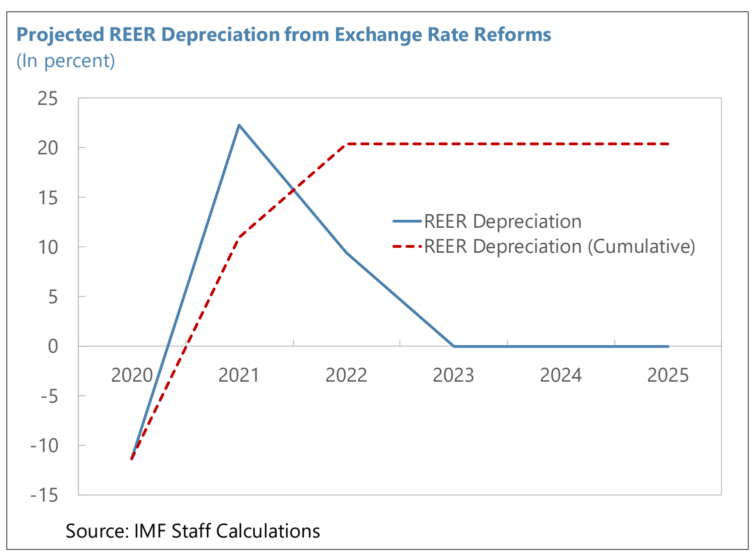
Reserves

Background

7. At end-2019, gross usable international reserves were estimated at $190 million (0.2 months of imports), a slight increase from $183 million in 2018. Reserves rose to $324 million as of May 31, 2020, primarily due to accumulation of $134 million monetary gold, acquired through money creation by the central bank.

Assessment

8. International reserves will remain highly inadequate in the short run, but will increase as policy adjustment under the SMP gains traction. Wide-ranging fiscal, external, and structural reforms under the program would generate a sharp decline in the current account deficit as the policy gap is closed and a substantial REER depreciation is achieved. As a result, reserves are projected to increase to 4 months of imports over the medium term, above the traditionally recommended



minimum of 3 months of imports but still well below the 6–8 months suggested by the IMF's reserve adequacy metric.[1]

Sudan: Results from EBA-Lite Models, 2019
(In percent of GDP, unless otherwise indicated)

	CA model
CA-Actual	**-10.5**
Cyclical Contributions (from model)	-0.5
Additional temporary/statistical factors	0.0
Adjusted CA	**-10.0**
CA Norm (from model) 1/	**-1.8**
Adjustments to the norm	0.0
Adjusted CA Norm	**-1.8**
CA Gap	**-8.1**
o/w Policy gap	-4.5
Elasticity	-0.15
REER Gap (in percent)	**52.7**

1/ Cyclically adjusted, including multilateral consistency adjustments.

[1] International Monetary Fund, 2013, "Assessing Reserve Adequacy for Low-Income Countries," IMF Policy Paper, November (Washington, D.C.: International Monetary Fund). The optimal reserve level is assessed based on the cost of balance of payments crises, the opportunity cost of holding reserves of ½ percent, and an estimated annual marginal return on capital of 6 percent for Sudan.

Annex III. Capacity Development

The Sudanese authorities have received substantial technical assistance (TA) from the IMF in the past to help improve their institutional capacity to support economic reform. However, implementation of past TA recommendations was limited due to lack of political will in the previous regime, scarce resources, and low absorption capacity. Under the SMP, TA will focus on supporting the overall economic reform agenda.

Overall Assessment of Capacity Development

1. Sudan received substantial TA in the past two decades. Through the Middle East Technical Assistance Center (METAC) and Fund headquarters, Fund staff provided technical assistance covering macroeconomic statistics (national accounts, prices, balance of payments, monetary statistics, and government finance), exchange rate policy, AML/CFT, bank supervision and regulation, credit registry, financial stability and stress testing, bank restructuring, currency reform. public financial management, energy subsidies, tax and customs administration and policy, and medium-term fiscal framework. The World Bank has also provided TA in various areas.

2. However, the implementation of TA recommendations was very limited. Except for good progress in the treasury single account reform and moderate progress on macroeconomic statistics, progress in other TA recommendations was mostly delayed or not followed through. There are many reasons for the limited progress, including lack of political will, scarce resources to upgrade IT and retain/attract capable staff, and weak capacity to absorb TA recommendations.

Priorities under the SMP

3. Coordination among various TA providers should be strengthened. With the civilian-led transitional government in place, many donors and IFIs are eager to offer TA to strengthen Sudan's institutional capacity. However, considering the limited absorption capacity of the Sudanese authorities, it is important to strengthen information sharing and coordination among foreign donors and IFIs to focus on addressing the key impediments to reforms in the short run, and to establish a medium-term TA strategy.

4. The focus of TA under the SMP will be on areas that support fiscal consolidation, monetary and financial sector reforms, and improving governance. Fund and World Bank staff have already provided substantial TA on energy subsidy reform and social safety net reform. Given the impact of COVID-19 on international travel and technical limitations of virtual meetings, TA provision under the SMP would need to creatively explore all the available options. In the near term, Fund staff could assist the authorities efforts to upgrade legislation by reviewing the draft of Central Bank Act, Banking Act, and Anti-Corruption Law to ensure that they meet international standards, support the authorities efforts to develop a government securities market, and assist the authorities in their efforts to improve fiscal transparency and anti-corruption legislation. Once traveling is feasible, TA could focus on improving governance, macroeconomic modeling and forecasting, import tariff reform, debt management, monetary policy framework and financial stability.

Appendix I. Letter of Intent

Khartoum, September 2, 2020

Ms. Kristalina Georgieva
Managing Director
International Monetary Fund
700 19th Street N.W.
Washington, D.C. 20431

Dear Ms. Georgieva:

As you know, Sudan's economy has suffered significant setbacks over the past several decades. Three decades of economic mismanagement and poor governance have put our country and its people in a disastrous social and economic predicament. Incomes have been falling, poverty has been increasing and widespread, fiscal and external imbalances are large, inflation is high, the currency is overvalued, and competitiveness is weak. The COVID-19 pandemic and associated health and economic challenges have exacerbated the situation. The new transitional government is committed to addressing the adverse social and economic legacies and meet the aspirations of the Sudanese people to build democratic and prosperous society.

Addressing the deep-seated economic challenges while responding to the pandemic requires strong reforms to be implemented urgently, supported by external financing. In response, we have prepared a comprehensive package of reforms aimed at restoring macroeconomic stability, strengthening governance and the business environment, and responding appropriately to the economic and health fallout from COVID-19. This undertaking is complex, but we are highly committed to these reforms. We also hope that strong policy implementation would catalyze additional support from the international community and soon lead to reaching the HIPC decision point.

Building upon the recent Article IV consultation, the Sudanese government is committed to implementing an economic reform program during 2020–21 to stabilize the economy, entrench credible macroeconomic and financial management, accelerate structural reforms, and fight corruption. To begin this process, we have adopted a revised 2020 budget in line with our reform priorities. Our reform program, monitored by IMF staff, should facilitate our dialogue with multilateral and bilateral creditors and the eventual resolution of Sudan's unsustainable external debt. We believe that the macroeconomic and structural policies under the proposed SMP would be of Upper Credit Tranche (UCT) quality and look forward to the IMF Executive Board's confirmation of this assessment in due course.

In our policy package, we focus on removing fuel subsidies to strengthen the fiscal position and create space to substantially expand the social safety net, improve the healthcare system and mitigate adjustment pains and the negative impact of COVID-19. We will reform the foreign exchange rate system to remove the multiple distortions and help restore the competitiveness of the economy. Major improvements in governance and anti-corruption measures, strengthening the independence of the Central Bank of Sudan are also envisaged, which together with reforms to the business environment, would support inclusive economic growth.

The policies and measures set forth in the attached Memorandum of Economic and Financial Policies (MEFP; Attachment I) reflect the understandings reached with IMF staff during the June 2020 mission, which we believe can achieve the objectives of the program. We will, however, take any additional measures that may become necessary for this purpose. We will remain in close consultation with IMF staff on the adoption of such measures, and in advance of any revisions to the policies contained in the MEFP and its annexes. The government will provide IMF staff with all information that it requests to assess the implementation of the staff-monitored program. In line with our commitment to transparency, we authorize the IMF to publish this letter, the MEFP and its attachments, and the accompanying staff report.

Very truly yours,

/s/	/s/
Hiba Ahmed	Mohamed Elfatih Zeinelabdin Mohamed
Acting Minister, Ministry of Finance and National Economy	Governor, Central Bank of Sudan

Attachment I. Memorandum of Economic and Financial Policies for 2020–21

1. This memorandum sets out the economic and financial policies and objectives of the Government of Sudan for July 1, 2020–June 30, 2021. These policies will be implemented in the context of an IMF staff-monitored program (SMP) to help restore macroeconomic stability and support higher and inclusive growth. The government is determined to implement bold, home-grown structural reforms that have emerged from substantive economic and political dialogue at all levels of government and with domestic stakeholders. We have been making strong efforts to obtain donor financing and hope that credible reforms would catalyze additional donor support and help us progress towards the HIPC decision point.

2. We appeal to the international community to support our reform program, recognize our accomplishments and work toward a rapid resolution of Sudan's debt and arrears problem. Because of the latter, Sudan continues to suffer from limited access to concessional loans. As a low-income and fragile country, it needs concessional lending to develop and diversify its economy. Our infrastructure, reconstruction, and social development projects, which require critical external funding, are an essential component of our strategy to boost economic growth. In recent years, we have had to resort to non-concessional financing, but remain mindful of the risks to debt sustainability and to the concerns of other creditors. We will limit the contracting of such borrowing to an annual amount of $300 million for specific, high rewarding and well-identified projects.

3. Stabilizing the economy calls for bold reforms to address deep seated structural distortions. Recovery from years of economic mismanagement, neglect of basic services and distortions of the civil service requires reshaping the public-policy framework with focus on public service delivery, improving quality of institutions, and progressing toward the sustainable development goals (SDGs). Addressing past inequities and investing in peace, notably in long-neglected and marginalized states, is also critical. To accomplish these objectives while containing the large and rising fiscal deficit and its monetization, we plan to (a) reform subsidies, (b) substantially raise non-oil revenues, (c) strengthen and expand the social safety net; and (d) enhance the oversight and accountability of state enterprises, and strengthen governance. Prudent monetary and financial policies by the Central Bank of Sudan (CBOS) are also important and complementary pillars of our reforms. These policies include reforming the exchange rate system, tightening monetary policy, boosting the resilience of the financial sector, and strengthening the central bank's independence.

4. Social mitigation of the impact of reforms is critical. The planned reforms are likely to reduce the purchasing power of citizens, including through rising prices, before a supply response materializes. To mitigate this impact, we are introducing the Sudan Family Support Program (SFSP), a quasi-universal basic income scheme, which was piloted in June 2020, and will be expanded to cover 80 percent of families by Q1 2021. We are also introducing reforms to counter corruption, strengthen governance, and streamline the business environment.

5. The COVID-19 health and economic fallout adds considerably to our challenges. Given the fragility of the neglected health system, we have introduced a range of restrictions on movement and public gathering, a curfew, and port and airport closures, while also increasing the budget for the Ministry of Health. The containment measures have curtailed economic activities and affected livelihoods. In response we introduced measures to protect jobs and families during this economic crisis. The pandemic unfortunately shows no sign of abating in Sudan, which has the fifth highest number of cases in Sub-Saharan Africa and second highest number of reported fatalities. Nevertheless, the government is committed to the reform effort.

A. Recent Macroeconomic Developments

6. Sudan's economy contracted in the past two years and is expected to shrink sharply in 2020 due to the COVID-19 shock. Reflecting weak competitiveness, poor business environment, and social turmoil, GDP is estimated to have contracted by 2½ percent in 2019, on top of a 2¼ percent contraction in 2018. The containment measures to save lives would further reduce both domestic and external demand, and together with the disruption of international trade would exacerbate the GDP contraction to 8½ percent in 2020.

7. Macroeconomic imbalances are large. The fiscal deficit continued to widen in recent years, to 10.8 percent in 2019, driven by ballooning fuel subsidies and weak revenue mobilization. The deficits were financed mainly by monetization, generating substantial inflation and exchange rate depreciation. The parallel market exchange rate depreciated from SDG85/$ in December 2019 to SDG 143/$ in July 2020. Inflation stood at 144 percent in July 2020. The external current account deficit (cash basis) stood at 10.5 percent of GDP in 2019, mainly due to a widening trade deficit and despite higher external grants. At the same time, gross usable international reserves reached a very low level of $190 million at end-2019. The banking sector remains fragile with several banks undercapitalized.

B. The Economic Program for July 2020–June 2021

8. We are committed to stabilize the economy and create conditions for robust and inclusive growth. We will reform the exchange rate, reduce fiscal imbalances, strengthen the monetary policy framework and bolster the resilience of the banking system. At the same time, we will phase out costly and regressive fuel subsidies, implement the SFSP to mitigate the impact of adjustment on the population, and substantially expand health expenditure to address the COVID-19 health related challenges. We will implement structural reforms to improve governance, fight corruption, and strengthen the business environment to support higher and more inclusive growth. We will continue our extensive consultation and communication campaign to strengthen public buy-in of the reforms.

9. Policy adjustment and reforms, and external financing and debt relief, will help reduce macroeconomic imbalances and support robust and inclusive growth in the medium term. We target to reduce the fiscal deficit by 7¼ percent of GDP by 2021, with a further significant reduction in 2022 following the planned exit from the SFSP. Exchange rate and structural reforms would strengthen competitiveness, significantly narrow the external current account deficit and increase GDP growth to 4½ percent over the medium term. While fuel subsidy and exchange rate reforms would generate sharp increases in prices over 2020–21, inflation would fall considerably thereafter as internal and external imbalances are reduced. We believe that the macroeconomic and structural policies under the proposed SMP would be of Upper Credit Tranche (UCT) quality and look forward to the IMF Executive Board's confirmation of this assessment in due course.

10. While the availability of greater external financing would reduce program-implementation risks, we are determined to press on with the reforms even with limited financing. We estimate an overall external financing need of $5.4 billion over 2020–21 to eliminate fiscal deficit monetization, finance the SFSP, and support the accumulation of international reserves. However, new donor pledges thus far have been well short of the financing needs (about $1.1 billion for fiscal financing, with no pledges for augmenting international reserves). To partially fill the remaining financing gap, we will aggressively pursue the recovery of domestic assets illegally amassed by the previous regime and we have already identified easily marketable assets valued at about SDG 76 billion (or $490 million) that we will dispose of as and when market conditions improve. We will also progressively expand the sales of government securities to banks and nonbanks, thus minimizing deficit monetization.

Exchange Rate, Monetary, and Financial Sector Policies

11. We will reform the exchange rate system to bolster competitiveness and transparency. We will unify all exchange rates (except the customs rate) and allow much greater flexibility for commercial banks and FX bureaus to set exchange rates in line with market conditions by September 2020 (*structural benchmark*). To help manage potentially high volatility in the initial period of the reform we will establish a band on the exchange rates set by commercial banks and FX bureaus. We will consult regularly with IMF staff about the width of the band and stand ready to adjust it as needed to ensure that it does not cause a market segmentation by excessively restraining commercial banks and FX bureaus from adapting to market conditions. After end-March 2021, we will take stock, jointly with IMF staff, of the economic context and experience under the reformed policy with a view toward reassessing the necessity of the band. The customs exchange rate—which is only used in assessing customs duty and VAT on imports—will be adjusted gradually from the current SDG 15/$ from September 2020 and unified with the market rate by June 2021 (*structural benchmark*), thus allowing more time for importers and the general public to adjust to the significant impact on prices. To limit the price impact of this measure, we will also, with IMF technical assistance, reduce the average import tariff rate from the current 20 percent to 10 percent. We will refrain from imposing any administrative restrictions on current account transactions as a means of constraining exchange rate movements.

12. We will ensure that the key pre-requisites for exchange rate reform are in place prior to the reform. To this end, (i) we have completed bank by bank stress tests to exchange rate shocks and developed remedial measures to strengthen resilience to exchange rate movements in identified problem banks, including through recapitalization and temporary regulatory forbearance, prior to the exchange rate reform (*prior action*); and (ii) We have anchored our monetary policy framework to adhere to the reserve money targets under the SMP to help contain inflation.

13. A sound reserve-money targeting framework will require effective monetary instruments. We will set up an active treasury committee to enhance coordination between the central bank and the Ministry of Finance and Economic Planning (MFEP)to improve liquidity management and forecasting to strengthen monetary control. In the short run, the main policy tool for reducing reserve money growth is fiscal consolidation to reduce monetization. We also stand ready to use existing instruments, including reserve requirements and the limited stock of central bank securities, to tighten monetary policy as needed to meet reserve money targets under the SMP. To strengthen our monetary toolkit over the medium term, while also helping to eliminate deficit monetization, we will progressively build a strong and liquid government securities market, with active participation of banks, nonbanks, and the general public, supported by IMF TA. Alongside, we will take concrete steps over the duration of the program to begin to progressively convert the substantial claims of the central bank on the government (SDG 263 billion, 13 percent of GDP) into Musharaka and other Sharia compliant securities, thus considerably increasing the available stock of securities at the disposal of the central bank for managing liquidity. To make government securities more attractive to the private sector, we will substantially increase the real rate of return through market mechanisms.

14. We will strengthen central bank independence. We are upgrading the central bank law to boost its independence and effectiveness, as a key element of economic strategy and in line with IMF TA recommendations. By end-December 2020, a new Central Bank Law will be submitted to the legislative council in line with IMF recommendations that, inter alia, focus the central bank's mandate on price and financial stability, limits monetary financing of the government, and strengthens central bank governance (*structural benchmark*). Passage of the law will be a structural benchmark for June 2021.

15. We will continue to upgrade the central bank's capacity to supervise and mitigate financial stability risks. We will modernize banking regulations in line with Islamic Financial Stability Board standards, strengthen coordination between banking regulation and supervision departments, and boost supervisory vigilance to ensure that banks comply with prudential regulations—notably limits on net open foreign currency position and on lending in foreign currency. Also, we will establish by end-March 2021 regular communication procedures between banking supervision and regulation departments and conduct semi-annual stress tests to identify and address vulnerabilities of individual banks (*structural benchmark)*. Over time, we will strengthen the supervision regime for the banking sector by moving toward a risk-based supervisory regime. These steps would be supported by TA from various IFIs, including from METAC.

16. We will strengthen our bank recovery and resolution framework, based on international good practice. To reduce both the probability and impact of the failure of banks and minimize the cost to the public, CBOS will introduce processes for monitoring recovery and resolution of weak banks with high nonperforming loans, and particularly those classified as systemic by September 2021. This will include guidance on loan restructuring and risk management policies.

By June 2021, CBOS will complete asset quality reviews of systemically important banks based on international standards to obtain a true picture of the health of the banking sector as a basis for future policymaking.

17. CBOS will work to strengthen corporate governance in the banking sector. Measures will be in line with the Basel Committee on Banking Supervision Corporate Governance Principles, and address conflicts of interest and related party transactions and ensure that banks comply with the corporate governance regulations. Notably, central bank officials serving on commercial bank boards will be replaced with independent directors by end 2020, and the central bank will exit its positions in state-owned banks by February 2021 and commercial banks by December 2021.

18. Addressing AML/CFT deficiencies remains a priority. We will complete a national ML/TF risk assessment, increase the capacity of the Financial Intelligence Unit (FIU), fully implement risk-based AML/CFT supervision, and improve the process of freezing terrorist assets. We will also conduct by end-March 2021 thematic AML/CFT on-site inspections of the 10 highest-risk banks as determined by the CBOS off-site tool, and provide aggregate data to the Fund on any related violations found and sanctions levied by the CBOS, in line with the existing legal framework (*structural benchmark)*.

Fiscal Policy

19. Fiscal consolidation is key to stabilizing the economy. It would eliminate monetization, reduce inflation and exchange-rate depreciation, and help reduce external imbalances. Concurrently, the COVID-19 pandemic requires increasing urgently social and health spending to cope with the health challenges and sharp decline in economic activity. Therefore, our fiscal consolidation plan over 2020–21 focuses on (i) fuel subsidy reform to create space for the SFSP, larger health expenditure to address the COVID-19 related spending, and higher public wages to help mitigate social tensions, and (ii) fiscal revenue mobilization through customs exchange rate reform and measures to expand the tax base. Overall, the 2020 revised budget (*prior action*) contains measures that would reduce the fiscal deficit by 4 percent of GDP in 2020. The carryover of these measures and other fiscal consolidation measures, plus the reversal of temporary reductions in revenue caused by COVID-19 in 2020, should further reduce the deficit by 3¼ percent of GDP in 2021. We shall pass a budget for 2021 incorporating all the measures envisaged in the program for 2021.

20. Reducing fossil fuel subsidies, which account for 79 percent of total subsidies, is at the center of our fiscal consolidation efforts. Beginning in February 2020, we gradually increased the market share of gasoline and diesel gas stations selling at a new commercial rate of SDG 28/liter and SDG 23/liter, respectively, on average five times the subsidized prices. We also lifted restrictions on private sector fuel imports. We completed the removal of all diesel and gasoline subsidies as of September 1, 2020, which together with measures earlier in the year will generate savings of 8¼ percent of GDP in 2020 and an additional 1½ percent of GDP in 2021. We will also eliminate the electricity subsidy over 2021–24, further rationalizing and improving the quality of expenditure.

21. Social spending and public wages will rise considerably to mitigate adjustment pain and respond to COVID-19. We estimate the cost of the SFSP and additional health expenditure at 1¼ percent of GDP in 2020 and 1¾ percent of GDP in 2021. The government also raised civil service wages in May 2020 to account for severe erosion in light of high inflation in recent years and contain social tensions in the face of ongoing difficult reforms. This will add 2 percent of GDP to expenditure in 2020. In subsequent years we will keep the wage bill constant as a share of GDP. In line with our fiscal federalism rules, transfers to the states would decline by ½ percent of GDP in 2020 but increase by 3 percent of GDP in 2021.

22. Domestic revenue mobilization and donor financing are important for restoring fiscal sustainability. We will continue to expand the tax base by streamlining tax exemptions and rationalizing corporate taxation while improving tax administration. We will implement revenue measures that are expected to yield the equivalent of ¾ percent of GDP in the second half of 2020, and 4 percent full year in 2021. Despite these efforts, the economic fallout of COVID-19 will reduce revenue by 2½ percentage points of GDP to 5¼ percent of GDP in 2020, before rising to 11 percent of GDP in 2021. Based on donor pledges at the Sudan Partnership Conference on June 25, 2020, and prior assistance for our COVID-19 response, we anticipate additional donor support of $1.1 billion over 2020–2021, which increases foreign grants by 1½ percent of GDP in 2020 and 2 percent of GDP in 2021. In addition, project grants are expected to increase by one percent of GDP in 2021, after the impact of COVID-19 on project implementation disappears. The revenue measures in our recently passed 2020 supplementary budget include:

- By August 1, 2020: (i) removing value added tax (VAT) exemptions granted to the sales of sports equipment (local and imported), manufacturing inputs, plates and plate-printing machines, diesel, gasoline, and sugar; (ii) raising the VAT rate on telecommunication services from 35 percent to 40 percent; and (iii) raising corporate income tax rates from 10–12 percent to 15–25 percent and the property lease tax rate from 10 percent to 12 percent. Altogether, these measures are expected to yield ½ percent of GDP in additional revenue in 2020, with full year impact in 2021 and beyond.

- Valuation effects of liberalizing all but the customs exchange rate on oil revenue and grants, which is expected to yield ¼ percent of GDP in the second half of 2020, with additional full year impact in 2021.

- Gradually increasing the customs exchange rate while reducing the average import tariff rate from 20 percent to 10 percent would raise VAT and import duty receipts by ½ percent of GDP in 2020 and 3½ percent of GDP in 2021.

- Also, under the 2021 budget we will remove income tax exemptions for roughly 80 percent of the companies that currently benefit from these exemptions. We will continue to improve the tax administration to widen the tax-base and curb tax evasion, including by consolidating all tax collection agencies.

23. The budget financing need is estimated at SDG 308 billion (6.8 percent of GDP) in 2020 and SDG 367 billion (3.5 percent of GDP) in 2021. In view of the adverse budgetary impact of COVID-19 in 2020, and assuming net external financing is limited to the equivalent of SDG 7 billion ($127.3 million or 0.2 percent of GDP), the difference will be covered by domestic financing, notably sale of recovered assets (SDG 35 billion) and credit from the banking system (SDG 267 billion). In 2021, expected external financing is projected at about SDG 42 billion ($130 million or 0.4 percent of GDP), with the remaining balance SDG 325 billion (3.1 percent of GDP) covered by domestic bank financing and proceeds from sale of recovered assets. In case external financing exceeds the programmed amounts, government borrowing from the banking system will be reduced by the excess.

24. We will strengthen public financial management. Key areas include budget planning, fiscal reporting, fiscal risk management, and the treasury single account (TSA). We will continue technical work to incorporate a medium-term fiscal framework into budget planning by 2022 and strengthen the macro-fiscal unit to enhance policy formulation. We have made good progress in establishing the TSA, and will continue to improve cash forecasting, extending the setting of cash ceilings for ministries, departments, and agencies from one to three months, improving management of payments, and gradually extending to extrabudgetary funds. We have also recently consolidated all bank accounts of ministries and public corporations held at the CBOS into a single treasury account. To enhance transparency of budget execution, by end-December 2020, the MFEP will publish on its website monthly budget execution reports consistent with the GFSM2001 (*structural benchmark)*. We will also strengthen public procurement rules with technical assistance from the World Bank.

Other Structural Reforms

25. Unlocking Sudan's private sector potential is key to robust and inclusive growth. The IFC and the World Bank, together with donors, have been supporting our efforts to improve the investment climate, foster Public-Private Dialogue, strengthen the legal and institutional framework for Public-Private Partnerships (PPPs), and support MSME development, focusing on access to finance, business entry and taxation, innovation and entrepreneurship. The IFC will also prepare a private sector diagnostic to provide the analytical underpinning for prioritizing economy-wide and sector-specific interventions. In addition, the IFC intends to scale up its advisory services to support the establishment of the new Investment and Private Sector Development Authority and assess our investment projects.

26. Combating corruption and improving governance are key priorities of the transitional government. This has been enshrined in the Constitutional Declaration governing the transitional period. Ongoing and planned reforms include:

- The passage of a new Anti-Corruption Law by October 2020 *(structural benchmark)*, and the establishment of an independent Anti-Corruption Commission (as tasked by the Constitutional Declaration) by March 2021 with strong mandate to prevent, detect, and investigate *(structural benchmark)*. The law also aims to strengthen the role of civil society and journalism in combating corruption;

- Full implementation of the law—passed in December 2019—to dismantle the corrupted institutions of the former regime, recover looted assets, and bring to justice individuals associated with the former regime who obtained these assets through corrupt practices. All these assets will be transferred to the MFEP, and their disposal and use of related resources will adhere to fully transparent procedures;

- Enhancing oversight over state-owned enterprises (SOEs) by preparing and publishing by end-December 2020 an inventory of all SOEs including those supervised by MFEP, line ministries and security sector. We will transfer by end-December 2020 financial oversight responsibilities of all SOEs to the MFEP. Over the medium run we will assess the strategic objectives of SOEs and the role of government, with the aim to determine those that should remain public and those to be privatized.

- Improving the quality and frequency of key macroeconomic statistics would help strengthen governance and policymaking substantially. To this end, we will prioritize efforts to improve macroeconomic data quality, including national accounts, BOP, and labor market data, with technical assistance from the IMF, other International Financial Institutions, and from bilateral donors.

C. External Debt and Relief Prospects

27. Sudan is in debt distress. Our external debt stock amounted to about $56 billion, or 198 percent of GDP at end-2019, rising from 176 percent of GDP in 2018 due to large currency depreciation from SDG45/$ to SDG72/$ on a weighted average basis. About 85 percent of the external debt was in arrears in 2019. The bulk is public and publicly guaranteed (PPG) debt ($54.6 billion, of which 85 percent are in arrears), mainly owed to bilateral creditors and roughly equally divided between Paris Club and non-Paris Club credit. About $1.8 billion is private debt owed to suppliers. Resolving the unsustainable debt burden is critical to our development efforts, especially those associated with our poverty reduction and MDG targets. Currently, we continue to accumulate arrears.

28. Our debt strategy is to assure the flow of financing for critical development projects. We will continue to partially service debt to those creditors who provide net positive flows to Sudan. We strive to secure this financing at the most concessional terms possible, while recognizing that any new borrowing will eventually need to be treated as part of any comprehensive debt relief workout. As in the past, any new non-concessional borrowing will finance critical public services in physical infrastructure and social programs. We will regularly report information on debt service payments to creditors—including the amounts of inflows and outflows, the credit outstanding and how much of it is in arrears, and the amount of the debt falling due each year—starting with data from January 2020, to IMF staff.

29. We will continue to intensify outreach to international partners to secure debt relief. This will entail: (i) reaching out to creditors with a view to seek a fast-track debt relief process; (ii) minimizing non-concessional borrowing; and (iii) strengthening cooperation with the IMF. The government will consult with the multilateral institutions, including the IMF, World Bank, and African Development Bank on modalities for eliminating arrears with those institutions, with a view to eventually seeking comprehensive debt relief through the HIPC process. Discussions continue with the U.S. government on the removal of Sudan from the SSTL. We expect to finalize a full poverty reduction strategy by end-December 2020.

30. We are hopeful that the international community will recognize our track record and provide debt relief comparable to that provided to other countries. Prior to the secession, we agreed with South Sudan on a "zero option" clause, under which we would shoulder the entire external debt, provided that the international community provides firm commitments to the delivery of debt relief within two years. We have agreed to extend this agreement on several occasions since 2014. Absent timely progress in debt relief, Sudan's external debt will need to be apportioned with South Sudan based on a formula to be determined, which could undermine recent progress in peace building in the region.

D. Program Modalities and Monitoring

31. Performance under the program will be monitored through semi-annual reviews. The program has two prior actions, four quantitative benchmarks, three indicative targets and eleven structural benchmarks. The quantitative benchmarks and indicative targets are described in Table 1, and the prior actions and structural benchmarks in Table 2. The Technical Memorandum of Understanding (TMU) contains definitions of the quantitative benchmarks, indicative targets and structural benchmarks. It also specifies data required to monitor the program that the government will need to provide to Fund staff on a timely basis.

32. We will set up an institutional framework to monitor program execution and improve data collection. The institutional framework will comprise key decision makers on economic and financial matters, notably the Finance Minister, the Petroleum and Mining Minister and the Governor of CBOS. They will be assisted by a Technical Committee (TC) that will monitor execution of the SMP and report on a regular basis. This TC will comprise senior officials from the Finance and Mining and Petroleum Ministries, the Central Bank of Sudan, the Statistics Office, and other institutions that are key to ensuring adequate execution of the program.

33. We reaffirm our commitment to cooperate with the IMF on both policies and payments. The exceptional circumstances of the COVID-19 pandemic have had a detrimental impact on our capacity to pay. We welcome staff's assessment which supports a reduced annual payment to the Fund starting in 2021. We are committed to make regular quarterly payments at least sufficient to cover our obligations falling due, and to increase them as our capacity to repay improves. There is also a need to mobilize resources for the IMF's share of debt relief given that the original financing of the HIPC Initiative did not include the cost of debt relief to Sudan.

Table 1. Sudan: Quantitative Targets, 2020–2021 1/

	2019 December	2020 December	2021 June
Quantitative Benchmarks			
Banking system net credit to the central government (ceiling: in SDG billion)	386	672	819
CBOS net domestic assets (ceiling: in SDG billion) 2/	830	1,083	1,203
Net international reserves (floor: in millions of U.S. dollars) 2/	(728)	(594)	(511)
Contracting or guaranteeing of external long term non-concessional debt by the government or the central bank(ceiling: in millions of U.S. dollars) 3/	230	300	150
Indicative Targets			
Social spending (floor: in SDG billion)	15	99	201
Nonoil primary deficit (ceiling: in SDG billion)	242	367	274
Reserve money (ceiling: in SDG million) 2/	516	766	890
Memorandum items:			
Exrernal non-project grants for Family Support Program (in millions of U.S. dollars)		328	600
Other external non-project grants (in millions of U.S. dollars)	-	212	-
Government asset sales (in SGD billion)		35	41
External non-project loans (in millions of U.S. dollars)	91	127	60

1/ The variables are defined according to the TMU.

2/ Evaluated using program exchange rate of 45 SDG per U.S. dollar.

3/ Continuous benchmark; flow from the beginning of the year.

Table 2. Sudan: Prior Actions and Structural Benchmarks Under the SMP		
Benchmarks	**Target Date**	**Macroeconomic Rationale**
Prior Action		
1. Complete the stress testing of individual bank resilience to exchange rate movements and prepare appropriate measures to mitigate risks in each problem bank ahead of exchange rate reform, in consultation with the IMF.		Prepare for the exchange rate reform
2. Legislative council to pass a revised 2020 budget consistent with program objectives, including incorporating a substantial expansion of the social safety net under the Sudan Family Support Program, increased health expenditure to address COVID-19 needs, and revenue mobilization through customs exchange rate reform and expansion of the tax base.		Fiscal consolidation
Structural Measures		
Public financial management		
1. The MOFEP to publish on its website monthly budget execution reports that show actual revenue and expenditure for budgetary central government in comparison with original and revised budget, consistent with the GFSM2001.	Dec. 2020	Improve budget classification and fiscal reporting
Expenditure policy		
2. Adopt automatic fuel pricing mechanism to ensure that retail diesel and gasoline prices reflect all costs, thus eliminating subsidization.	Sept. 2020	Support fiscal consolidation
Governance		
3. Prepare and publish an inventory of all state-owned enterprises including those supervised by ministry of finance, line ministries and security sector.	Dec. 2020	Improve fiscal transparency
4. Pass a new anti-corruption law, in line with international best practices as agreed in consultation with the IMF, that clearly defines what actions constitute corrupt practices and creates an independent anti-corruption commission.	Oct. 2020	Fight corruption and improve governance
5. Establish an independent anti-corruption commission, consistent with the provisions of the new anti-corruption law.	March. 2021	Fight corruption and improve governance
Monetary and Financial Sector		
6. Finalize an amended Central Bank Law in consultation with IMF staff to, inter alia, (i) establish a central bank mandate focusing on price stability; (ii) strengthen the Central Bank institutional, functional, personal, and financial autonomy, including by limiting monetary financing of the Government and prohibiting the central bank to conduct quasi-fiscal operations; (iii) improve its decision-making structure, by ensuring collegial decision-making, providing for effective oversight over executive; and (iv) enhance transparency and accountability provisions.	Dec. 2020	Enhance central bank independence and improve governance
7. Enact a new Central Bank Law in consultation with IMF staff that, inter alia, (i) establishes a proper central bank mandate focusing on price stability; (ii) strengthens the Central Bank institutional, functional, personal, and financial autonomy, including by limiting monetary financing of the Government and prohibiting the central bank to conduct quasi-fiscal operations; (iii) improves its decision-making structure, by ensuring collegial decision-making, providing for effective oversight over executive; and (iv) enhances transparency and accountability provisions.	Jun. 2021	Enhance central bank independence and improve governance
8. Unify all but the customs exchange rate and allow commercial banks and FX bureaus to set exchange rates in line with market conditions, but subject to an adjustable band around the daily official exchange rate. Central Bank sets daily official exchange rate based on market average exchange rate.	Sept. 2020	Strengthen competitiveness and reduce distortions
9. Gradually adjust customs exchange rate towards market exchange rate and fully unify by June 2021.	Jun. 2021	Eliminate distortion in the exchange rate market
10. Establish regular procedures for communication between banking supervision and regulation departments; and conduct semi-annual stress tests to identify and address vulnerabilities of individual banks to exchange rate movements.	Mar. 2021	Strengthen financial sector soundness
11. (i) Conduct thematic AML/CFT on-site inspections of the ten highest-risk banks as determined by the CBOS off-site tool, focusing on politically exposed persons (PEPs), suspicious transaction reporting, and higher-risk customers and transactions in the real estate sector; and (ii) provide aggregate data to the Fund on any related violations found and sanctions levied by the CBOS, in line with the existing legal framework.	Mar. 2021	Reduce vulnerabilities to corruption and related money laundering

Attachment II. Technical Memorandum of Understanding

1. This technical memorandum of understanding (TMU) sets out the framework for monitoring the performance of Sudan under the 2020–21 Staff-Monitored Program (SMP). It specifies the quantitative benchmarks, indicative targets, and structural benchmarks that will be the basis for monitoring the implementation of the SMP. In addition, the TMU establishes the terms and timeframe for transmitting the data that will enable Fund staff to assess program implementation and performance.

2. The SMP will be monitored based on four semi-annual quantitative benchmarks and three indicative targets for end-December 2020 and end-June 2021.

3. The quantitative benchmarks are:

(i) ceiling on net credit to the central government by the banking system;

(ii) ceiling on the net domestic assets of the Central Bank of Sudan (CBOS);

(iii) floor on the stock of net international reserves of the CBOS; and

(iv) ceiling on new non-concessional external loans contracted or guaranteed by the government or the central bank.

4. The indicative targets are:

(i) floor on social spending;

(ii) ceiling on reserve money; and

(iii) ceiling on non-oil primary deficit.

Some of these targets are subject to adjustors. The definitions of these variables and the adjustors are set out below. All the quantitative targets and structural benchmarks are displayed in Tables 1 and 2 of the MEFP.

5. To evaluate program targets, the local currency equivalent values of foreign exchange denominated items in the balance sheet of the CBOS will be calculated at the program exchange rates of SDG 45.0 per U.S. dollar and SDG 62.2 per SDR, and the program monetary gold price of $3,890 per gram.

Definitions

6. Net domestic assets (NDA) of the Central Bank of Sudan (CBOS) are defined as the sum of the stock of Net Domestic Credit of the CBOS, excluding claims on the government corresponding to its overdue obligations to the IMF ("IMF on-lent"), plus claims on public enterprises, claims on commercial banks, and plus other items net:

- CBOS net credit to the central government (NCG) is defined as CBOS credit to the central government minus total central government deposits. Central government deposits include all accounts of line ministries and agencies controlled by the government;

- CBOS credit to the central government includes temporary advance, CBOS's holdings of Government Musharaka Certificates (GMCs) and Government Investment Certificates (GICs), CBOS long-term claims on the central government; central bank losses on gold purchases (devaluation in gold dealings), loan resulted from separation of South Sudan, accumulated interest arrears, sundry debtors, payments to meet government obligations, advances to cover foreign currency obligations, Sudan Cotton Comp. Facility, other long term assets, accrued revenue Shahama Certificates, Ministry of Finance (due to commercial banks)-sugar, stock of CBOS credit to government arising from the financing of wheat subsidies (difference in wheat price), Ministry of Finance debts-ONB shares, and Sudanese Petroleum Corp. overdues and settlement of petroleum shipments value.

  - CBOS claims on public enterprises are defined as CBOS credit to public enterprises.

  - CBOS claims on commercial banks are defined as CBOS credit to commercial banks.

- Other items net is the difference between other assets and other liabilities as reported in [CBOS balance sheet as reported by the IMF's Statistics Department], adjusted for exchange rate revaluations arising from the difference between current and program exchange rate (s); and

- The central government comprises all accounts of line ministries and agencies controlled by the government (corresponding to Group no. 11, Group no. 12, and some accounts of the Group no. 19 in the CBOS general ledger), and margin deposits placed with the CBOS by the central government against letters of credit issued by the CBOS.

- **Adjustors:** The ceiling on net domestic assets of the CBOS set in Table 1 will be lowered *pro tanto* of any excess of non-project external grants and loans relative to program projections. *It will be increased pro tanto of any shortfall in non-project external grants and loans (excluding those for the Sudan Family Support Program (SFSP)) relative to program projections. The ceiling on net domestic assets of the CBOS will be lowered pro tanto of any excess of receipts from government asset sales. It will be increased pro tanto of any shortfall in receipts from government asset sales.*

7. **Net international reserves (NIR)** are the stock of gross official usable international reserves *minus* short-term liabilities. The gross official usable international reserves comprise foreign exchange banknotes in the vaults of the central bank, monetary gold, and SDR holdings. Short-term liabilities comprise short-term liabilities as reported in the balance sheet of the CBOS.

8. **Net credit to the central government by the banking system** is defined as the stock of net credit to the central government by the CBOS plus net credit to the central government by commercial banks. The definition of central government for the purpose of this benchmark is the same as the one applied for the NDA of the central bank.

- **Adjustors:** The ceiling on the net credit to government by the banking system set in Table 1 will be lowered *pro tanto* of any excess of non-project external grants and loans (excluding that for the SFSP) relative to program projections. *It will be increased pro tanto of any shortfall in non-project external grants and loans relative to program projections. The ceiling on net credit to government by the banking system will be lowered pro tanto of any excess in receipts from government asset sales. It will be increased pro tanto of any shortfall in receipts from government asset sales*

9. Non-oil primary balance of the central government (NOPB) is defined as non-oil revenues[1] minus expenditures excluding interest payments cumulatively since the beginning of the calendar year.

- **Adjustors**: The floor on the NOPB set in Table 1 will be lowered (raised) *pro tanto* for any excess (shortfall)of project external loans relative to program projections. The floor on the NOPB set in Table 1 will be raised (lowered) pro tanto for any excess (shortfall) of non-project grants and loans (excluding those earmarked for the SFSP) relative to program projections. The floor on the NOPB will be lowered pro tanto for any shortfall in external non-project grants earmarked for the SFSP.

10. Debt is defined for program purposes in accordance with Executive Board Decision No. 12274, Point 9, as revised on August 31, 2009 (Decision No. 14416-(09/91)).

- For the purpose of this guideline, the term "debt" will be understood to mean a current, i.e., not contingent, liability, created under a contractual arrangement through the provision of value in the form of assets (including currency) or services, and which requires the obligor to make one or more payments in the form of assets (including currency) or services, at some future point(s) in time; these payments will discharge the principal and/or interest liabilities incurred under the contract. Debts can take several forms, the primary ones being as follows:

  (i) loans, i.e., advances of money to the obligor by the lender made on the basis of an undertaking that the obligor will repay the funds in the future (including deposits, bonds, debentures, commercial loans and buyers' credits) and temporary exchanges of assets that are equivalent to fully collateralized loans under which the obligor is required to repay the funds, and usually pay interest, by repurchasing the collateral from the buyer in the future (such as repurchase agreements and official swap arrangements);

[1] Oil revenues are receipts from sales of the government's share of domestic oil production *plus* receipts from the transitional financial arrangement paid by South Sudan *plus* oil-transit fees paid by South Sudan to export its oil through Sudan's oil pipeline *plus* receipts from granting exploration rights, and signature bonuses.

(ii) suppliers' credits, i.e., contracts where the supplier permits the obligor to defer payments until sometime after the date on which the goods are delivered or services are provided; and

(iii) leases, i.e., arrangements under which property is provided which the lessee has the right to use for one or more specified period(s) of time that are usually shorter than the total expected service life of the property, while the lessee or retains the title to the property. For the purpose of the guideline, the debt is the present value (at the inception of the lease) of all lease payments expected to be made during the period of the agreement excluding those payments that cover the operation, repair or maintenance of the property.

- Under the definition of debt set out in point (a) above, arrears, penalties, and judicially awarded damages arising from the failure to make payment under a contractual obligation that constitutes debt are debt. Failure to make payment on an obligation that is not considered debt under this definition (e.g., payment on delivery) will not give rise to debt.

11. A non-concessional external debt ceiling applies to the contracting and guaranteeing by the central government or central bank of new non-concessional borrowing debt with nonresidents with original maturities of one year or more. The ceiling applies to debt and commitments contracted or guaranteed for which value has not yet been received. This applies to private debt for which official guarantees have been extended and which, therefore, constitute a contingent liability of the central government or central bank.

- For program purposes, the guarantee of a debt arises from any explicit legal obligation of the public sector to service a debt in the event of nonpayment by the debtor (involving payments in cash or in kind), or from any implicit legal or contractual obligation of the public sector to finance partially or in full any a shortfall incurred by the debtor.

12. For program purposes, a debt is concessional if it includes a grant element of at least 35 percent, calculated as follows: the grant element of a debt is the difference between the present value (PV) of debt and its nominal value, expressed as a percentage of the nominal value of the debt. The PV of debt at the time of its contracting is calculated by discounting the future stream of payments of debt service due on this debt. The degree of concessionality of debt will be calculated using a 5 percent discount rate.

13. Reserve money is defined as the sum of local currency circulating outside of the banks, total reserves (required and excess) of banks, and deposits of local and state governments and non-financial public corporations at the CBOS.

14. Priority social spending of the central government is defined as the central government's spending on social benefits program that includes cash transfer, spending on health insurance, on primary health care, students support, unemployment benefits and other social programs to cope with COVID-19 in 2020.

The List of Social Benefits
National fund for sponsorship for students Support social activities Support for medical treatment abroad Support medical treatment domestic Support for life saving medicine Support for hospital surgery Support for treatment of accident Food for prisoners Medical treatment of prisoners Health insurance for poor families Special support for cardio hospital Salaries of island Al Jazeera Salary of social insurance Removing wage gaps Family Support Program

Program Monitoring

15. The Sudanese authorities shall maintain a program-monitoring committee composed of senior officials from the Ministry of Finance, the Ministry of Minerals, Oil and Gas, the CBOS, Ministry of Labor and Administrative Reforms, and other relevant agencies. The IMF Resident Representative will have observer status on this committee. The committee should be responsible for monitoring the performance of the program, recommending policy responses, informing the IMF regularly about the progress of the program, and transmitting the supporting materials necessary for the evaluation of benchmarks. The committee should provide the IMF with a progress report on the program on a monthly basis within four weeks of the end of each month, using the latest available data.

Data Reporting

16. The following table contains the agreed reporting framework. To the extent possible, the data will be submitted in both printed and electronic form to the IMF local office and uploaded to the IMF's Integrated Monetary Database and Balance of Payment database. Every data submission should begin with January 2020, with revision of previous months identified.

Reporting Agency	Type of Data	Description of Data	Frequency	Timing (within period specified)
Central Bank of Sudan	CBOS balance sheet and CB-1SR	Detailed CBOS balance sheet	Monthly	30 days after the end of each month
	Monetary survey and ODC_2SR	Banking system balance sheet and consolidated balance sheet of commercial banks	Monthly	30 days after the end of each month
	Comprehensive lending to central government by CBOS	Details of CBOS claims on the Central Government (see attached template)	Monthly	30 days after the end of each month

Reporting Agency	Type of Data	Description of Data	Frequency	Timing (within period specified)
	Cash flow of foreign exchange	Cash flow data of foreign exchange, including sales and purchases by the dealing room at the CBOS (see attached template)	Monthly	2 weeks after the end of each month
	Banking indicators	Capital adequacy; asset composition and quality including nonperforming loans; profitability; liquidity; open FX positions; and compliance with prudential norms	Monthly	30 days after the end of each month
	Exchange Rates	Official Exchange Rate (bid/ask)	Daily	2 days after the end of each week
		Average of exchange rates used to calculate the bid and ask rates of official exchange rate	Daily	2 days after the end of each week
		Market Exchange Rate (bid/ask)	Daily	2 days after the end of each week
	Balance of payments	Detailed composition (exports, imports volume and values, invisible transactions, quarterly BOP tables).	Quarterly	2 months after the end of each quarter
	External debt	Contracting or guaranteeing of medium-and long-term external debt of the government, the CBOS, and state-owned companies	Quarterly	1 month after the end of each quarter
		Disbursements and repayments, (i) scheduled, and (ii) actual interest and principal on debt of the government, the CBOS, and state-owned companies, by creditor	Monthly	30 days after the end of each month
Ministry of Finance and Economic Planning	Central government operations	Revenues, expenditures, and financing as in GFSM 2001 format	Monthly	45 days after the end of each month
	Privatization receipts	Detailed figures for each transaction and nature of the transaction	Monthly	30 days after the end of each month

Reporting Agency	Type of Data	Description of Data	Frequency	Timing (within period specified)
	Central government domestic debt	End-month stocks, and monthly issuances and repayments, of all domestic debt instruments: GMCs, GICs, loans and advances from the ban king system, sanadat, letters of guarantee, standing orders, accounts payable (including arrears) and amortization schedule	Monthly	30 days after the end of each month
	Social spending	Spending on direct cash transfer, education, health and training	Monthly	45 days after the end of each month
	External support	Disbursement of grants, disbursement and repayment (principal and interest) of loans by donor, breakdown of foreign budget and project grants	Monthly	30 days after the end of each month
Central Bureau of Statistics	CPI	Including detailed data and inflation for imported products	Monthly	2 weeks after the end of each month
Ministry of Finance and Economic Planning / Ministry of Minerals, Oil and Gas	Oil transit fees/TFA, from South Sudan	Shipment data, listing by blend specifying date, quantity, prices, and values in US$ and in guinea	Monthly	30 days after the end of each month
	Crude oil	Production by block; share of Sudan and foreign partners; prices and values ($ million), investment and production costs by block	Monthly	30 days after the end of each month
	Sales to refineries	Sales listing by refineries specifying date, quantity, prices, and values in US$ and in guinea	Monthly	30 days after the end of each month
	Refineries	Volumes and prices of production, cost of crude oil, consumption and imports of gasoline, gasoil, fuel oil, jet oil, kerosene, and LPG	Monthly	30 days after the end of each month
	Fuel prices	Gasoline and diesel prices at the domestic market, and automatic pricing formula	Monthly	30 days after the end of each month

Templates for Data Reporting Under the SMP

Claims on Central Government (comprehencive concept)					
	In SDG Thousand				
Currency	**Item**	01/01/20	02/01/20	03/01/20	04/01/20
	Temporary Advances				
	Government Musharka Certificates (GMCs)				
	Government Investment Certificates (GICs)				
	Loan Resulted From Separation				
	Devaluation in Gold Dealings				
	Long-term Claims				
	Accumulated interest arrears				
	Sundry Debtors				
	Payment to meet Gov. obligation				
	Advances covered in foreign currency				
	Sudan Cotton Comp. Facility				
	Other assets long-term				
	Accrued Revenue SHAHAMA certificates				
	Ministry of Finance (Due to commercial.Banks)-Suguar				
	Difference in wheat price				
	MOF debts- ONB shares				
	Sudanese Petroleum Corp-overdues				
	Settlement of petroleum shippment value				
	Claims on Central Government	0.0			
	Claims on MOF (under unclassified assets)	0.0			
	Total claims on central government	0.0			

Central Bank of Sudan Foreign Exchange Monthly Cash Flow												
(US$ M)												
	JAN	**FEB**	**MAR**	**APR**	**MAY**	**JUN**	**JUL**	**AUG**	**SEP**	**OCT**	**NOV**	**DEC**
RESOURCES												
Balance in the beginning period (cash and balance in the deposit account)												
Oil Proceeds												
Invisibles*1												
Dealing Room Purchases(=1+2+3)												
1. Purchase from military												
2. Purchase from commercial banks												
3.Purchase from others												
Gold Proceeds												
Loans or deposits from foreign residents												
Cotton Revenues												
Return on investment												
Facilities with Correspondents												
Others												
Total cash in-flows												
	JAN	**FEB**	**MAR**	**APR**	**MAY**	**JUN**	**JUL**	**AUG**	**SEP**	**OCT**	**NOV**	**DEC**
USES												
Sales to Government for petroleum												
Sales to Government for eletricity												
Sales to public entities												
Sales to commericial banks												
CBOS Operations												
Repayment of short-term liabilities												
Others												
Total cash outflows												-
Balance in the end_period (balance in the beginng_period+cash inflows-cash outflows)												-

Sudan: Financial Soundness Indicators for the Banking Sector

Capital Adequacy	2020M1	2020M2	2020M3	2020M4	2020M5	2020M6	2020M7	2020M8	2020M9	2020M10	2020M11	2020M12
Regulatory capital to risk-weighted assets												
Regulatory Tier I capital to risk-weighted assets												
Asset composition and quality												
Gross NPLs to gross loans												
NPLs net of provisions to core capital												
NPLs net of provisions to gross loans												
Loans' provision to NPLs												
Gross NPLs to assets												
Finance to total assets												
Off- balance sheet to capital												
Foreign currency loans to total loans												
Deposits and investment accounts to total assets												
Foreign currency deposits to total deposits												
Off- balance sheet commitments to assets												
Foreign finance to foreign deposits												
Earnings and Profitability												
ROA (before tax)												
ROE(before tax)												
Liquidity												
BOS deposits to total assets												
Required reserves to total assets												
Required reserves to total reserves												
Cash in vault to total assets												
Liquid assets to total assets												
Liquid assets to total short-term liabilities												

INTERNATIONAL MONETARY FUND

SUDAN

STAFF-MONITORED PROGRAM—DEBT SUSTAINABILITY ANALYSIS

September 10, 2020

Approved By
Subir Lall, Gavin Gray (IMF) and Marcello Estevão (IDA)

Prepared by the staffs of the International Monetary Fund (IMF) and the International Development Association (IDA)

Risk of external debt distress	*In debt distress*
Overall risk of debt distress	*In debt distress*
Granularity in the risk rating	*Debt is unsustainable*
Application of judgment	*No*

This debt sustainability analysis (DSA) confirms that Sudan continues to be in debt distress.[1] *Both public and external debt ratios remain high, and the bulk of external debt is in arrears. Consistent with the results of past DSAs, Sudan's external debt is assessed to be unsustainable. All external debt indicators breach their indicative thresholds under the baseline scenario and debt solvency indicators stay above the thresholds throughout the time horizon of the analysis. Restoring debt sustainability will require Sudan to implement needed reforms, undertake sound economic policies, and build a strong track record of policy implementation to remove obstacles as the country moves towards HIPC debt relief.*

[1] This DSA was prepared jointly by IMF and World Bank staff under the joint Fund-Bank Low-Income Country (LIC) Debt Sustainability Framework (DSF). Sudan's fiscal year runs from January 1 to December 31.

BACKGROUND AND RECENT DEVELOPMENTS

1. **Sudan's economy has never fully adjusted to the secession of South Sudan in 2011, which resulted in a sharp decline in its oil exports and fiscal revenues.** Sudan lost about 75 percent of oil production, 66 percent of exports, and half of fiscal revenues after the secession.[2] Despite the U.S. revocation of commercial sanctions in October 2017, Sudan remains on the U.S. list of state sponsors of terrorism, (SSTL), which hinders external investment, and presents challenges for progress toward the clearance of large arrears, including to the Fund, World Bank and AfDB, and toward HIPC debt relief.[3] The economy is shrinking, fiscal and external imbalances are large, inflation is high, the currency is overvalued, and competitiveness is weak. The humanitarian situation is dire with large numbers of internally displaced people and refugees. The new civilian-led government have undertaken efforts to reform and stabilize the shrinking economy and re-engage Sudan with the international community, but the social situation remains fragile.

2. **Economic performance deteriorated in 2019.** The economy contracted by 2.5 percent in 2019 after contracting by 2.3 percent in 2018. Inflation rose significantly after currency devaluation and reached 73 percent in end-2018. Following a reduction in January 2019 due to base effects, inflation continued to rise to 57 percent in December 2019 reflecting loose fiscal and monetary policies, as well as exchange rate depreciation. The fiscal deficit continued widening in 2019 to 10.8 percent of GDP, mainly financed through monetization.[4] The current account deficit (cash basis) widened mainly due to rising imports and currency depreciation to 10.9 percent of GDP in 2019. Gross usable reserves remained very low in 2019, coming in at $190 million.

3. **Prospects for debt relief.** Debt relief prospects are predicated on obtaining assurances of support from key creditors, normalizing relations with international financial institutions, and establishing a track record of cooperation with the IMF and the World Bank on policies. Outreach to the donors' community to raise the needed funds has intensified as has the dialogue with creditors to garner support for debt relief.

STRUCTURE OF DEBT

4. **Sudan's debt data quality and coverage remain limited.[5]** Historical debt data were provided by the Sudanese authorities, complemented by information obtained during the 2011 external debt

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[2] Sudan and South Sudan also reached the so-called "zero option" agreement in September 2012, whereby Sudan would retain all external liabilities after the secession of South Sudan, provided that the international community gave firm commitments to the delivery of debt relief within two years. Absent such a commitment, Sudan's external debt would be apportioned with South Sudan based on a formula to be determined. The two parties have agreed to extend this agreement on several occasions.

[3] As of end-June 2020, arrears to the IMF and WB amounted to $1,325.6mn and $1,035.8mn, respectively. Arrears to the AfDB group amounted to $377.5mn as of June 15 2020.

[4] The difference between the on-budget and true fiscal deficits is the implicit subsidies not reported in the budget but financed through monetization by the central bank.

[5] External debt data were partially updated in December 2019 during the Article IV consultation mission.

reconciliation exercise, as well as Fund and World Bank staffs' estimates. The External Debt Unit at the Central Bank of Sudan (CBOS) produces comprehensive quarterly and annual report on external debt and data are collected by using primary information from both the Ministry of Finance and Economic Planning (MOFEP) and the lenders, but they are not always verified with actual cash flows in the corresponding bank accounts. The external debt reports are not consistent with other related fiscal report as well. There are considerable information gaps between the IMF maintained dataset and the external debt report, mostly due to difficulties in obtaining data on the terms of the loans and breakdown of existing debt. In case of data discrepancies projections were based on a prudential approach, to avoid underestimation of debt. Debt data covers mainly central government, as state and local governments are not allowed to borrow according to the Constitution, while other public entities in general government are still not captured in the debt coverage. Letter of guarantees (LG) are issued by the central bank on request of the Ministry of Finance and Economic Development (MOFEP) as a hybrid financing instrument used mainly to fund development projects. However, reporting issues of LGs were identified by the IMF technical assistance (TA) mission, where the central government budget recorded the full amount of LG as debt when they were issued only as commitment.[6] External debt is defined based on currency.

Subsectors of the public sector	Check box
1 Central government	X
2 State and local government	X
3 Other elements in the general government	
4 o/w: Social security fund	
5 o/w: Extra budgetary funds (EBFs)	
6 Guarantees (to other entities in the public and private sector, including to SOEs)	X
7 Central bank (borrowed on behalf of the government)	
8 Non-guaranteed SOE debt	

5. Sudan's external debt remains very high. External debt is estimated to amount to about $56.3 billion, or 199 percent of GDP at end-2019, rising from 182 percent of GDP in 2018 due to large currency depreciation from SDG 45/$ to SDG 72/$ on a weighted average basis.

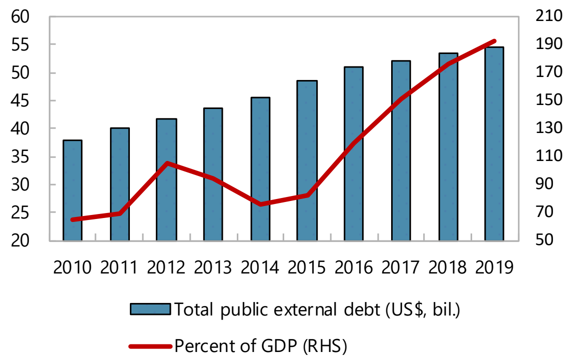
1 The country's coverage of public debt	The central, state, and local governments, government-guaranteed debt		
	Default	Used for the analysis	Reasons for deviations from the default settings
2 Other elements of the general government not captured in 1.	0 percent of GDP	0	
3 SoE's debt (guaranteed and not guaranteed by the government) 1/	0 percent of GDP	0	
4 PPP	35 percent of PPP stock	0	
5 Financial market (the default value of 5 percent of GDP is the minimum value)	5 percent of GDP	5	
Total (2+3+4+5) (in percent of GDP)		5.0	

1/ The default shock of 2% of GDP will be triggered for countries whose government-guaranteed debt is not fully captured under the country's public debt definition (1.). If it is already included in the government debt (1.) and risks associated with SoE's debt not guaranteed by the

6. The structure of external debt has been broadly stable over the last decade (Figures 1 and 2). About 85 percent of the external debt was in arrears in 2019. The bulk is public and publicly guaranteed (PPG) debt ($54.6 billion, of which 85 percent are in arrears), mainly owed to bilateral creditors and roughly equally divided between Paris Club and non-Paris Club credit. A large portion of the increase in these estimated total arrear amounts is due to assumed accumulation of interest arrears, in addition to relatively small new disbursements. About $1.8 billion is private debt owed to suppliers.

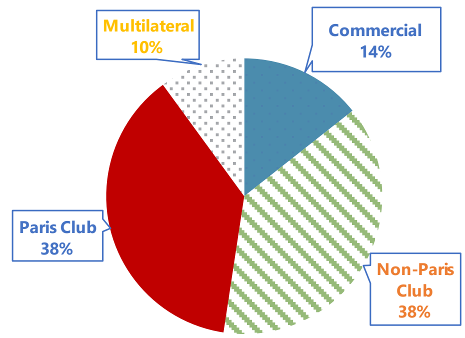
[6] The breakdown of individual components is not available.

Figure 1. Sudan: Stock of PPG External Debt, 2010–19



Source: Sudanese authorities, World Bank, and IMF staff estimates.

Figure 2. Sudan: Structure of PPG External Debt



Structure of Public and Publicly Guaranteed Debt

	2010		2019	
	In US$ million	In percent	In US$ million	In percent
Total PPG	37,927.00	100	54,560.09	100
Multilateral	5,196.00	13.7	5,467.50	10.0
Bilateral	27,762.56	73.2	41,258.60	75.6
Paris	13,957.14	36.8	20,500.08	37.6
Non-Paris	13,805.43	36.4	20,758.53	38.0
Commercial	4,968.44	13.1	7,833.90	14.4

Source: Sudanese authorities; and IMF staff estimates.

7. **Sudan's total public debt reached 201.6 percent of GDP by end-2019.** The bulk of the public debt is external debt. Domestic debt only accounts for 8 percent of GDP. Total external debt will continue to dominate public debt in Sudan. Despite very limited access to new external financing, the total estimated debt burden continues to grow at a very high rate due to the continued depreciation of the SDG and to rising outstanding interest and fee payments and charges maturing on the existing debt in arrears.

Debt Carrying Capacity

8. Sudan's debt carrying capacity remains weak even after the introduction of a composite indicator in the new LIC-DSF to replace the World Bank CPIA scores.[7] The Sudan's Composite Indicator (CI) index, has been calculated based on the October 2019 WEO and the World Bank's 2018 CPIA, is 1.882, indicating that the county's debt-carrying capacity is weak in the revised LIC-DSA framework. Corresponding thresholds changes are noted in the text table. PV of debt-to-exports threshold was increased compared to the previous DSF, from 100 to 140 percent. Debt service-to-export and to-revenue thresholds were lowered respectively from 15 to 10 percent and from 18 to 14 percent. Total public debt benchmark has been reduced from 38 percent to 35 percent of GDP.

Sudan: Debt Carrying Capacity and Thresholds

Debt Carrying Capacity		
Final	based on current vintage	based on previous vintage
Weak	Weak 1.88	Weak 1.87
Applicable Thresholds and Benchmark		
External debt burden thresholds		
PV of debt in % of:		
Exports	140	100
GDP	30	30
Debt service in % of		
Exports	10	15
Revenue	14	18
Total public debt benchmark		
PV of total public debt in percent of GDP	35	38

DEBT SUSTAINABILITY ANALYSIS

A. Underlying Assumptions

9. The macroeconomic assumptions underlying this DSA have been updated based on developments in 2020 (Box 1). The baseline scenario assumes Sudan will embark on significant reforms under the Staff Monitored Program, including exchange rate liberalization and unification and fiscal consolidation and other structural reforms to improve governance and business environment. Against the severe impact from COVID-19, the authorities also increased social spending by 1.5 percent of GDP on healthcare, unemployment benefits and a Family Support Program. As in the past, this DSA does not assume arrears clearance, possible external debt relief, or debt apportionment between Sudan and South Sudan in its baseline or alternative scenarios.

[7] The CI captures the impact of the different factors through a weighted average of the country's real GDP growth, remittances, international reserves, and world growth and the CPIA score. The details on the methodology can be found in the new LIC-DSF guidance note: https://www.imf.org/en/Publications/Policy-Papers/Issues/2018/02/14/pp122617guidance-note-on-lic-dsf

Box 1. Macroeconomic Assumptions 2020–40

Natural resources. Oil is increasingly less important for the Sudan economy, producing 72 thousand barrels/day in 2019. Ageing oil fields along with moderate exploration keep oil production flat over the medium term. Price projections are guided by the IMF's latest World Economic Outlook (WEO). The price of Sudan's crude oil is projected to average $42/barrel in the medium term.

Real sector. Real GDP is expected to contract by 8.4 percent in 2020 driven by weak economic activities due to the impact of COVID-19. Real growth is expected to recover to 0.8 and 1.4 percent in 2021 and 2022, respectively. The reform under the SMP will reduce macroeconomic imbalances and boost competitiveness in the medium term. Therefore, real GDP is expected to rebound and grow by 4.5 percent in 2025 and GDP will continue to grow at potential in the longer term. Inflation is projected to increase from about 51 percent in 2019 to approximately 142 percent in 2020 due to the sharp increase of domestic fuel prices and the gradual converging of the customs exchange rate to market exchange rate. Afterwards, inflation is projected to decline to around 17 percent in 2025, reflecting the reduction of monetization of fiscal deficit and increase of domestic supply of consumption goods. The nominal exchange rate will continue to depreciate, while the real exchange rate will be relatively constant.

Fiscal sector. The fiscal deficit is projected to reduce significantly to 1.3 percent of GDP in 2025, reflecting the result of exchange rate and fuel subsidy reforms. The authorities lifted the domestic price of diesel and gasoline to the cost of production/import level in 2020, which resulted in a reduction of the fuel subsidies by 8.4 percent of GDP. To shield the public from the resulting rise in inflation, the authorities increased the public wage bill by 2.2 percent of GDP and are in the process of enhancing the social safety net to provide 80 percent of the Sudanese population with direct cash transfer for 12 months through donor-funded Family Support Program.[1] Over the longer run and through 2040, the primary deficit is expected to stabilize at about 2 percent of GDP. Under these assumptions, the domestic debt-to-GDP ratio is projected to decline but debt to remain unsustainable.

External sector. The current account deficit is expected to decline over the medium term, to about 3 percent of GDP on a cash basis by end-2025, reflecting the improvement in competitiveness after the exchange rate liberalization. In the long run, the trade balance is expected to slowly improve as the economy stabilizes at its potential. The current account deficit will be financed mainly by foreign direct investment.

External debt. Reflecting continued limited access to international financing, disbursements of new loans are expected to continue to be limited, at about 0.12 percent of GDP during 2020–40. In line with the latest newly contracted debt, the share of new concessional loans is assumed at around one-third. It is also assumed that Sudan will continue not to service obligations arising from the stock of arrears. Consequently, the effective interest rate is declining because interest payments decrease overtime while the stock of debt continues to grow.

Financing assumption. Under the SMP, external donors and IFIs will provide about $1.5 billion financing to support the authorities' bold reform in 2020–2021. In the medium-term, staff assumes that with development of government securities market, central bank's monetization will be reduced. Staff also applied the latest available market interest rate (which in real terms is negative) on government bonds in the projections as commercial banks have limited investment options and investing in government bonds will help reduce losses relative to holding cash.

[1] With the technical assistance of the World Bank, the government announced the Family Support Program, which began in July 2020 and will progressively expand to cover 80 percent of population by February 2021. The monthly benefit per person would be SDG 500 in 2020, with an inflation adjustment implemented in 2021.

B. External Debt Sustainability

10. Sudan's external debt stock remains unsustainable under the baseline scenario (Figure 1 and Table 1). All PPG external debt ratios continue to breach their indicative thresholds and debt solvency indicators stay above the threshold throughout the 20-year projection period. The present value (PV) of PPG external debt is at about 164.6 percent of GDP at end-2019—more than fivefold the 30 percent threshold for weak policy performers—and is projected to stay above the threshold through the projection period.[8] Similarly, in 2019, the PV of debt-to-exports is about 1,028 percent, well above the respective threshold. Debt service to exports and debt service to revenue will gradually decline over the long-term under the SMP scenario, the debt path improves but remains unsustainable without debt relief. Debt service will increase in 2022 and 2023 due to the scheduled repayment of deposits of Saudi Arabia and U.A.E in the Central Bank of Sudan.

11. Sudan's external debt outlook is vulnerable to a range of shocks (Figure 1 and Table 3). The PV of debt-to-GDP and debt-to-revenue are most vulnerable if key variables remain at their historical average, whereas the PV of external debt-to-exports is most vulnerable to an export shock.

Overall Risk of Public Debt Distress

12. Public debt remains unsustainable and the public DSA continues to mirror the trends and results of the external DSA (Figure 2 and Table 2). The debt ratios remain at relatively high levels in the long term. The PV of public debt is about 262 percent of GDP at end of 2020 and will remain above the threshold through the projection period although it is projected to decline to 155 percent of GDP by 2040 due to the removal of fuel subsidies and elevated high real GDP growth. Similarly, the PV of public debt to revenue will decline from its current very high level of 3,850 percent by end of 2020 to about 1,016 percent by 2040. The rapidly rising historical scenario is in large part due to the structural break provoked in the debt path by the separation of South Sudan which led to negative historical averages.

13. Similar to the external DSA, the public DSA bound tests show that public debt path is most vulnerable to real GDP growth and a one-time 180 percent depreciation (Table 4).

14. There is a significant difference in the projections in the current DSA compared to the previous DSA (Figure 3 and Table 4). The main driver of the difference is the planned exchange rate and fuel subsidy reform, which significantly reduces the large macroeconomic imbalances and set the GDP to recover to its potential in the medium term.

Key Assumptions under Current and Previous DSA1/

	Current	Previous
GDP growth	4.5	1.5
Primary deficit that stablize debt-to-GDP ratio	1.3	5.7
Inflation	43	57.8

1/ Average of the first year projection and the next 10 years.

15. The realism tools highlight the magnitude of the fiscal adjustment and uncertainty around the baseline (Figure 4). The realism tool shows any adjustment that is greater than 2.5 percent of GDP

[8] Ratios in terms of GDP are calculated using a weighed exchange rate between the official and the parallel market rate.

over a 3-year period in the top quartile of adjustments within the sample. While the 3-year fiscal adjustment in Sudan is above 8 percent of GDP, higher than other LICs, the bulk of the adjustment is from the removal of fuel subsidies, which account for 10.5 percent of GDP in 2019. Other fiscal consolidation measures include broadening the tax base and improving tax administration. In addition, the exchange rate reform also contributes to fiscal consolidation. The large fiscal consolidation might create a temporary drag on growth; however, the exchange rate reform could level the playing field and boost competitiveness. Without reform, continued monetization of the costs deriving from huge implicit fuel subsidies by the central bank will lead to a severe decline in growth. The large residual highlights the difficulty in capturing the multiple distortions currently affecting the Sudanese economy, especially the multiple currency practices and continued depreciation of the parallel market exchange rate and the poor quality and timeliness of data, especially related to fiscal and balance of payment accounts.

CONCLUSIONS

16. Sudan's external debt remains in distress and unsustainable. The results of this DSA are significantly improved from previous DSAs, as—building in previous reform efforts—the authorities have initiated unprecedented reforms even in the absence of debt relief. The economy is expected to rebound, fiscal deficit is projected to decline, the authorities have committed to liberalize the exchange rate, and competitiveness is expected to improve. However, it is still impossible for Sudan to service its high debt without debt relief. In the long term, all public and public-guaranteed external debt burden ratios remain well above their respective indicative thresholds. Public debt remains unsustainable, driven mostly by external debt dynamics.

17. Further efforts are necessary for Sudan to obtain much-needed debt relief and regain access to external financing. Sudan needs to: (i) continue to step up outreach efforts to its creditors to garner broad support for debt relief; (ii) continue to cooperate with the IMF and the World Bank on economic policies with a view to establishing a track record of sound macro policies; and (iii) renew the commitment to develop a full-fledged PRSP. In addition, given the dire debt situation, the authorities should limit new borrowing on non-concessional terms since it further increases the future debt burden. Furthermore, the major shortcomings in macroeconomic data, in terms of quality and timeliness, need to be addressed as they impair economic analysis and create uncertainty on the potential reform outcome.

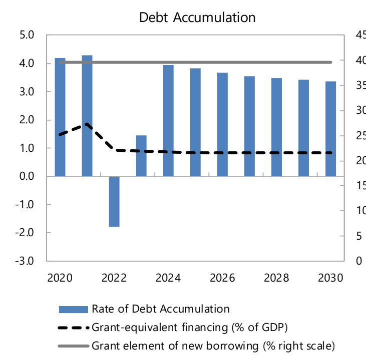
18. Authorities' views. The authorities concurred with staff that absent reforms, debt restructuring and access to debt relief, the current economic prospects appear bleak and debt will remain unsustainable. They are determined to conduct significant reform under the Staff Monitored Program which will help to reestablish macroeconomic stability and create conditions for stronger, broad-based economic growth. The authorities continue to engage with creditors and are intensifying outreach efforts to the donors' community to pave the way toward debt relief. They have been petitioning the US government to exclude Sudan from the SSTL.

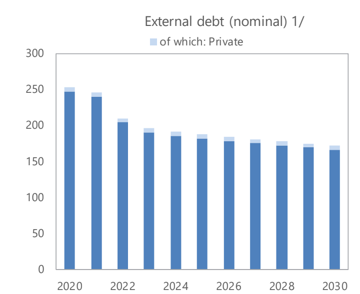
Table 1. Sudan: External Debt Sustainability Framework, Baseline Scenario, 2020–2040 1/

(In percent of GDP, unless otherwise indicated)

	Actual			Projections												Average 8/	
	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2040	Historical	Projections
External debt (nominal) 1/	154.0	181.9	198.9	253.1	245.6	210.0	196.4	191.5	187.3	184.1	181.0	177.9	175.0	172.0	144.6	116.5	197.6
of which: public and publicly guaranteed (PPG)	150.4	177.1	193.6	247.6	240.0	204.2	190.6	185.7	181.6	178.6	175.5	172.5	169.5	166.6	139.2	113.2	192.0
Change in external debt	31.8	27.8	17.0	54.2	-7.5	-35.6	-13.7	-4.9	-4.2	-3.1	-3.1	-3.1	-3.0	-2.9	-2.6		
Identified net debt-creating flows	38.0	60.6	30.6	32.3	11.1	11.4	8.0	5.4	3.1	2.4	1.7	1.2	0.8	0.5	0.6	20.4	7.1
Non-interest current account deficit	9.8	12.8	14.8	12.5	9.6	9.1	8.8	8.0	7.0	6.0	5.2	4.4	3.8	3.2	0.7	8.7	7.1
Deficit in balance of goods and services	5.1	9.1	13.4	11.1	8.9	6.8	6.5	5.8	4.9	4.2	3.6	3.0	2.4	1.9	-3.0	4.4	5.4
Exports	12.8	14.0	16.0	18.4	21.4	24.4	24.7	24.7	24.8	24.7	24.6	24.5	24.4	24.4	23.5		
Imports	17.9	23.1	29.4	29.4	30.4	31.2	31.2	30.6	29.7	28.9	28.2	27.5	26.9	26.2	20.5		
Net current transfers (negative = inflow)	-2.1	-1.1	-3.2	-3.4	-4.3	-2.8	-2.5	-2.5	-2.4	-2.3	-2.2	-2.1	-2.1	-2.0	-1.4	-2.2	-2.6
of which: official	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Other current account flows (negative = net inflow)	6.8	4.8	4.6	4.8	4.9	5.1	4.9	4.7	4.5	4.1	3.7	3.5	3.4	3.4	5.1	6.5	4.3
Net FDI (negative = inflow)	2.3	3.2	2.8	2.5	3.3	4.0	4.0	4.1	4.2	4.3	4.4	4.6	4.7	4.8	6.3	2.9	4.1
Endogenous debt dynamics 2/	25.8	44.6	12.9	17.3	-1.7	-1.8	-4.8	-6.8	-8.1	-8.0	-7.9	-7.8	-7.6	-7.5	-6.4		
Contribution from nominal interest rate	0.2	0.3	0.3	0.3	0.2	1.6	0.7	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.0		
Contribution from real GDP growth	-1.0	4.6	4.9	17.1	-1.9	-3.4	-5.5	-6.9	-8.3	-8.1	-8.0	-7.8	-7.7	-7.6	-6.4		
Contribution from price and exchange rate changes	26.6	39.8	7.7	...	...	...	...	...	...	...	...	...	...	...	...		
Residual 3/	-6.2	-32.8	-13.6	21.9	-18.6	-46.9	-21.7	-10.3	-7.3	-5.5	-4.9	-4.3	-3.8	-3.4	-3.2	-6.9	-9.5
of which: exceptional financing	-3.4	-4.4	-4.7	-4.9	-4.9	-5.0	-4.9	-4.7	-4.5	-4.3	-4.2	-4.0	-3.9	-3.7	-2.6		
Sustainability indicators																	
PV of PPG external debt-to-GDP ratio	...	...	164.6	172.9	177.7	179.3	176.1	173.9	170.2	167.5	164.6	161.9	159.2	156.5	130.6		
PV of PPG external debt-to-exports ratio	...	...	1028.1	941.1	828.8	735.8	711.9	703.3	687.0	678.2	669.1	660.2	651.4	642.7	555.5		
PPG debt service-to-exports ratio	7.6	9.1	8.2	7.1	6.1	30.8	15.4	4.3	3.9	3.7	3.4	2.9	2.4	2.0	0.2		
PPG debt service-to-revenue ratio	13.9	14.5	17.7	24.5	11.9	62.7	29.3	7.7	6.7	6.5	6.0	5.1	4.3	3.5	0.4		
Gross external financing need (Million of U.S. dollars)	6010.1	6164.0	6329.1	5306.5	4590.1	6576.6	5440.2	4475.8	4322.8	4132.4	3982.5	3841.9	3730.0	3649.1	4377.2		
Key macroeconomic assumptions																	
Real GDP growth (in percent)	0.7	-2.3	-2.5	-8.4	0.8	1.4	2.7	3.6	4.5	4.5	4.5	4.5	4.5	4.5	4.5	-0.8	2.5
GDP deflator in US dollar terms (change in percent)	-17.9	-20.5	-4.1	6.6	-1.1	-3.2	-0.1	-0.1	-0.1	-0.6	-0.6	-0.6	-0.6	-0.6	-0.6	-3.0	-0.1
Effective interest rate (percent) 4/	0.2	0.1	0.1	0.1	0.1	0.6	0.4	0.1	0.1	0.1	0.1	0.0	0.0	0.0	0.0	0.3	0.1
Growth of exports of G&S (US dollar terms, in percent)	26.8	-15.1	6.9	12.0	16.4	11.5	4.2	3.5	4.6	3.5	3.5	3.5	3.5	3.5	3.5	-1.1	6.3
Growth of imports of G&S (US dollar terms, in percent)	9.9	0.2	19.2	-2.3	2.8	0.8	2.6	1.5	1.3	1.3	1.3	1.3	1.3	1.3	1.3	1.8	1.2
Grant element of new public sector borrowing (in percent)	...	...	...	39.6	39.6	39.6	39.6	39.6	39.6	39.6	39.6	39.6	39.6	39.6	39.6	...	39.6
Government revenues (excluding grants, in percent of GDP)	7.0	8.8	7.4	5.3	11.0	12.0	13.0	13.8	14.5	13.9	13.9	13.9	13.9	13.9	13.9	9.6	12.7
Aid flows (in Million of US dollars) 5/	137.8	102.2	202.4	483.7	601.3	291.3	291.3	291.3	291.3	302.5	314.1	326.2	338.7	351.7	512.6		
Grant-equivalent financing (in percent of GDP) 6/	...	...	...	1.5	1.8	0.9	0.9	0.9	0.8	0.8	0.8	0.8	0.8	0.8	0.8	...	1.0
Grant-equivalent financing (in percent of external financing) 6/	...	...	...	99.8	99.8	99.6	99.6	99.6	99.6	99.6	99.6	99.6	99.6	99.7	99.8	...	99.6
Nominal GDP (Million of US dollars)	45,944	35,680	33,359	32,576	32,476	31,868	32,706	33,857	35,354	36,717	38,131	39,600	41,126	42,711	62,333		
Nominal dollar GDP growth	-17.3	-22.3	-6.5	-2.3	-0.3	-1.9	2.6	3.5	4.4	3.9	3.9	3.9	3.9	3.9	3.9	-3.6	2.3
Memorandum items:																	
PV of external debt 7/	...	...	169.9	178.4	183.3	185.1	181.9	179.7	175.9	173.1	170.2	167.4	164.6	161.9	136.0		
In percent of exports	...	...	1060.8	970.9	855.0	759.8	735.5	726.6	709.9	700.8	691.6	682.6	673.7	664.8	578.2		
Total external debt service-to-exports ratio	7.6	9.1	8.2	7.1	6.1	30.8	15.4	4.3	3.9	3.7	3.4	2.9	2.4	2.0	0.2		
PV of PPG external debt (in Million of US dollars)			54914.1	56316.5	57711.6	57134.8	57594.1	58888.5	60184.3	61483.7	62780.2	64111.0	65461.2	66839.4	81431.8		
(PVt-PVt-1)/GDPt-1 (in percent)				4.2	4.3	-1.8	1.4	4.0	3.8	3.7	3.5	3.5	3.4	3.4	2.5		
Non-interest current account deficit that stabilizes debt ratio	-22.0	-15.0	-2.2	-41.8	17.1	44.7	22.5	12.9	11.2	9.2	8.3	7.5	6.8	6.2	3.3		

Definition of external/domestic debt	Currency-based
Is there a material difference between the two criteria?	No





Sources: Country authorities; and staff estimates and projections.

1/ Includes both public and private sector external debt.

2/ Derived as [r - g - ρ(1+g)]/(1+g+ρ+gρ) times previous period debt ratio, with r = nominal interest rate; g = real GDP growth rate, and ρ = growth rate of GDP deflator in U.S. dollar terms.

3/ Includes exceptional financing (i.e., changes in arrears and debt relief); changes in gross foreign assets; and valuation adjustments. For projections also includes contribution from price and exchange rate changes.

4/ Current-year interest payments divided by previous period debt stock.

5/ Defined as grants, concessional loans, and debt relief.

6/ Grant-equivalent financing includes grants provided directly to the government and through new borrowing (difference between the face value and the PV of new debt).

7/ Assumes that PV of private sector debt is equivalent to its face value.

8/ Historical averages are generally derived over the past 10 years, subject to data availability, whereas projections averages are over the first year of projection and the next 10 years.

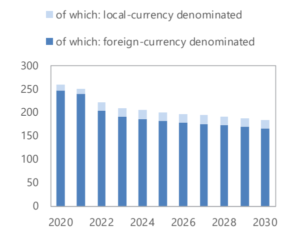
Table 2. Sudan: Public Sector Debt Sustainability Framework, Baseline Scenario, 2020–2040 1/

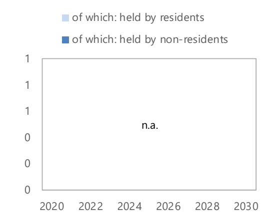
(In percent of GDP, unless otherwise indicated)

	Actual			Projections												Average 6/	
	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2040	Historical	Projections
Public sector debt 1/	**159.2**	**186.7**	**201.6**	**259.4**	**250.7**	**221.2**	**210.0**	**204.9**	**200.2**	**197.1**	**194.1**	**190.9**	**187.7**	**184.5**	**154.3**	**122.9**	**209.1**
of which: external debt	**150.4**	**177.1**	**193.6**	**247.6**	**240.0**	**204.2**	**190.6**	**185.7**	**181.6**	**178.6**	**175.5**	**172.5**	**169.5**	**166.6**	**139.2**	**113.2**	**192.0**
Change in public sector debt	30.8	27.5	14.9	57.8	-8.7	-29.6	-11.1	-5.2	-4.7	-3.1	-3.0	-3.2	-3.2	-3.2	-2.8		
Identified debt-creating flows	**32.2**	**27.6**	**20.4**	**51.6**	**-14.7**	**-34.0**	**-15.9**	**-10.0**	**-9.3**	**-7.4**	**-7.3**	**-7.2**	**-7.1**	**-6.9**	**-5.4**	**12.1**	**-6.2**
Primary deficit	**6.0**	**7.7**	**10.7**	**6.9**	**4.2**	**2.6**	**2.4**	**1.9**	**1.4**	**2.0**	**2.0**	**2.0**	**2.0**	**2.0**	**2.0**	**4.7**	**2.7**
Revenue and grants	7.2	8.9	7.9	6.8	12.8	12.9	13.9	14.6	15.3	14.8	14.8	14.8	14.8	14.8	14.8	**10.0**	**13.7**
of which: grants	0.2	0.2	0.5	1.5	1.8	0.9	0.9	0.9	0.8	0.8	0.8	0.8	0.8	0.8	0.8		
Primary (noninterest) expenditure	13.1	16.6	18.6	13.7	17.1	15.5	16.3	16.5	16.8	16.8	16.8	16.8	16.8	16.8	16.8	**14.8**	**16.3**
Automatic debt dynamics	**26.3**	**19.9**	**9.7**	**44.7**	**-18.9**	**-36.6**	**-18.3**	**-11.9**	**-10.7**	**-9.4**	**-9.3**	**-9.2**	**-9.1**	**-8.9**	**-7.4**		
Contribution from interest rate/growth differential	-4.4	-3.0	-1.2	11.1	-13.0	-9.5	-12.1	-13.4	-14.3	-13.9	-13.7	-13.5	-13.3	-13.1	-10.9		
of which: contribution from average real interest rate	-3.5	-6.8	-6.0	-7.3	-11.1	-6.2	-6.3	-6.0	-5.5	-5.3	-5.2	-5.2	-5.1	-5.0	-4.1		
of which: contribution from real GDP growth	-0.9	3.7	4.8	18.4	-2.0	-3.3	-5.8	-7.4	-8.8	-8.6	-8.5	-8.4	-8.2	-8.1	-6.8		
Contribution from real exchange rate depreciation	30.7	22.9	10.9	...	...	...	...	...	...	...	...	...	...	...	...		
Other identified debt-creating flows	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Privatization receipts (negative)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Recognition of contingent liabilities (e.g., bank recapitalization)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Debt relief (HIPC and other)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Other debt creating or reducing flow (please specify)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Residual	**-1.4**	**0.0**	**-5.5**	**39.9**	**0.1**	**-22.6**	**-1.4**	**6.3**	**8.2**	**8.8**	**8.7**	**8.3**	**8.1**	**7.9**	**6.1**	**1.0**	**6.6**
Sustainability indicators																	
PV of public debt-to-GDP ratio 2/	**...**	**...**	**202.8**	**261.9**	**253.9**	**223.0**	**211.5**	**206.5**	**201.9**	**198.9**	**195.9**	**192.8**	**189.6**	**186.4**	**155.8**		
PV of public debt-to-revenue and grants ratio	**...**	**...**	**2569.7**	**3851.3**	**1977.6**	**1733.0**	**1522.6**	**1412.1**	**1316.5**	**1347.1**	**1327.1**	**1305.9**	**1284.2**	**1262.4**	**1055.4**		
Debt service-to-revenue and grants ratio 3/	**20.4**	**17.1**	**18.8**	**19.6**	**11.8**	**60.3**	**31.3**	**11.1**	**9.6**	**9.4**	**11.4**	**11.0**	**10.0**	**9.1**	**11.1**		
Gross financing need 4/	7.4	9.2	12.2	8.2	5.7	10.3	6.7	3.5	2.9	3.4	3.7	3.6	3.5	3.4	3.7		
Key macroeconomic and fiscal assumptions																	
Real GDP growth (in percent)	0.7	-2.3	-2.5	-8.4	0.8	1.4	2.7	3.6	4.5	4.5	4.5	4.5	4.5	4.5	4.5	**-0.8**	**2.5**
Average nominal interest rate on external debt (in percent)	0.2	0.2	0.2	0.2	0.1	0.9	0.4	0.1	0.1	0.1	0.1	0.1	0.0	0.0	0.0	**0.4**	**0.2**
Average real interest rate on domestic debt (in percent)	-17.8	-37.7	-32.6	-58.7	-55.6	-34.8	-19.4	-13.7	-11.9	-11.4	-11.2	-11.1	-11.1	-11.1	-10.3	**-18.4**	**-22.7**
Real exchange rate depreciation (in percent, + indicates depreciation)	26.4	13.6	18.3	...	...	...	...	...	...	...	...	...	...	...	...	**10.0**	**...**
Inflation rate (GDP deflator, in percent)	29.8	69.8	36.3	142.5	130.9	57.6	27.7	19.2	16.7	16.1	16.1	16.1	16.1	16.1	16.1	**32.0**	**43.2**
Growth of real primary spending (deflated by GDP deflator, in percent)	18.6	23.4	9.2	-32.7	25.8	-8.2	8.0	5.4	6.1	4.5	4.5	4.5	4.5	4.5	4.5	**0.3**	**2.4**
Primary deficit that stabilizes the debt-to-GDP ratio 5/	-24.8	-19.8	-4.2	-50.9	12.9	32.1	13.5	7.1	6.1	5.1	5.0	5.2	5.2	5.2	4.8	**-16.3**	**4.2**
PV of contingent liabilities (not included in public sector debt)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		

Definition of external/domestic debt	**Currency-based**
Is there a material difference between the two criteria?	**No**

Public sector debt 1/





Sources: Country authorities; and staff estimates and projections.

1/ Coverage of debt: The central, state, and local governments, central bank. Definition of external debt is Currency-based.

2/ The underlying PV of external debt-to-GDP ratio under the public DSA differs from the external DSA with the size of differences depending on exchange rates projections.

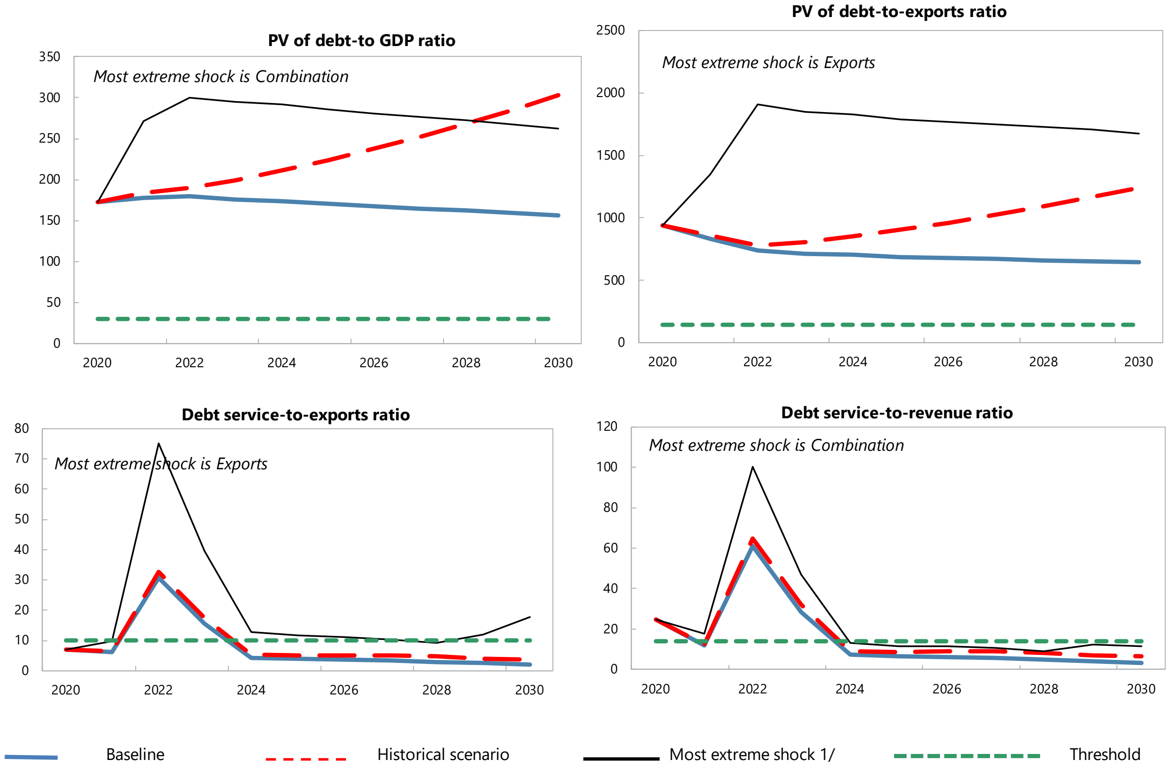
3/ Debt service is defined as the sum of interest and amortization of medium and long-term, and short-term debt.

4/ Gross financing need is defined as the primary deficit plus debt service plus the stock of short-term debt at the end of the last period and other debt creating/reducing flows.

5/ Defined as a primary deficit minus a change in the public debt-to-GDP ratio ((-): a primary surplus), which would stabilizes the debt ratio only in the year in question.

6/ Historical averages are generally derived over the past 10 years, subject to data availability, whereas projections averages are over the first year of projection and the next 10 years.

Figure 1. Sudan: Indicators of Public and Publicly Guaranteed External Debt under Alternative Scenarios, 2020–2030 1/



Customization of Default Settings	Size	Interactions
Standardized Tests		Yes
Tailored Tests		
Combined CLs	Yes	
Natural Disasters	n.a.	n.a.
Commodity Prices [2/]	n.a.	n.a.
Market Financing	n.a.	n.a.

Note: "Yes" indicates any change to the size or interactions of the default settings for the stress tests. "n.a." indicates that the stress test does not apply.

Borrowing Assumptions for Stress Tests*	Default	User defined
Shares of marginal debt		
External PPG MLT debt	100%	
Terms of marginal debt		
Avg. nominal interest rate on new borrowing in USD	1.1%	1.1%
USD Discount rate	5.0%	5.0%
Avg. maturity (incl. grace period)	22	22
Avg. grace period	7	7

* Note: All the additional financing needs generated by the shocks under the stress tests are assumed to be covered by PPG external MLT debt in the external DSA. Default terms of marginal debt are based on baseline 10-year projections.

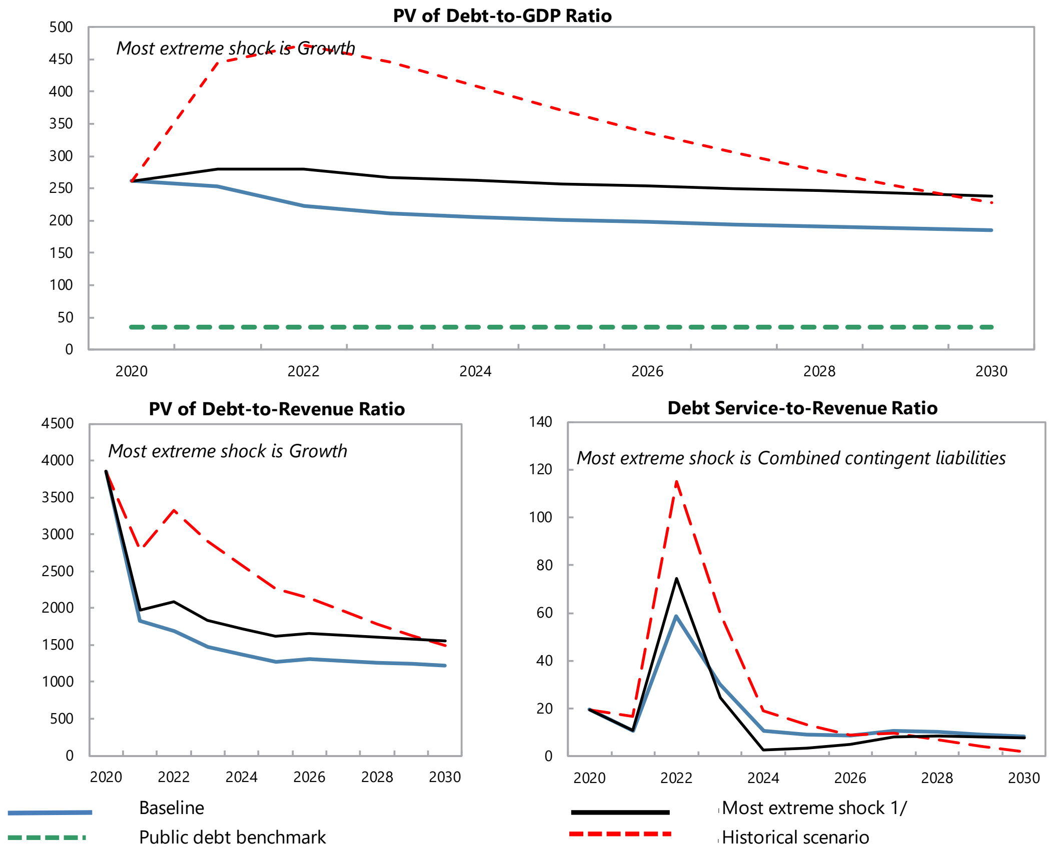
Sources: Country authorities; and staff estimates and projections.

1/ The most extreme stress test is the test that yields the highest ratio in or before 2030. Stress tests with one-off breaches are also presented (if any), while these one-off breaches are deemed away for mechanical signals. When a stress test with a one-off breach happens to be the most exterme shock even after disregarding the one-off breach, only that stress test (with a one-off breach) would be presented.

2/ The magnitude of shocks used for the commodity price shock stress test are based on the commodity prices outlook prepared by the IMF research department.

Figure 2. Sudan: Indicators of Public Debt under Alternative Scenario, 2020–2030

(In percent)



Borrowing Assumptions for Stress Tests*	Default	User defined
Shares of marginal debt		
External PPG medium and long-term	0%	0%
Domestic medium and long-term	92%	92%
Domestic short-term	7%	7%
Terms of marginal debt		
External MLT debt		
Avg. nominal interest rate on new borrowing in USD	1.1%	1.1%
Avg. maturity (incl. grace period)	22	22
Avg. grace period	7	7
Domestic MLT debt		
Avg. real interest rate on new borrowing	-40.4%	-40.4%
Avg. maturity (incl. grace period)	47	47
Avg. grace period	46	46
Domestic short-term debt		
Avg. real interest rate	-28.4%	-28.4%

* Note: The public DSA allows for domestic financing to cover the additional financing needs generated by the shocks under the stress tests in the public DSA. Default terms of marginal debt are based on baseline 10-year projections.

Sources: Country authorities; and staff estimates and projections.

1/ The most extreme stress test is the test that yields the highest ratio in or before 2030. The stress test with a one-off breach is also presented (if any), while the one-off breach is deemed away for mechanical signals. When a stress test with a one-off breach happens to be the most exterme shock even after disregarding the one-off breach, only that stress test (with a one-off breach) would be presented.

Table 3. Sudan: Sensitivity Analysis for Key Indicators of Public and Publicly Guaranteed External Debt, 2020–2030

(In percent)

	Projections 1/										
	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
PV of debt-to GDP ratio											
Baseline	**173**	**178**	**179**	**176**	**174**	**170**	**167**	**165**	**162**	**159**	**156**
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2020-2030 2/	**173**	**184**	**190**	**199**	**211**	**224**	**238**	**252**	**268**	**285**	**303**
B. Bound Tests											
B1. Real GDP growth	**173**	**202**	**233**	**229**	**226**	**221**	**218**	**214**	**211**	**207**	**204**
B2. Primary balance	**173**	**178**	**179**	**176**	**174**	**170**	**167**	**165**	**162**	**159**	**156**
B3. Exports	**173**	**190**	**207**	**204**	**202**	**198**	**195**	**192**	**189**	**186**	**182**
B4. Other flows 3/	**173**	**180**	**183**	**180**	**178**	**174**	**171**	**168**	**166**	**163**	**160**
B5. Depreciation	**173**	**216**	**219**	**215**	**213**	**208**	**205**	**201**	**198**	**195**	**191**
B6. Combination of B1-B5	**173**	**272**	**300**	**295**	**291**	**285**	**281**	**276**	**272**	**267**	**262**
C. Tailored Tests											
C1. Combined contingent liabilities	**173**	**178**	**179**	**176**	**174**	**170**	**167**	**165**	**162**	**159**	**156**
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Threshold	30	30	30	30	30	30	30	30	30	30	30
PV of debt-to-exports ratio											
Baseline	**941**	**829**	**736**	**712**	**703**	**687**	**678**	**669**	**660**	**651**	**643**
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2020-2030 2/	**941**	**857**	**779**	**804**	**853**	**903**	**962**	**1025**	**1093**	**1166**	**1243**
B. Bound Tests											
B1. Real GDP growth	**941**	**829**	**736**	**712**	**703**	**687**	**678**	**669**	**660**	**651**	**643**
B2. Primary balance	**941**	**829**	**736**	**712**	**703**	**687**	**678**	**669**	**660**	**651**	**643**
B3. Exports	**941**	**1349**	**1907**	**1850**	**1830**	**1790**	**1770**	**1750**	**1729**	**1705**	**1674**
B4. Other flows 3/	**941**	**839**	**751**	**727**	**719**	**702**	**694**	**685**	**676**	**666**	**657**
B5. Depreciation	**941**	**829**	**741**	**717**	**709**	**693**	**684**	**675**	**666**	**657**	**648**
B6. Combination of B1-B5	**941**	**1149**	**760**	**1286**	**1271**	**1243**	**1228**	**1212**	**1197**	**1179**	**1161**
C. Tailored Tests											
C1. Combined contingent liabilities	**941**	**829**	**736**	**712**	**703**	**687**	**678**	**669**	**660**	**651**	**643**
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Threshold	140	140	140	140	140	140	140	140	140	140	140
Debt service-to-exports ratio											
Baseline	7	6	31	15	4	4	4	3	3	2	2
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2020-2030 2/	7	6	33	17	5	5	5	5	5	4	4
B. Bound Tests											
B1. Real GDP growth	7	6	31	15	4	4	4	3	3	2	2
B2. Primary balance	7	6	31	15	4	4	4	3	3	2	2
B3. Exports	7	10	75	40	13	12	11	10	9	12	18
B4. Other flows 3/	7	6	31	16	5	4	4	4	3	3	3
B5. Depreciation	7	6	31	16	4	4	4	4	3	3	3
B6. Combination of B1-B5	7	8	54	28	8	8	7	7	6	8	7
C. Tailored Tests											
C1. Combined contingent liabilities	7	6	31	15	4	4	4	3	3	2	2
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Threshold	10	10	10	10	10	10	10	10	10	10	10
Debt service-to-revenue ratio											
Baseline	**25**	12	**61**	**28**	7	7	6	6	5	4	3
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2020-2030 2/	**25**	12	**65**	**32**	9	9	9	9	8	7	6
B. Bound Tests											
B1. Real GDP growth	**25**	13	**79**	**37**	10	9	8	8	7	5	4
B2. Primary balance	**25**	12	**61**	**28**	7	7	6	6	5	4	3
B3. Exports	**25**	12	**66**	**32**	10	9	8	8	7	9	13
B4. Other flows 3/	**25**	12	**61**	**29**	8	7	7	6	5	6	6
B5. Depreciation	**25**	**14**	**74**	**35**	9	8	8	7	6	5	5
B6. Combination of B1-B5	**25**	**17**	**100**	**47**	13	12	11	11	9	12	12
C. Tailored Tests											
C1. Combined contingent liabilities	**25**	12	**61**	**28**	7	7	6	6	5	4	3
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Threshold	14	14	14	14	14	14	14	14	14	14	14

Sources: Country authorities; and staff estimates and projections.
1/ A bold value indicates a breach of the threshold.
2/ Variables include real GDP growth, GDP deflator (in U.S. dollar terms), non-interest current account in percent of GDP, and non-debt creating flows.
3/ Includes official and private transfers and FDI.

Table 4. Sudan: Sensitivity Analysis for Key Indicators of Public Debt, 2020–2030

	Projections 1/										
	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
	PV of Debt-to-GDP Ratio										
Baseline	**262**	**253**	**222**	**211**	**206**	**201**	**198**	**195**	**191**	**188**	**185**
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2020-2030 2/	**262**	**445**	**473**	**446**	**409**	**372**	**337**	**305**	**277**	**251**	**228**
B. Bound Tests											
B1. Real GDP growth	**262**	**281**	**280**	**267**	**262**	**257**	**254**	**250**	**246**	**242**	**238**
B2. Primary balance	**262**	**258**	**232**	**217**	**210**	**204**	**199**	**196**	**192**	**189**	**185**
B3. Exports	**262**	**260**	**238**	**226**	**221**	**216**	**213**	**210**	**207**	**203**	**199**
B4. Other flows 3/	**262**	**256**	**227**	**215**	**210**	**205**	**202**	**199**	**196**	**192**	**189**
B5. Depreciation	**262**	**248**	**215**	**201**	**194**	**188**	**182**	**177**	**172**	**167**	**161**
B6. Combination of B1-B5	**262**	**202**	**187**	**173**	**168**	**164**	**161**	**159**	**156**	**153**	**151**
C. Tailored Tests											
C1. Combined contingent liabilities	**262**	**266**	**232**	**217**	**210**	**203**	**199**	**196**	**192**	**189**	**185**
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Public debt benchmark	35	35	35	35	35	35	35	35	35	35	35
	PV of Debt-to-Revenue Ratio										
Baseline	3,850	1,822	1,686	1,469	1,368	1,276	1,304	1,284	1,262	1,241	1,219
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2020-2030 2/	3,850	2,786	3,327	2,912	2,581	2,264	2,143	1,958	1,786	1,629	1,486
B. Bound Tests											
B1. Real GDP growth	3,850	1,978	2,085	1,835	1,721	1,613	1,651	1,628	1,603	1,578	1,552
B2. Primary balance	3,850	1,857	1,760	1,516	1,397	1,294	1,316	1,291	1,267	1,244	1,222
B3. Exports	3,850	1,869	1,806	1,575	1,469	1,372	1,404	1,384	1,364	1,340	1,311
B4. Other flows 3/	3,850	1,844	1,718	1,498	1,395	1,302	1,331	1,311	1,290	1,267	1,243
B5. Depreciation	3,850	1,858	1,653	1,421	1,308	1,204	1,215	1,181	1,146	1,111	1,076
B6. Combination of B1-B5	3,850	1,521	1,436	1,219	1,129	1,051	1,074	1,057	1,040	1,022	1,003
C. Tailored Tests											
C1. Combined contingent liabilities	3,850	1,917	1,760	1,515	1,396	1,293	1,314	1,290	1,267	1,244	1,221
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	Debt Service-to-Revenue Ratio										
Baseline	20	11	59	30	11	9	9	11	10	9	8
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2020-2030 2/	20	17	115	60	19	13	9	10	7	4	2
B. Bound Tests											
B1. Real GDP growth	20	12	73	36	8	4	1	3	2	1	(1)
B2. Primary balance	20	11	65	27	3	4	5	8	9	8	8
B3. Exports	20	11	59	32	12	11	10	12	12	13	17
B4. Other flows 3/	20	11	59	31	11	10	9	11	11	11	11
B5. Depreciation	20	10	58	29	9	8	7	9	8	6	4
B6. Combination of B1-B5	20	9	49	24	6	5	5	7	7	6	6
C. Tailored Tests											
C1. Combined contingent liabilities	20	11	75	25	3	4	5	8	9	8	8
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

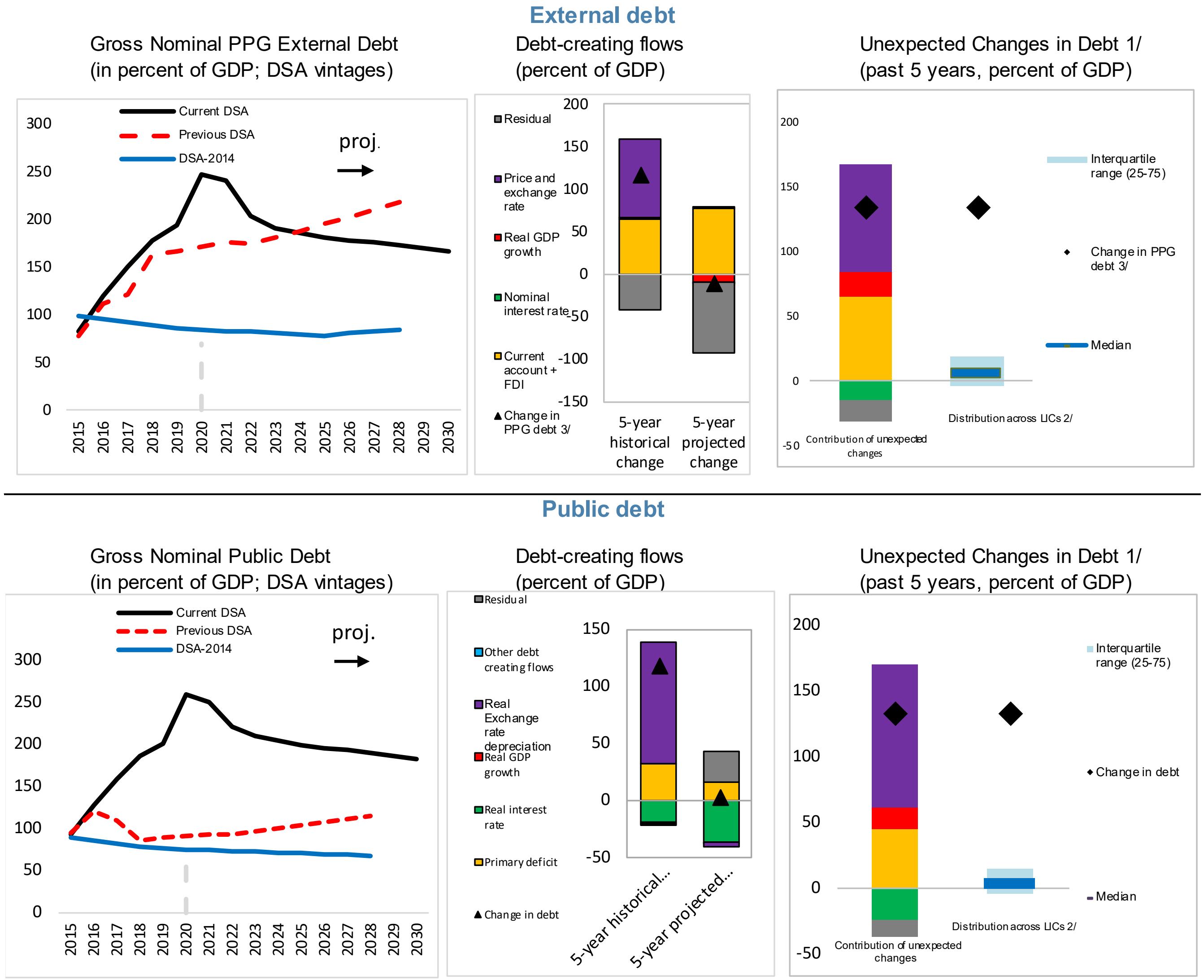
Sources: Country authorities; and staff estimates and projections.

1/ A bold value indicates a breach of the benchmark.

2/ Variables include real GDP growth, GDP deflator and primary deficit in percent of GDP.

3/ Includes official and private transfers and FDI.

Figure 3. Sudan: Driver of Debt Dynamics – Baseline Scenario



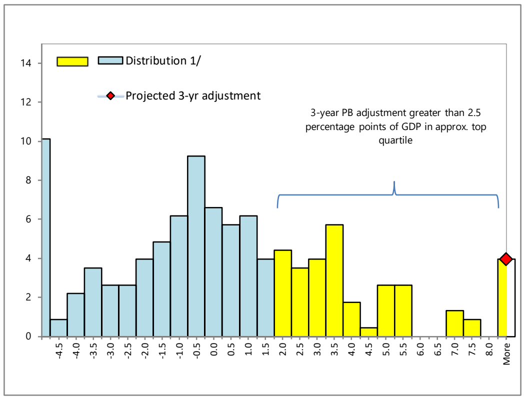
1/ Difference between anticipated and actual contributions on debt ratios.

2/ Distribution across LICs for which LIC DSAs were produced.

3/ Given the relatively low private external debt for average low-income countries, a ppt change in PPG external debt should be largely explained by the drivers of the external debt dynamics equation.

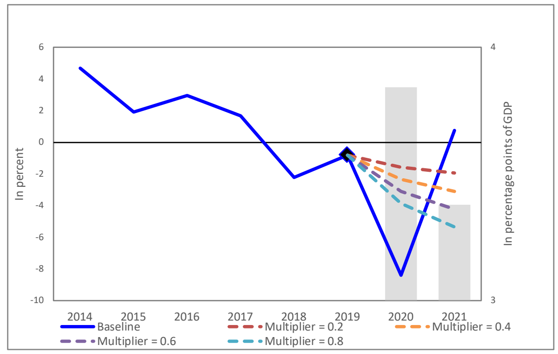
Figure 4. Sudan: Realism Tools

3-Year Adjustment in Primary Balance
(Percentage points of GDP)



1/ Data cover Fund-supported programs for LICs (excluding emergency financing) approved since 1990. The size of 3-year adjustment from program inception is found on the horizontal axis; the percent of sample is found on the vertical axis.

Fiscal Adjustment and Possible Growth Paths 1/



1/ Bars refer to annual projected fiscal adjustment (right-hand side scale) and lines show possible real GDP growth paths under different fiscal multipliers (left-hand side scale).

Statement by Dumisani Hebert Mahlinza, Executive Director for Sudan and Muayad Ismail, Advisor to the Executive Director
September 23, 2020

I. Introduction and Background

1. Our Sudanese authorities thank staff for the constructive engagement during the recent virtual mission on the Staff-Monitored Program (SMP). They broadly agree with staff's appraisal and key policy recommendations.

2. The transitional government, which assumed office in August 2019, inherited significant economic challenges, including a contracting economy, large and growing fiscal deficits, high and rising inflation, and depleted international reserves. With a large number of internally displaced people and refugees from neighboring countries, the humanitarian situation is dire, and poverty remains high and widespread. The outbreak of COVID-19 pandemic and devastating floods that recently hit the country have exacerbated these challenges, with a significant negative impact on lives and livelihood. At the same time, Sudan's access to concessional and emergency financing has been limited due to the protracted arrears to the Fund and other international financial institutions (IFIs).

3. Considering the enormity of socio-economic challenges, the authorities have prepared a comprehensive reform package aimed at restoring macroeconomic stability and improving governance and the business environment while mitigating the fallout from the pandemic. In parallel, they have made concerted efforts to promote peace across the country and normalize relations with the U.S. government to help remove the country from the state sponsors of terrorism (SST) list. Importantly, the recent signing of comprehensive peace agreements with key rebels is a notable milestone, expected to bring political stability and create an enabling business environment.

4. In this context, the authorities seek the Executive Board's endorsement of staff's assessment that policy commitments under this SMP meet the rigors of an Upper Credit Tranche (UCT) quality program. This will allow the authorities to build a track record of sound policy implementation required for debt relief under the HIPC initiative. As demonstration of their commitment to the reforms, the authorities have successfully completed all prior actions, including the passing of the 2020 revised budget consistent with the SMP objectives. They also look forward to the catalytic role of the SMP in galvanizing financing from donors and development partners to support efforts to advance the reform agenda and ameliorate social conditions while addressing risks to the SMP implementation.

II. Recent Economic Developments

5. The Sudanese economy has continued to contract, with GDP estimated to have declined from -2.3 percent in 2018 to -2.5 percent in 2019, reflecting weak competitiveness, a difficult

business environment and the repercussions of the social and political turmoil. GDP is expected to further contract by 8.5 percent in 2020 due to the COVID-19 pandemic and its severe impact on international trade and domestic economic activities. In the external sector, the current account deficit widened from 8.7 percent of GDP in 2018 to 10.9 percent of GDP in 2019, driven by deterioration in the trade balance. After declining from 63.3 percent in 2018 to 51 percent in 2019, inflation surged to 166.8 percent in August 2020, driven by the exchange rate depreciation and a surge in money supply owing to recurrent fiscal deficit.

III. Fiscal Policy

6. The authorities overall fiscal stance aims to ensure medium term fiscal sustainability through implementation of comprehensive fiscal reforms. The immediate objective is to implement subsidy reforms to create space for social spending needed to alleviate adjustment pains and the negative impact of the COVID-19 pandemic. In this context, the authorities have steadily reduced fuel subsidies since February 2020 and plan to fully eliminate subsidies on gasoline and diesel. To better inform the public and garner support for the fuel subsidy reform, the authorities have conducted an extensive awareness campaign. To mitigate the impact of the reforms on vulnerable households, they have increased public wages and plan to raise social spending. In this respect, the Sudan Family Support Program (SFSP), piloted in June 2020, will be expanded to cover more families in the coming months.

7. To enhance revenue mobilization, the authorities plan to broaden the tax base through the rationalization of tax exemptions, while improving tax administration. Concurrently, the customs exchange rate will be gradually adjusted to boost tax revenues while ameliorating associated inflationary and social impacts. At the same time, the authorities plan to reform the import tariff structure, with IMF technical assistance, to limit the impact of customs exchange rate unification on prices. Overall, these fiscal measures along with donor support are expected to reduce the fiscal deficit by 4 percent of GDP in 2020 and 3.3 percent of GDP in 2021. Beyond 2021, the authorities plan to accelerate fiscal consolidation to further strengthen fiscal stability.

8. The authorities plan to strengthen public financial management through improved budget planning, fiscal reporting and establishment of a treasury single account (TSA). To this end, good progress has been made in establishing the TSA, improving cash management and forecasting, and consolidating all bank accounts of ministries and public enterprises held at the central bank into a single account. Further, they plan to continue these reform efforts, including through incorporating a medium-term fiscal framework into budget planning and strengthening the macro-fiscal unit to improve fiscal policy formulation. To further enhance fiscal transparency, the authorities will publish monthly budget execution reports in line with the GFS Manual 2001, while strengthening public procurement system with World Bank technical support.

IV. External Debt and Relief Prospects

9. Sudan remains in debt distress, with about 85 percent of external debt in arrears. The authorities recognize that successful implementation of the SMP is critical to an accelerated process towards international re-engagement. In this respect, they are stepping up engagement with international partners, including discussions with the U.S. government to remove Sudan from the U.S. state sponsors of terrorism list. The government will also consult with the IFIs, to seek comprehensive debt relief under the HIPC process. They are also finalizing preparation of a full PRSP, with support from the African Development Bank and the World Bank, while completing work on debt reconciliation.

10. Considering the acute financing conditions, the authorities' debt strategy has been tailored to ensure the flow of financing for critical development projects. In this context, they have partially serviced debt to those creditors who provided net positive flows to Sudan. That said, it is worth noting that the 2020 budget does not include an allocation for debt service, given the current difficult conditions exacerbated by the COVID-19 pandemic.

V. Monetary and Exchange Rate Policies

11. The authorities have adopted a reserve money targeting framework to anchor inflation expectations. Over the medium term, they plan to strengthen their monetary toolkit to eliminate deficit monetization, while building a strong and liquid government securities market, supported by Fund TA. They also plan to establish a treasury committee to enhance coordination between the Central Bank of Sudan (CBOS) and Ministry of Finance and Economic Planning (MOFEP) with a view to improving liquidity management and forecasting. In addition, they are revamping the central bank law to strengthen its independence and aim to submit the new central bank law to the legislative body by end 2020.

12. Consistent with the commitment to address challenges in the monetary sector, the authorities have commenced preparatory activities towards unification of all exchange rates (except the customs rate) to enable greater flexibility for commercial banks and FX bureaus to set exchange rates in line with market conditions. In this respect, the authorities have finalized bank-by-bank stress tests and developed remedial measures to strengthen resilience to exchange rate movements in identified problem banks. To help manage volatility during the initial period of the reform, the central bank will maintain a band on the daily exchange rates set by banks and FX bureaus. At the same time, the authorities will refrain from imposing administrative restrictions on current account transactions to support free market determination of exchange rates.

VI. Financial Sector Policies

13. The central bank will continue to modernize banking regulation and strengthen supervisory capacity while enhancing the compliance of banks with prudential regulations, including on limits on foreign exchange exposure and lending in foreign currency. They will

also conduct semi-annual stress tests to identify and address bank vulnerabilities, while laying the ground for adoption of a risk-based supervisory regime. At the same time, asset quality reviews of systemically important banks will be finalized by June 2021 and the bank recovery and resolution framework will be strengthened in line with international best practice.

14. To strengthen corporate governance in the banking sector, independent directors will replace central bank officials serving on commercial bank boards by end 2020. At the same time, the central bank will phase out its stake in state-owned banks and commercial banks by December 2021. In addition, the authorities will continue to address remaining AML/CFT deficiencies, including through conducting thematic AML/CFT on-site inspections of the high-risk banks, strengthening the capacity of the Financial Intelligence Unit (FIU), and fully implementing risk-based AML/CFT supervision.

VII. Structural Reforms

15. The authorities remain committed to strengthening governance and intensifying the fight against corruption in line with the Constitutional Declaration. To this end, they are finalizing a new Anti-Corruption Law to be passed by the legislature body by October 2020, in time for the establishment of an independent Anti-Corruption Commission by March 2021. Meanwhile, the authorities are pressing ahead with efforts to recover stolen assets and prosecution of individuals who obtained these assets though corrupt means. They are also undertaking comprehensive state-owned enterprise (SOE) reforms aimed at strengthening SOE oversight, including through transferring oversight responsibilities of all SOEs to the MOFEP. In this context, the authorities look forward to a comprehensive Fund TA mission to help advance reforms to address governance weaknesses.

16. The authorities are also stepping up efforts to improve the business environment, enhance competitiveness, and support strong and inclusive growth, with support from the International Finance Corporation and the World Bank. Key activities include fostering public-private dialogue, strengthening the legal and institutional framework for public- private partnerships (PPPs), improving access to finance, and simplifying business entry and taxation while prioritizing efforts to improve data quality, frequency, and availability.

VIII. Overdue Financial Obligations

17. The authorities welcome staff proposals on Sudan's annual token payments to the Fund and seek the Board's approval of the proposed decisions. They view the reduction in annual token payments as critical given the significant deterioration in Sudan's payment capacity in the wake of elevated economic challenges and the COVID-19 crisis. Going forward, the authorities remain committed to make payments regularly and to increase payments as capacity to repay improves.

IX. Conclusion

18. Our Sudanese authorities reaffirm their commitment to implementing far reaching reforms under the SMP to lay a solid foundation for macroeconomic stability and eventual resolution of the country's debt burden. They recognize the complexity of the task ahead and look forward to the support of the international community in implementing their reform program aimed at addressing the adverse social and economic legacies and building a prosperous society. The authorities appreciate the Fund's policy advice and technical assistance provided thus far and look forward to additional support in the implementation of their reform agenda.