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GRAY/21/809

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March 22, 2021

**Statement by Mr. Moreno and Ms. Moral Betere on Sudan  
(Preliminary)  
Executive Board Meeting  
March 24, 2021**

We thank staff for their insightful report and **Ms. Mannathoko and Mr. Ismail** for their candid buff statement.

Based on staff's recommendation, **we support the proposed decision on Sudan's Staff Monitored Program.** We commend the authorities for their efforts to address the major macroeconomic imbalances and their commitment to the program, albeit at a slower pace than anticipated. Despite the daunting challenges, the authorities have made relevant progress on their structural reform agenda. The recent exchange rate unification and the removal of fuel subsidies, together with an increase in electricity tariffs, are important steps in the reform process. In addition, the comprehensive peace agreement, and recent international efforts to support Sudan, demonstrate that it is heading in the right direction to achieve macroeconomic stability and strong and inclusive growth.

**We are aware that risks to the program remain very high, but we believe that it is an essential catalyst to integrate Sudan into the international financial community,** and help advance the reform process, at the same time, protecting the population with much needed lifelines.

**We note Sudan's efforts to continue cooperating with the Fund on overdue financial obligations under these difficult circumstances and support the staff's decision of no new remedial measures.** We acknowledge their commitment to pay at least US\$2.5m annually from 2021 onwards towards their arrears to the Fund, and we support the Fund's encouragement to Sudan to increase payments as its payment capacity improves. In the

meantime, we support the staff's call for avoiding selective debt service payments and maintaining a prudent borrowing strategy that minimizes non-concessional borrowing, given Sudan's unsustainable indebtedness. In this regard, we thank the staff for the update on donor coordination activities consistent with the IEO report.

**We commend the authorities for the recent implementation of exchange rate unification and the commitment of the authorities to a market-based exchange rate.** This will help to increase transparency and competitiveness and boost much needed revenues that would help to reduce fiscal dominance. In this regard, we welcome the recent measures contained in the 2021 budget, but further actions are needed to build fiscal space in the areas of revenue mobilization and SOEs oversight. In addition, we would like to emphasize the need to preserve critical health and social spending measures to support the most vulnerable, given Sudan's high levels of poverty. *Could staff please elaborate on Sudan's measures to protect the most vulnerable and on their vaccination plans?*

**We underscore the need for an independent Central Bank to rein in inflation.** Fiscal consolidation measures are essential in reducing the need for central banking financing. However, further efforts are needed in terms of approving the Central Bank Act and increasing monetary instruments by building a government securities market. We agree with staff that the domestic banking sector needs to be strengthened through updated regulation and stronger supervision, and the re-establishment of correspondent bank relations that will facilitate international money flows.

**Successful implementation of the SMP is essential to underpin access to HIPC debt relief.** Authorities should continue to show strong performance under the SMP including the quantitative targets. In addition, Sudan should reach out creditors to reconcile its 2020 debt stock and adopt a poverty reduction strategy. Going forward, Sudan should strengthen governance, institutional capacity, and reduce the scope for corruption, including the strengthening of the implementation of its AML/CFT regime.

**We look forward to the clearance of Sudan's financing arrears to the IMF and wish the authorities all the best.**