

**EXECUTIVE
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MEETING**

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To: Members of the Executive Board

From: The Acting Secretary

Subject: **Sudan—Second Review Under the Staff-Monitored Program and Request for Extension**

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*The authorities have indicated that they consent to the Fund's publication of this paper.



SUDAN

SECOND REVIEW UNDER THE STAFF-MONITORED PROGRAM AND REQUEST FOR EXTENSION

June 21, 2021

EXECUTIVE SUMMARY

Context: The transitional government embarked on a Staff-Monitored Program (SMP) in 2020 to help address major macroeconomic imbalances caused by decades of mismanagement, lay the groundwork for inclusive growth, and establish a track record of sound policies required for eventual HIPC debt relief. The economic challenges facing the authorities remain significant and have been exacerbated by the COVID-19 pandemic, but there have been improvements in both the domestic and external environment. Sudan has cleared its arrears to the World Bank and African Development Bank thereby regaining access to multilateral grant funding. A financing package for the clearance of arrears to the IMF has been identified, and on May 17, 2021 a development partner conference was held in Paris with a side event to promote investment in Sudan.

Recent developments and outlook. Reforms have moved ahead, but the macroeconomic situation remains challenging and the external position is weak. Growth is expected to turn positive in 2021 but inflation remains very high. The exchange rate has remained stable following unification and adoption of a managed float, but with inflation in triple digits (342 percent in March), further depreciation is expected which will test the government's resolve. Donor financing, strong domestic revenue mobilization and avoiding the re-emergence of fuel subsidies will be needed to rein in monetization and support macroeconomic stability.

Program performance. The authorities met the quantitative benchmarks on banking sector net credit to the central government, the floor on net international reserves (NIR), and the ceiling on contracting or guaranteeing external long-term non concessional debt, but missed the ceiling on net domestic assets (NDA) mainly due to an increase in credit to the banking sector (mainly related to pandemic relief measures) relative to the programmed decline and to valuation effects. The indicative target (IT) ceiling on reserve money was also missed due to unsterilized reserve accumulation and an increase in credit to banks. The Non-Oil Primary Deficit was met by a wide margin though the IT floor on social spending was missed as a result of slower-than-expected rollout of the Sudan Family Support Program. The structural benchmark (SB) on bank stress tests was met but the benchmarks on the establishment of the Anti-Corruption Commission and the implementation of on-site AML/CFT inspections of banks were

missed due to delays in passing the Anti-Corruption Law and staffing challenges resulting partly from COVID-19 mitigation measures, respectively. The authorities are taking remedial actions to address the missed conditionality.

HIPC and proposed program extension. Financing of the IMF's participation in HIPC requires formal pledges by member countries. Given the time required to obtain formal financing pledges, there is a possibility that the HIPC Decision Point will slip past the expiry of the SMP at end-June. In light of the need for a continuous track record under an Upper Credit Tranche (UCT)-quality program, as a precaution the authorities have requested an extension of the current SMP by 6 months to end-December 2021. The SMP will be cancelled at Decision Point when a new Extended Credit Facility (ECF) arrangement is approved.

Staff supports the authorities' request to reset existing structural benchmarks and establish new ones for the extended period of the SMP. The structural benchmark related to the establishment of the Anti-Corruption Commission was originally programmed for end-March 2021, but will be shifted to end-September 2021 to allow more time for the appointment of commissioners. In lieu of the delayed adoption of an automatic fuel price mechanism (an end-September 2020 structural benchmark), an end-December 2021 benchmark will be set on the removal of controls on retail gasoline and diesel prices. Further underscoring the UCT standard of the program, the authorities propose to establish new structural benchmarks during the extension of the SMP on the adoption of a PFM roadmap; issuance of implementing regulations for the Investment Law; elimination of VAT and personal income tax exemptions; adoption of an SOE strategy; and enactment of a revised Banking Regulation Act.

Board engagement. In staff's view, the SMP continues to contain forward-looking policy commitments and conditionality of UCT quality. Staff will seek Directors' endorsement of this view on a lapse of time basis by end-June if the HIPC Decision Point occurs after June 30.

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

A virtual mission was held during April 14–May 7, 2021. The team comprised Carol Baker (head), Qiaoe Chen and Atticus Weller (all MCD), Sanan Mirzayev (SPR), Jacques Charaoui (FAD), and Mohammed Zaher (Resident Representative). Mr. Ismail (OED) participated in the discussions. The mission met with Finance Minister Dr. Gibril Ibrahim Mohamed; Central Bank Governor Mohamed Elfatih Zeinelabdin Mohamed; former Acting Finance Minister Hiba Ahmed and other senior government officials.

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BACKGROUND AND CONTEXT

1. **Since the 2019 popular revolution, Sudan's transitional government has taken difficult steps to right decades of economic mismanagement.** Their home-grown policies, which are supported by the Staff Monitored Program, have reduced distortions and large unaffordable subsidies in support of economic stability, fiscal sustainability and sustained and inclusive growth that reduces poverty. Economic conditions remain challenging but, notwithstanding delays, the rollout of the Sudan Family Support Program (SFSP) on February 24 has already provided support to 160,000 households and its implementation is expected to accelerate through the remainder of the year. This will help ease the burden on families from these necessary policy actions.
2. **Sudan is also on a path to reintegrating with the international financial community and resolving its unsustainable debt burden.** On March 26, Sudan cleared arrears to the World Bank and regained access to multilateral funding through IDA's various facilities and windows and on May 12, cleared its arrears to the African Development Bank (AfDB). A financing package for the clearance of arrears to the IMF has been identified and formal pledges are being sought. On May 17, a development partners' conference was held in Paris with a side event to promote international investment in Sudan.
3. **Nonetheless, the situation remains fragile with significant risks.** Reforms have moved ahead, but the macroeconomic situation remains challenging and the external position is weak. Growth is expected to turn positive in 2021 but inflation remains very high. Fiscal revenue is low and subsidies continue to consume a large proportion of the budget. The move to a market-determined exchange rate has brought significant remittance inflows and the exchange rate has remained relatively stable, but with inflation in triple digits (342 percent in March), further depreciation is expected which will test the government's resolve. Donor financing, strong domestic revenue mobilization and avoiding the re-emergence of fuel subsidies will be needed to rein in monetization and support macroeconomic stability.

RECENT ECONOMIC DEVELOPMENTS AND PERFORMANCE UNDER THE SMP

4. **Sudan's economy is expected to grow modestly in 2021.** In 2020, containment measures to protect human life in the wake of the pandemic reduced economic activity but agricultural production and exports held up and the service sector rebounded quickly following the lock down. GDP is estimated to have contracted by 3.6 percent. With the clearance of arrears to the World Bank and AfDB unlocking grant resources and positive policy developments such as exchange rate unification, GDP growth is expected to recover to about 0.4 percent in 2021.

5. The fiscal balance improved in the first quarter though the composition of adjustment was less than ideal. Tax revenues in Q1 2021 outperformed the authorities' budgetary target due to improved administration, including efforts to combat smuggling. However, social expenditure fell below target due to the slow rollout of the SFSP while spending on fuel and wheat subsidies increased relative to the budget due to an increase in international prices and insufficient adjustment of retail fuel prices.

6. Inflation remains high but the post-unification exchange rate has been stable. As the parallel market exchange rate was already widely used in FX transactions, the unification of the official exchange rate on February 21 had a limited impact on inflation and since then the exchange rate has been stable with daily movement well within the ± 5 percent band around the indicative rate. However, inflation has remained high and continued to accelerate in the first quarter of 2021 due to the base effects from fuel price hikes and their second-round impact, but also shortages of food and fuel. In March, inflation reached 342 percent y-o-y, but on a month-on-month basis slowed to 7.2 percent (13.1 percent in February 2021). The banking sector remains fragile, with several banks undercapitalized and/or vulnerable to exchange rate depreciation.

7. External sector performance was robust with the current account balance turning to surplus. The trade balance improved significantly in Q1 2021 on the back of exchange rate reforms. Exports increased by a robust 54 percent, while imports contracted by 17 percent in the first quarter on year-on-year basis following a surge in late 2020. With more transactions shifting to the formal sector, recorded remittances have increased nearly five-fold. Despite lower than expected external grants disbursements, the current account on a cash basis registered a surplus of 1 percent of GDP. Gross usable international reserves improved to \$327 million at end-March 2021 (the equivalent of 0.4 months of imports).

8. Program performance was satisfactory:

- *Quantitative targets:* The authorities met the quantitative benchmarks on net credit to the central government, the ceiling on contracting or guaranteeing external long-term non-concessional debt and the net international reserves (NIR) floor. However, the ceiling on net domestic assets (NDA) was missed mainly due to an increase in credit to the banking sector (mainly related to pandemic relief measures) relative to the programmed decline.
- *Indicative targets (ITs):* The IT floor on social spending was missed due to delays in the rollout of the SFSP, though the IT on the Non-Oil Primary Deficit was met by a wide margin due to this and other spending shortfalls and better than expected mobilization of tax revenue; the NOPD target was adjusted to reflect deviations from staff projections related to SFSP and other grant inflows. As with NDA, the reserve money ceiling was missed due to a combination of an increase in unsterilized foreign assets and credit to the banking sector.
- *Structural benchmarks:* The structural benchmark (SB) on bank stress tests was met but the implementation of 10 on-site thematic AML/CFT inspections was missed, though significant progress has been made with eight out of 10 inspections completed by mid-May despite

COVID-19 mitigation measures requiring the CBOS and banks to operate at 50 percent capacity. The establishment of the Anti-Corruption Commission is delayed due to the delayed passage of the Anti-Corruption National Commission Law (end-October 2020 SB) which was approved by the Sovereign Council on April 25, but the authorities have made progress in identifying commissioners.

OUTLOOK AND RISKS

The medium-term outlook is positive, but the near-term outlook is subject to significant downside risks.

9. The positive external developments noted above and ongoing policy reforms support an improved outlook. Though the economic and political environment is still unsettled, recent policy actions have engendered stability that if continued will support stronger growth. Growth is expected to pick up gradually to 4½ percent over the medium term as the business climate improves. The move to a market-determined exchange rate on February 21, 2021 has helped to reduce market volatility, bring back foreign exchange transactions to the formal sector, and leveled the playing field for foreign traders. Continued reduction of subsidies and the elimination of the current customs exchange rate regime will provide fiscal space for increasing outlays on needed social spending. The recent passage of the new Investment Law and the Public and Private Partnership Law, and the issuance of regulations underpinning the re-introduction of conventional banking (see below) could help to attract more private sector-led investment and facilitate a transition to reserve money targeting.

10. While medium-term risks are broadly balanced, near-term risks are significant and tilted to the downside. In addition to the risks to the program described in paragraph 3 above, failure to implement needed policy measures or a reversion to past policies, including fiscal subsidies, multiple currency practices and lack of transparency/governance would undermine growth and macroeconomic stabilization. This could lead to persistent and large fiscal deficits with insufficient financing further fueling the inflation/depreciation spiral. The risk that the transitional government will be unable to reach consensus or that a social backlash will impede implementation of difficult but needed economic reforms, including those needed to achieve HIPC debt relief, is non-negligible and would prolong economic hardship and socio-political instability.

POLICY DISCUSSIONS

Policy discussions centered broadly on the need to maintain reform momentum and avoid a reversion to distortionary exchange rate and fiscal policies. Talks focused specifically on: (1) solidifying the transition to a flexible exchange rate and enhancing a monetary policy framework that adheres to reserve money targets; (2) strengthening the financial sector, including by improving the implementation of the AML/CFT regime; (3) reducing distortionary and costly fuel

subsidies while strengthening the social safety net; (4) improving domestic revenue mobilization and MOF oversight over SOEs (PFM); and (5) strengthening governance and the environment for private sector growth.

Exchange Rate, Monetary and Financial Sector Policies

11. The move to a market-determined exchange rate has gone smoothly so far. On February 21, 2021, the authorities unified all exchange rates (excluding the customs valuation exchange rate) at the prevailing market rate of SDG375/USD. Though a ± 5 percent band was set on the daily movement of the exchange rate, most FX transactions have been performed within ± 3 percent of the CBOS's indicative rate, indicating a welcome low level of volatility in the forex market. Staff and the authorities will revisit the band at the end of June 2021 with a view to reassessing its necessity. The authorities have pledged to limit any intervention to mitigating disorderly market conditions.

12. The authorities continue to take steps to facilitate the transition to a reserve money targeting monetary regime. In the short run, the main policy tool for reducing reserve money growth will be fiscal consolidation supplemented by required reserve ratios and use of the limited stock of central bank securities. Over the medium-term, however, the sale of claims by CBOS in commercial and state-owned banks and conversion of claims on the government into monetary instruments will strengthen CBOS' monetary policy toolkit and enhance its ability to mop up liquidity. The CBOS intends to request TA to assess the need and scope to develop both conventional and Islamic monetary tools. In addition, the authorities have passed legislation re-introducing conventional banking thereby establishing a dual banking system comprised of both Islamic and conventional banking. Updated regulations are expected to be completed by end-2021 and will facilitate the transition of monetary policy regime and development of government securities market. On CBOS equity positions (structural feature that precedes the COVID-19 pandemic) in Islamic banks, it is crucial that the authorities proceed carefully on divestment in the broad context of addressing problem banks to reduce any potential negative spillovers on the banking system. The transition to a reserve money targeting regime should help to contain inflation and prevent the re-occurrence of missed targets on NDA and reserve money. On the latter, the authorities plan to begin FX auctions in the coming weeks supported by IMF TA to improve auction regulation and design, which should allow the sterilization of accumulated FX reserves.

13. Additional work is needed to strengthen central bank independence and its supervisory capacity. The revised Central Bank Act aims to strengthen Central Bank independence. It was approved by the CBOS Board on May 1 and it has now been sent to the Justice Department for final review. To strengthen regulatory supervision, banking regulations should be modernized in line with Islamic Financial Stability Board and international standards with a goal of moving to risk-based supervision. This is particularly important with the advent of a dual banking system. Phase 1 of the Asset Quality Review is complete, with Phase 2 underway and the authorities completed bank by bank stress tests in February to assess resilience to exchange rate shocks (end-March structural benchmark). It is imperative that the authorities

enact a revised Banking Regulation Act (end-December structural benchmark) which includes a comprehensive resolution regime for the banking sector in line with international best practice; this will help to lay the groundwork for restructuring the banking sector through bank resolution, and liquidation.

14. Addressing AML/CFT deficiencies must remain a priority. As of mid-May, the authorities had completed eight out of 10 planned AML/CFT on-site inspections of the highest-risk banks (end-March 2021 structural benchmark) as determined by the central bank's off-site assessment tool in 2019 and the remaining two are pending. Given that Sudan will soon undergo an AML/CFT mutual evaluation, the authorities should prioritize the completion of a National Risk Assessment (NRA) and the development of a strategy to mitigate the identified risks.

Fiscal Reforms

15. Sustained efforts toward fiscal consolidation are crucial to stabilize and grow the economy. This will require (i) enhanced domestic revenue mobilization to create fiscal space for needed social and infrastructure spending, and (ii) continued reforms in the energy sector to reduce fuel subsidies and lay the groundwork for lower electricity subsidies. The authorities' 2021 budget targets both sets of policy measures and aims to reduce the deficit by 3 percent of GDP to achieve a fiscal deficit of 2.9 percent of GDP.

16. Reducing fossil fuel subsidies must be at the center of fiscal consolidation efforts. Though gasoline and diesel subsidies were eliminated at the end of 2020, retail prices have recently failed to keep pace with rising international prices, leading to the reemergence of subsidization and threatening fiscal sustainability. To address this, the authorities will remove controls on retail gasoline and diesel fuel prices and allow gasoline and diesel fuel suppliers to contract at negotiated market prices (*end-December structural benchmark*). In the electricity sector, the authorities, with assistance from the World Bank, should develop a more rational tariff regime including increased electricity tariff rates on high-end consumers and improved efficiency in power generation in the broader context of work to increase the reliability and viability of the sector. A revised Electricity Act will create a more effective regulatory framework for power sector development to facilitate private sector investment in power generation and to encourage switching to renewable energy such as solar and wind in power generation.

17. Social spending has lagged program targets but the authorities will take corrective measures. Actual Q1 social spending underperformed the relevant IT floor due to the delay in exchange rate unification as well as coordination and administrative challenges impacting the rollout of the Sudan Family Support Program (SFSP), including the need to recruit staff and implement reliable benefit delivery mechanisms. The authorities will take corrective actions to speed up SFSP implementation, including by convening a Coordination Committee of key government agencies and international partners and appointing a director to lead the Project Implementation Unit. After a slow start, the pace of local staff recruitment has also accelerated, which should allow a pickup in SFSP disbursements through the Summer with a goal of reaching two million households by the end of the year.

18. Additional tax measures and administrative improvements are needed to raise domestic revenue. In addition to the alignment of the customs exchange rate with the CBOS indicative rate (*end-June SB*), the authorities have pledged to eliminate all exemptions on VAT except those related to food, and the personal income tax (PIT) exemption on people over 50 years of age in the context of a progressive PIT structure (*end-December SB*). Strengthening the Large Taxpayer Office by increasing the percentage of taxpayers processed electronically from 70 percent to 75 percent through the Tax Administration Core System (TACS) database by the end of 2021 will also help to boost revenue mobilization. Driven by the elimination of the customs exchange rate, tax revenue is expected to increase to 4.9 percent of GDP in 2021, a notable increase over the 2020 tax revenue yield of 3.4 percent of GDP.

19. Strengthening public financial management will help to enhance fiscal control and revenue collection. To anchor annual budgets on a credible medium-term fiscal framework, the authorities will develop a Public Financial Management Roadmap based on the recent PEFA (*end-September 2021 SB*). Building on improvements in the Treasury Single Account (TSA), they will continue to improve cash forecasting, extending the setting of cash ceilings for ministries, departments, and agencies from one to three months, and gradually expanding TSA coverage to extrabudgetary funds and improving expenditure control.

Business Climate and Governance Reforms

20. Unlocking Sudan's private sector potential is key to robust and inclusive growth, but the authorities should be attentive to fiscal risks in the new PPP and Investment laws. New Investment and PPP laws have been recently enacted with the goal of improving the investment climate, fostering Public-Private Dialogue, strengthening the legal and institutional framework for Public-Private Partnerships (PPPs), and supporting MSME development. These are *prima facie* positive developments, but if not structured correctly, PPPs and investment incentive regimes can carry significant fiscal risks. To mitigate these, the authorities should issue implementing regulations for the Investment Law which stipulate that all tax exemptions must have prior approval from the Ministry of Finance and must be costed (*end-December SB*). There should be a similar stipulation with respect to the PPP Law, as well as strictly defined limits on the government's total exposure to PPPs and procedures to ensure the affordability of PPP projects in the longer term.

21. Combating corruption, improving governance and reducing the role of the state in the economy are key to creating a more enabling environment for private sector-led growth. The new Anti-Corruption Law calls for an independent Anti-Corruption Commission with a strong mandate to prevent, detect, and investigate corruption. Establishing this commission through the appointment of commissioners is a structural benchmark for end-September, which is re-programmed from October 2020 given delays in passing the law. Meanwhile, supervision of the ill-gotten assets from the previous regime will be transferred to a government holding company to improve their oversight. The authorities will also develop an SOE ownership policy which will set forth the strategic purpose, oversight and management

principles of this sector, including a framework for determining which SOEs should remain public, be liquidated or be privatized. The strategy should be endorsed by the Cabinet and the financial oversight of all SOEs transferred to the MOFEP by the end of December 2021 (*structural benchmark*). The timely completion of the delayed governance diagnostic exercise is needed to build a roadmap for strengthening governance across various sectors of government. Finally, corruption vulnerabilities will also be reduced by the previously-mentioned AML/CFT reforms, increased electronic processing of taxpayers, and exchange rate unification, which should eliminate opportunities for insiders to arbitrage across exchange rates.

Other Policy Issues

22. Statistical capacity remains very weak despite extensive TA, undermining macroeconomic management, policy making and program monitoring. There are limited reliable data sources upon which to establish quantitative performance criteria. Critical actions include: update the System of National Account from SNA1968 to SNA 2008 and update the base year from 1981 to one within the last 5 years; improve data accuracy and collection and expand the fiscal accounts to include General Government statistics; and address the large Errors and Omissions in the BOP through better data collection and reporting. The implementation of e-GDDS would also help to improve data collection, dissemination and reporting across all sectors. The IMF stands ready to provide TA.

HIPC STATUS AND PROPOSED PROGRAM EXTENSION

23. The IMF Executive Board agreed to a financing package for the clearance of Sudan's arrears to the Fund and the IMF's participation in HIPC on May 10. The package involves the full distribution of the SCA-1 (SDR 1.066 billion), deferred charges (SDR 611 million), plus additional grant financing. Letters have been sent to capitals requesting formal pledges of their shares of the SCA-1 and deferred charges distributions.

24. Given the time required to obtain formal financing pledges, there is a possibility that the HIPC DP will be reached after the June 30 expiry of the SMP. As HIPC requires an uninterrupted track record of performance under a UCT-quality SMP, as a precaution the authorities are requesting an extension of the current SMP through end-December to mitigate any risk caused by a delay in receiving sufficient financing assurances. In the event that the Decision Point were to slip past June 30, IMF Executive Board endorsement of the UCT quality of the extended SMP would be sought.

25. Staff supports the authorities' request to reset existing structural benchmarks and establish new ones for the extended period of the SMP. The structural benchmark related to the establishment of the Anti-Corruption Commission was originally programmed for end-March 2021, but will be shifted to end-September 2021 to allow more time for the appointment of commissioners. In lieu of the delayed adoption of an automatic fuel price mechanism (an end-

September 2020 SB), an end-December 2021 benchmark on the removal of controls on retail gasoline and diesel prices will be set. Further underscoring the UCT standard of the program, the authorities propose to establish new structural benchmarks during the extension of the SMP on the adoption of a PFM roadmap; issuance of implementing regulations for the Investment Law; elimination of VAT and personal income tax exemptions; adoption of an SOE strategy; and enactment of a revised Banking Regulation Act.

STAFF APPRAISAL

25. International support for Sudan has gained momentum. Sudan has cleared its arrears to the World Bank and the African Development Bank and has regained access to multilateral grant funding. A financing package for the clearance of arrears to the IMF has been identified and work is ongoing to secure formal pledges for the IMF's participation in HIPC, an important step toward HIPC Decision Point.

26. Reforms have moved ahead, but the macroeconomic situation remains challenging and the external position is weak. Growth is expected to turn positive in 2021 but inflation remains very high. The market-determined exchange rate has remained stable following unification, but with inflation in triple digits, further depreciation may occur, testing the government's resolve. Donor financing, strong domestic revenue mobilization and avoiding the re-emergence of fuel subsidies will be needed to rein in monetization and support macroeconomic stability.

27. The move to a market-determined exchange rate has gone smoothly and the authorities should continue to strengthen their reserve money targeting framework. The re-introduction of conventional banking will facilitate development of effective monetary instruments. Over the medium-term, the sale of claims by CBOS in commercial and state-owned banks and conversion of claims on the government into monetary instruments will also strengthen CBOS' monetary policy toolkit and enhance its ability to mop up liquidity. Given weaknesses in the banking sector, the authorities should proceed cautiously on exiting their equity positions in the context of an effective bank resolution framework and strengthening capital adequacy.

28. Additional steps are needed to strengthen central bank independence and its supervisory capacity. The recent approval of the revised Central Bank Act is a welcome first step. The authorities should enact a revised Banking Regulation Act which includes a comprehensive resolution regime for the banking sector in line with international best practice; this will help to lay the groundwork for restructuring the banking sector through bank resolution and liquidation. Capacity to supervise the dual system should be enhanced including through technical assistance.

29. The reduction of fuel subsidies is central to reducing the deficit and creating space for social spending. To address the reemergence of fuel subsidization, it is critical for the

authorities to remove controls on retail gasoline and diesel fuel prices and allow gasoline and diesel fuel suppliers to contract at negotiated market prices. In the electricity sector, a plan should be put in place to reduce electricity subsidies in the context of improving viability of the sector including increased electricity tariff rates on high-end consumers and improved efficiency in power generation. Subsidy reduction will free up fiscal space for social spending, but improvements in coordination and administration are also needed to accelerate the rollout of the Sudan Family Support Program.

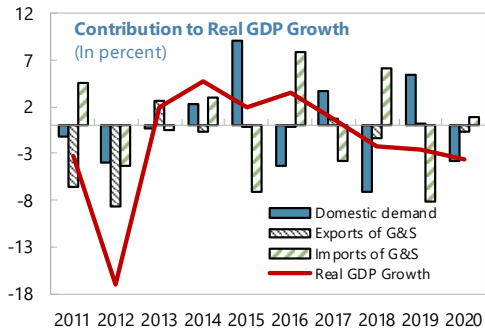
30. Additional tax measures and administrative improvements are needed to raise domestic revenue. In addition to the elimination of the customs exchange rate regime, the authorities should eliminate all exemptions on VAT except those related to food, and the personal income tax exemption on people over 50 years of age. Strengthening the Large Taxpayer Office will also help to boost revenue mobilization. PFM reforms, including the development of a Public Financial Management Roadmap, are needed to enhance fiscal control and revenue collection.

31. Unlocking Sudan's private sector potential will require significant steps to improve governance, reduce the role of the state in the economy, and mobilize private investment. The establishment of an independent Anti-Corruption Commission is needed to prevent, detect, and investigate corruption, while a strategy for the SOE sector should establish oversight and management principles of the sector, set forth a framework for determining which SOEs should remain public, be liquidated or be privatized. The authorities should ensure that implementation of the new PPP and Investment Laws are carefully monitored by the MOFEP to prevent the emergence of contingent liabilities and a proliferation of tax exemptions.

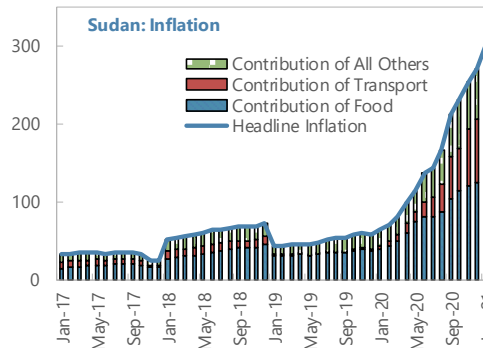
32. Staff supports the proposed extension of the program and establishment of new test dates and conditionality. Successful implementation of the extended SMP would improve the external position and support sustainable inclusive growth. Notwithstanding challenges, the authorities have the commitment and capacity to implement the proposed policies, as illustrated by their performance to date and forward commitment to an ambitious adjustment program. Conditionality design remains consistent with applicable policies for a UCT program, and thus the program continues to meet the UCT standard.

Figure 1. Sudan: Selected Economic Indicators

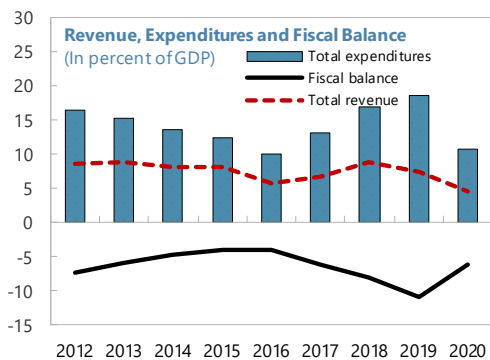
The economy suffered a third consecutive year of contraction in 2020



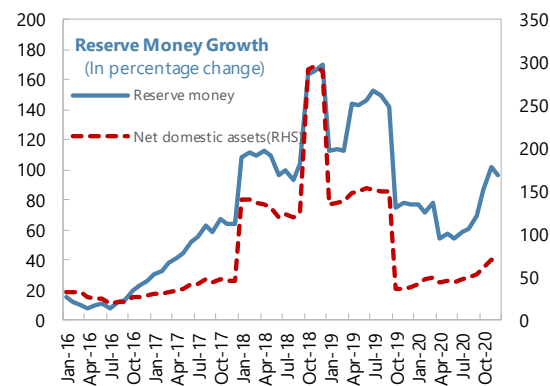
...while inflation surged due to monetary expansion, shortages of food and fuel, and adjustment of administered prices.



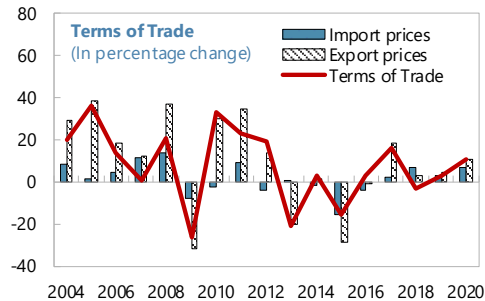
The fiscal deficit narrowed in 2020...



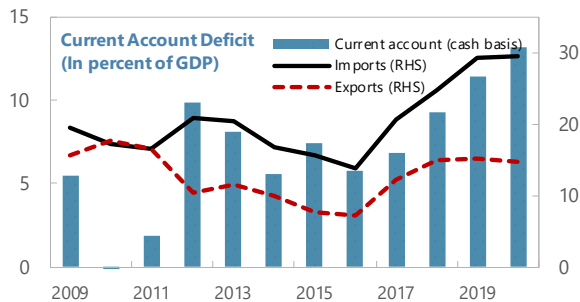
...but large monetary expansion continued due to monetization and purchases of foreign exchange.



The terms of trade increased...



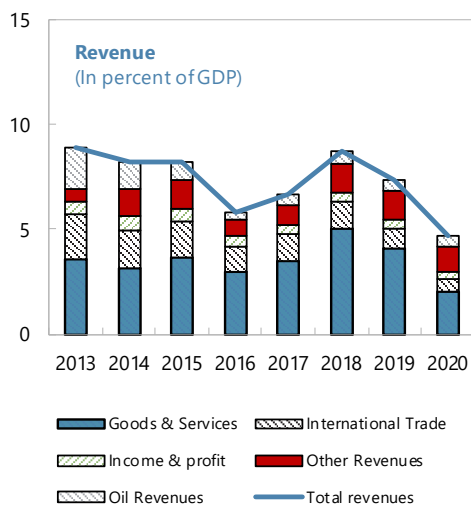
...while imports also grew rapidly.



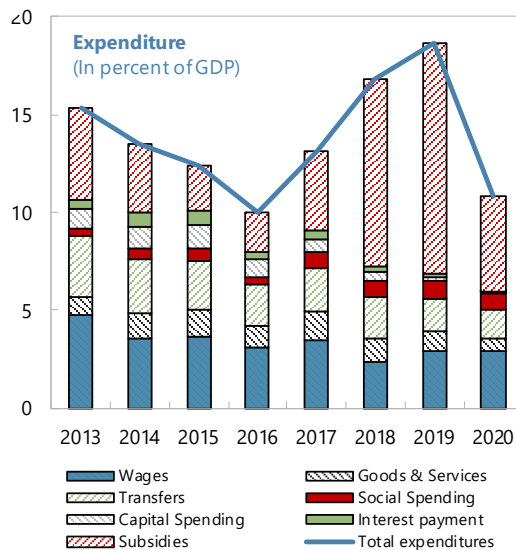
Sources: Sudanese authorities; and IMF staff calculations.

Figure 2. Sudan: Fiscal Sector

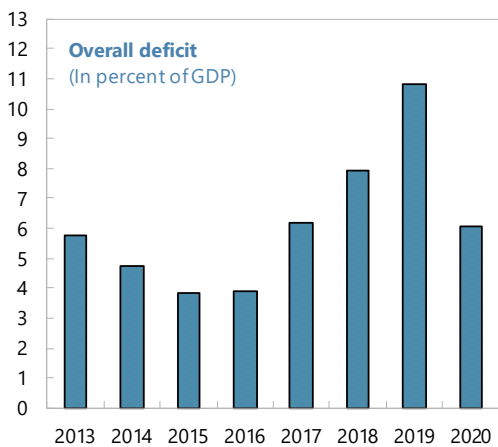
Revenue is low and declined further due to COVID-19.



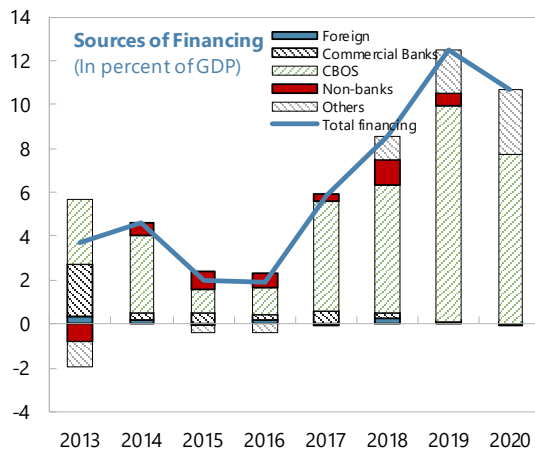
Subsidies on retail gasoline and diesel were gradually removed.



The fiscal deficit came down but remained large

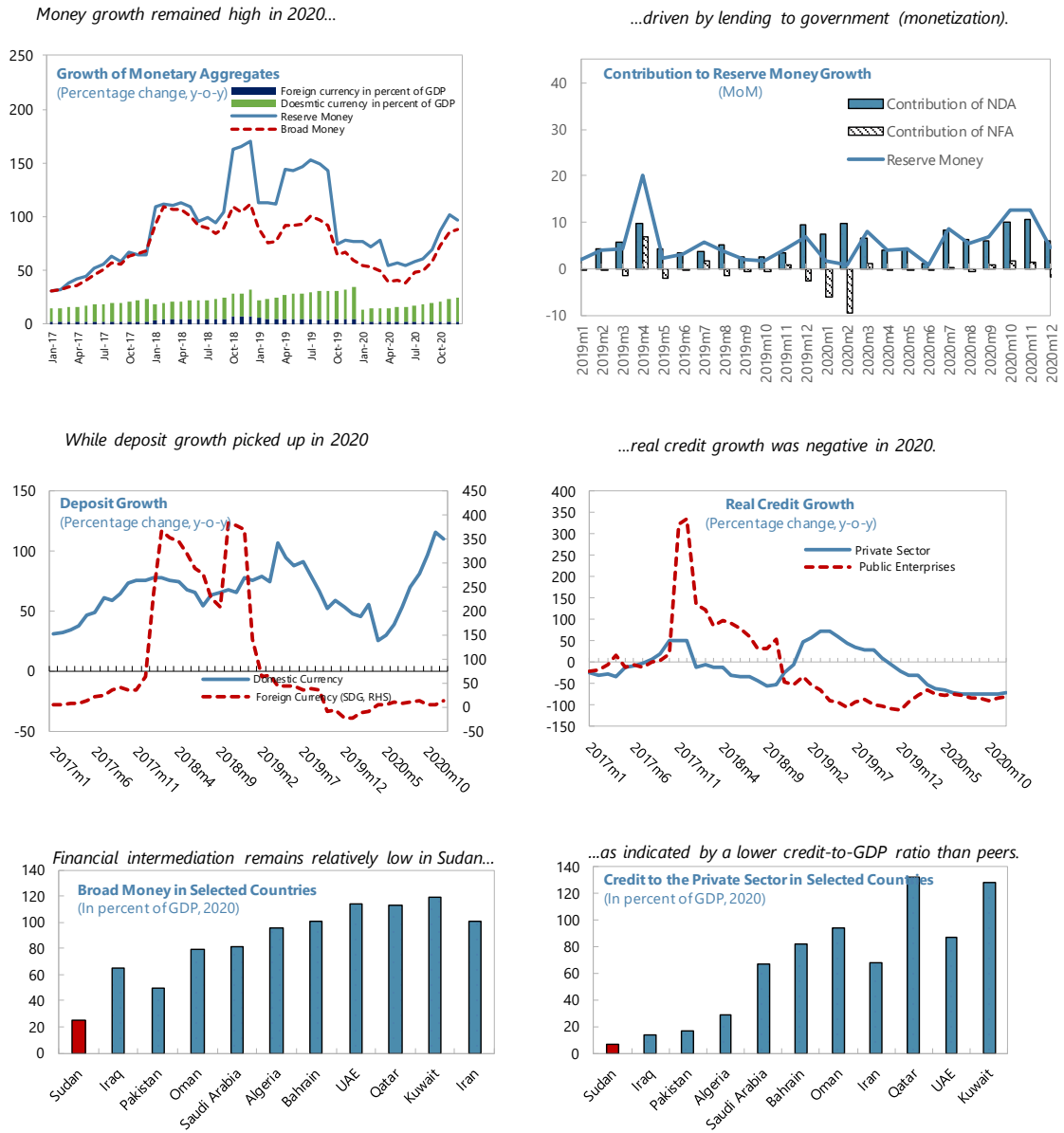


...and continued to drive monetization.



Sources: Sudanese authorities, and IMF Staff estimates.

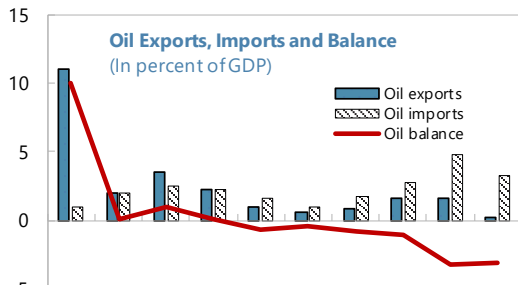
Figure 3. Sudan: Monetary Sector



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

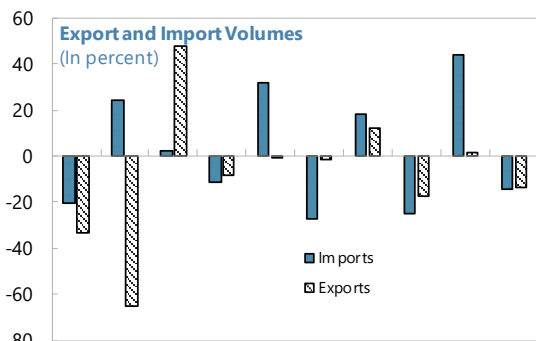
Figure 4. Sudan: External Sector

Sudan became a net oil importer shortly after the secession of South Sudan.



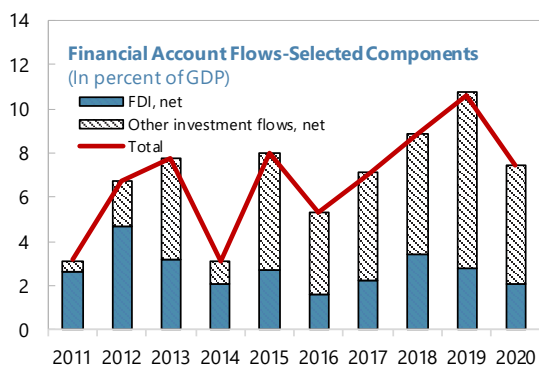
2011 2012 2013 2014 2015 2016 2017 2018 2019 2020

...but both import and export volumes fell...



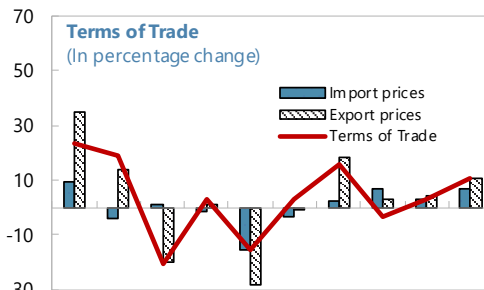
2011 2012 2013 2014 2015 2016 2017 2018 2019 2020

Capital inflows decreased...



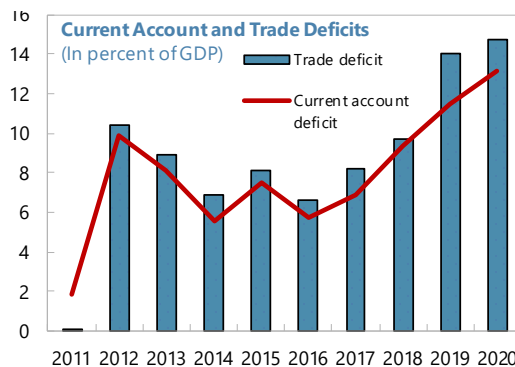
Sources: Central Bank of Sudan; and IMF Staff calculations.

The terms of trade improved slightly in 2020...



2011 2012 2013 2014 2015 2016 2017 2018 2019 2020

...and the current account deficit remained high.



...and reserve coverage remained very low.

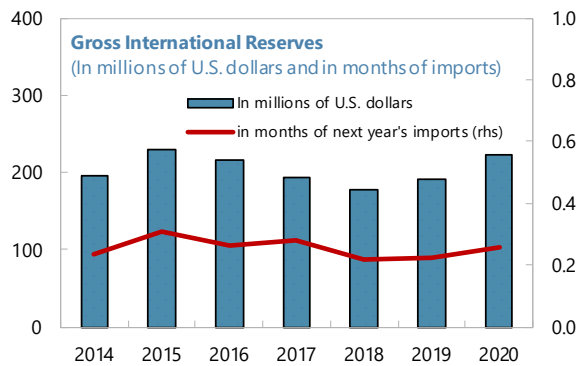


Table 1. Sudan: Selected Economic Indicators, 2018–26

	2018	2019	2020	2021	2022	2023	2024	2025	2026	
			SMP	Act.			Proj.			
Output and prices										
	(Annual change in percent)									
Real GDP (market prices)	-2.3	-2.5	-8.4	-3.6	0.4	1.1	2.6	3.6	4.3	4.4
Consumer prices (end of period)	72.9	57.0	198.0	269.3	121.9	54.9	44.0	36.2	29.7	26.2
Consumer prices (period average)	63.3	51.0	141.6	163.3	198.8	61.2	48.5	39.5	32.4	27.7
Central government										
	(In percent of GDP)									
Revenue and grants	8.9	7.8	6.8	4.8	8.4	10.6	10.2	10.0	9.9	9.8
Revenue	8.8	7.4	5.3	4.7	6.3	8.1	8.0	8.0	8.1	8.1
Tax revenue	6.8	5.4	3.5	3.0	4.5	6.1	6.1	6.1	6.1	6.1
Expenditure 2/	16.8	18.7	13.7	10.9	11.2	13.3	12.9	12.7	12.7	12.5
Current 2/	16.3	18.5	13.3	10.8	10.1	12.2	12.1	11.8	11.9	11.7
Wage bill	2.4	2.9	5.1	2.9	1.6	2.2	2.3	2.3	2.3	2.3
Goods and services	1.2	1.0	1.0	0.7	0.7	0.7	0.7	0.7	0.7	0.7
Interest	0.2	0.2	0.0	0.0	0.2	0.1	0.2	0.2	0.4	0.5
Subsidies 2/	9.6	11.8	3.8	4.9	3.7	3.5	3.4	3.3	3.2	2.9
Transfers	2.1	1.7	1.2	1.5	2.6	3.0	3.0	2.9	2.9	2.8
Other current	0.8	0.9	2.2	0.8	1.2	2.7	2.5	2.5	2.5	2.5
Capital	0.5	0.1	0.4	0.1	1.2	1.1	0.8	0.8	0.8	0.7
Overall balance 2/	-7.9	-10.8	-6.9	-6.0	-2.9	-2.7	-2.6	-2.7	-2.7	-2.7
Public debt 1/	186.7	200.3	259.4	249.2	210.6	206.2	199.3	192.0	184.8	180.2
Monetary sector										
	(Annual changes in percent)									
Broad money	111.8	60.1	88.2	88.0	118.9	43.3	41.1	34.9	33.0	31.2
Reserve money	170.5	77.5	94.5	97.0	124.4	42.0	39.7	36.9	31.7	30.1
Balance of payments										
	(In percent of GDP, unless otherwise indicated)									
Exports of goods	10.4	11.1	14.2	11.1	13.2	13.5	13.8	14.0	14.9	15.0
Imports of goods	21.1	25.0	25.0	25.9	25.3	26.2	26.8	26.5	26.8	26.8
Trade balance	-9.7	-14.0	-11.1	-14.7	-10.9	-12.1	-12.1	-11.6	-11.4	-11.4
Current account balance (cash basis)	-9.3	-11.4	-8.4	-13.2	-7.4	-7.6	-7.7	-7.5	-7.0	-7.0
External debt	177.1	167.8	176.1	167.4	166.1	163.7	161.6	159.7	156.7	153.5
External debt (in billions of US\$)	55.1	56.3	57.4	57.5	58.8	58.5	59.0	60.3	61.6	62.9
Gross usable international reserves (in millions of US\$)	178	190	324	223	379	452	557	754	955	1,269
In months of imports	0.2	0.2	0.4	0.3	0.4	0.5	0.6	0.7	0.9	1.7
Memorandum items:										
Nominal GDP (in billions of SDGs)	1,362	2,030	4,481	5,168	15,625	25,405	38,644	55,726	76,883	102,375
Nominal GDP (in \$US billion)1/	33.4	33.6	32.6	34.4	35.4	35.7	36.5	37.8	39.3	41.0
NEER (2007=100, percent change, period average)	-52.2	-40.7	...	-59.8	-65.9	-37.9	-32.7	-28.3	-24.5	-21.7
REER (2007=100, percent change, period average)	-24.5	-12.5	...	5.9	1.7	0.1	-0.1	0.0	0.0	0.0

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.

Table 2. Sudan: Medium-Term Macroeconomic Outlook, 2018–26

	2018	2019	2020	2021	2022	2023	2024	2025	2026
				Proj.					
Output and prices									
	(Annual change in percent)								
Real GDP (at market prices)	-2.3	-2.5	-3.6	0.4	1.1	2.6	3.6	4.3	4.4
Consumer prices (end of period)	72.9	57.0	269.3	121.9	54.9	44.0	36.2	29.7	26.2
Consumer prices (period average)	63.3	51.0	163.3	198.8	61.2	48.5	39.5	32.4	27.7
GDP deflator	69.8	46.0	164.2	201.2	60.8	48.3	39.3	32.2	27.5
Investment and savings									
	(In percent of GDP)								
Gross domestic expenditure	109.7	114.0	114.7	110.9	112.1	112.1	111.6	111.4	111.4
Final consumption	96.1	104.2	104.7	100.3	100.9	100.6	99.8	99.6	99.5
Gross capital formation	13.6	9.9	10.0	10.7	11.2	11.5	11.8	11.8	11.9
Gross Savings	-0.4	-5.8	-7.5	-1.0	-0.7	-0.3	0.3	1.0	1.2
Central government operations									
Revenue and grants	8.9	7.8	4.8	8.4	10.6	10.2	10.0	9.9	9.8
Revenue	8.8	7.4	4.7	6.3	8.1	8.0	8.0	8.1	8.1
Of which: Oil revenues 1/	1.3	1.3	1.2	1.3	1.4	1.3	1.4	1.4	1.4
Taxes	6.8	5.4	3.0	4.5	6.1	6.1	6.1	6.1	6.1
Expenditure 2/	16.8	18.7	10.9	11.2	13.3	12.9	12.7	12.7	12.5
Current 2/	16.3	18.5	10.8	10.1	12.2	12.1	11.8	11.9	11.7
Wages	2.4	2.9	2.9	1.6	2.2	2.3	2.3	2.3	2.3
Subsidies 2/	9.6	11.8	4.9	3.7	3.5	3.4	3.3	3.2	2.9
Transfers	2.1	1.7	1.5	2.6	3.0	3.0	2.9	2.9	2.8
Capital	0.5	0.1	0.1	1.2	1.1	0.8	0.8	0.8	0.7
Overall balance	-7.9	-10.8	-6.0	-2.9	-2.7	-2.6	-2.7	-2.7	-2.7
Primary balance	-7.7	-10.6	-6.0	-2.6	-2.5	-2.5	-2.4	-2.4	-2.2
Public debt 3/	186.7	200.3	249.2	210.6	206.2	199.3	192.0	184.8	180.2
Monetary sector									
	(Annual change in percent, unless otherwise indicated)								
Broad money	111.8	60.1	88.0	118.9	43.3	41.1	34.9	33.0	31.2
Reserve money	170.5	77.5	97.0	124.4	42.0	39.7	36.9	31.7	30.1
Credit to the private sector	69.3	45.8	78.8	80.0	70.0	50.0	40.0	50.0	50.0
Broad money (percent of GDP)	31.6	34.0	25.1	18.2	16.0	14.8	13.9	13.4	13.2
Net claims on government (percent of GDP)	20.4	22.6	14.4	10.9	10.5	10.5	10.7	11.1	11.5
Credit to the private sector (percent of GDP)	9.0	8.8	6.2	3.7	3.9	3.8	3.7	4.0	4.5
External sector									
	(In percent of GDP, unless otherwise indicated)								
Exports of goods (in US\$, annual percent change)	-15.0	7.4	1.6	22.9	3.4	4.2	5.1	11.0	4.7
Imports of goods (in US\$, annual percent change)	-14.1	18.8	6.0	0.5	4.6	4.6	2.2	5.3	4.3
Merchandise trade balance	-9.7	-14.0	-14.7	-10.9	-12.1	-12.1	-11.6	-11.4	-11.4
Current account balance (cash basis)	-9.3	-11.4	-13.2	-7.4	-7.6	-7.7	-7.5	-7.0	-7.0
External debt 3/	177.1	167.8	167.4	166.1	163.7	161.6	159.7	156.7	153.5
External debt (in billions of US\$)	55.1	56.3	57.5	58.8	58.5	59.0	60.3	61.6	62.9
Gross usable international reserves (in millions of US\$)	178	190	223	379	452	557	754	955	1,269
In months of next year's imports of G&S	0.2	0.2	0.3	0.4	0.5	0.6	0.7	0.9	1.4
Memorandum items:									
Nominal GDP (in billions of SDG)	1,362	2,030	5,168	15,625	25,405	38,644	55,726	76,883	102,375
NEER (2007=100, percent change, period average)	-52.2	-40.7	-59.8	-65.9	-37.9	-32.7	-28.3	-24.5	-21.7
REER (2007=100, percent change, period average)	-24.5	-12.5	5.9	1.7	0.1	-0.1	0.0	0.0	0.0

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, 2018–26
(In millions of US dollars)

	2018	2019	2020	2021	2022	2023	2024	2025	2026
							Proj.		
Current account balance	-4,679	-5,244	-6,004	-4,114	-4,236	-4,307	-4,340	-4,263	-4,380
Current account balance (cash basis)	-3,118	-3,841	-4,531	-2,608	-2,730	-2,800	-2,834	-2,757	-2,874
Trade balance	-3,242	-4,708	-5,068	-3,859	-4,312	-4,412	-4,363	-4,481	-4,672
Oil	-377	-1,089	-1,065	-895	-1,064	-1,099	-1,090	-1,105	-1,105
Non-oil	-2,864	-3,619	-4,003	-2,964	-3,248	-3,313	-3,273	-3,377	-3,567
Exports, f.o.b.	3,485	3,741	3,802	4,674	4,834	5,037	5,295	5,879	6,155
Oil	520	532	65	154	174	195	233	288	348
Non-oil	2,965	3,209	3,737	4,519	4,660	4,842	5,062	5,590	5,808
Of which: Gold	832	989	1,481	1,930	1,996	2,069	2,131	2,173	2,216
Imports, f.o.b.	7,065	8,393	8,894	8,942	9,352	9,777	9,997	10,525	10,974
Oil	897	1,621	1,130	1,049	1,238	1,294	1,323	1,393	1,453
Non-oil	6,168	6,771	7,763	7,893	8,114	8,483	8,674	9,132	9,521
Services (net)	339	-57	23	410	206	329	340	165	147
Receipts	1,511	1,368	1,283	1,842	1,856	2,054	2,230	2,022	2,083
Payments	1,172	1,425	1,260	1,432	1,650	1,725	1,891	1,857	1,937
Primary income (net)	-1,812	-1,620	-1,472	-1,688	-1,786	-1,800	-1,896	-1,828	-1,842
Receipts	127	102	61	59	71	84	75	70	72
Payments	1,939	1,722	1,533	1,747	1,857	1,884	1,972	1,898	1,914
Of which: public interest due	1,596	1,438	1,506	1,506	1,506	1,506	1,506	1,506	1,506
Secondary income (net)	375	1,084	536	1,432	1,862	1,905	1,919	2,046	2,134
Private	24	174	255	662	939	1,063	1,180	1,307	1,420
Official	351	910	281	770	923	842	739	739	714
of which: transfers to victims of terrorism	0	0	427	0	0	0	0	0	0
Capital account	163	180	144	162	162	162	162	162	212
Financial account (net)	-2,960	-3,562	-2,547	-4,108	-4,147	-4,250	-4,376	-4,301	-4,483
Direct Investment (net)	-1,136	-945	-717	-1,133	-1,216	-1,263	-1,290	-1,352	-1,410
Portfolio Investment (net)	-3	36	11	12	12	13	14	14	15
Other investment (net)	-1,822	-2,653	-1,841	-2,987	-2,943	-3,000	-3,099	-2,964	-3,088
Reserve assets	-21	12	33	156	73	105	197	200	315
Overall balance	-1,555	-1,502	-3,314	156	73	105	197	200	315
Errors and omissions	1,534	1,502	3,307	0	0	0	0	0	0
Memorandum:									
External debt	55,084	56,309	57,544	58,772	58,473	59,047	60,329	61,621	62,924
External debt (percent of GDP)	177.1	167.8	167.4	166.1	163.7	161.6	159.7	156.7	153.5
Total donor grants under the SMP	650	890
Gross usable international reserves	178	190	223	379	452	557	754	955	1,269
Imports coverage (in months)	0.2	0.2	0.3	0.4	0.5	0.6	0.7	0.9	1.7
Nominal GDP	33,432	33,564	34,370	35,383	35,712	36,549	37,765	39,322	40,995

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

Table 3b. Sudan: Balance of Payments, 2018–26
(In percent of GDP)

	2018	2019	2020	2021	2022	2023	2024	2025	2026
				Proj.					
Current account balance	-14.0	-15.6	-17.5	-11.6	-11.9	-11.8	-11.5	-10.8	-10.7
Current account balance (cash basis)	-9.3	-11.4	-13.2	-7.4	-7.6	-7.7	-7.5	-7.0	-7.0
Trade balance	-9.7	-14.0	-14.7	-10.9	-12.1	-12.1	-11.6	-11.4	-11.4
Oil	-1.1	-3.2	-3.1	-2.5	-3.0	-3.0	-2.9	-2.8	-2.7
Non-oil	-8.6	-10.8	-11.6	-8.4	-9.1	-9.1	-8.7	-8.6	-8.7
Exports, f.o.b.	10.4	11.1	11.1	13.2	13.5	13.8	14.0	14.9	15.0
Oil	1.6	1.6	0.2	0.4	0.5	0.5	0.6	0.7	0.8
Non-oil	8.9	9.6	10.9	12.8	13.0	13.2	13.4	14.2	14.2
<i>Of which: Gold</i>	2.5	2.9	4.3	5.5	5.6	5.7	5.6	5.5	5.4
Imports, f.o.b.	21.1	25.0	25.9	25.3	26.2	26.8	26.5	26.8	26.8
Oil	2.7	4.8	3.3	3.0	3.5	3.5	3.5	3.5	3.5
Non-oil	18.4	20.2	22.6	22.3	22.7	23.2	23.0	23.2	23.2
Services (net)	1.0	-0.2	0.1	1.2	0.6	0.9	0.9	0.4	0.4
Primary income (net)	-5.4	-4.8	-4.3	-4.8	-5.0	-4.9	-5.0	-4.6	-4.5
Receipts	0.4	0.3	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Payments	5.8	5.1	4.5	4.9	5.2	5.2	5.2	4.8	4.7
Secondary income (net)	1.1	3.2	1.6	4.0	5.2	5.2	5.1	5.2	5.2
Private	0.1	0.5	0.7	1.9	2.6	2.9	3.1	3.3	3.5
Official	1.1	2.7	0.8	2.2	2.6	2.3	2.0	1.9	1.7
<i>of which: transfers to victims of terrorism</i>	0.0	0.0	1.2	0.0	0.0	0.0	0.0	0.0	0.0
Capital account	0.5	0.5	0.4	0.5	0.5	0.4	0.4	0.4	0.5
Financial account (net)	-8.9	-10.6	-7.4	-11.6	-11.6	-11.6	-11.6	-10.9	-10.9
Direct Investment (net)	-3.4	-2.8	-2.1	-3.2	-3.4	-3.5	-3.4	-3.4	-3.4
Portfolio Investment (net)	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other investment (net)	-5.4	-7.9	-5.4	-8.4	-8.2	-8.2	-8.2	-7.5	-7.5
Reserve assets	-0.1	0.0	0.1	0.4	0.2	0.3	0.5	0.5	0.8
Errors and omission	4.6	4.5	9.6	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance	-4.7	-4.5	-9.6	0.4	0.2	0.3	0.5	0.5	0.8

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

Table 4a. Sudan: Central Government Operations, 2018–26
(In billions of Sudanese pounds)

	2018	2019	2020		2021		2022	2023	2024	2025	2026
			SMP proj.	Act.	Budget	Proj.			Proj.		
Revenue and grants	121.4	159.2	304.7	249.3	938.2	1,306.3	2,696.3	3,953.8	5,554.9	7,631.1	10,033.3
Revenue	119.3	149.8	238.3	241.3	731.4	984.5	2,048.4	3,073.2	4,474.1	6,196.7	8,261.4
Of which: Nonoil revenue	101.5	123.1	178.6	177.1	584.7	784.3	1,691.2	2,587.8	3,690.4	5,114.4	6,814.6
Taxes	92.4	110.5	157.8	154.9	254.6	708.2	1,542.7	2,353.0	3,375.6	4,680.1	6,236.3
Goods and services	68.2	82.4	109.2	106.7	182.0	433.4	785.5	1,149.0	1,633.8	2,253.3	3,002.1
International trade and transactions	17.4	19.4	31.8	27.8	50.5	213.4	606.7	945.0	1,351.1	1,887.7	2,516.2
Income, profits, property and others	6.8	8.7	18.7	20.4	22.1	61.3	150.5	259.0	390.7	539.1	717.9
Oil revenue	17.8	26.7	59.7	64.2	353.5	200.1	357.3	485.4	783.7	1,082.3	1,446.8
Oil sales	8.2	11.8	21.0	23.7	296.7	148.4	233.5	333.4	557.3	768.8	1,023.8
Transitional Financial Arrangement	3.7	5.8	26.9	17.2	19.3	19.3	31.4	0.0	0.0	0.0	0.0
Oil transit fees	5.9	9.0	11.8	23.3	37.5	32.5	92.3	152.1	226.5	313.5	423.0
Other revenue	9.1	12.7	20.8	22.2	123.3	76.1	148.4	234.8	314.8	434.3	578.3
Of which: Property income	5.8	8.9	11.0	16.3	107.3	52.9	99.5	141.0	203.4	280.6	373.6
Administrative fees	3.2	3.7	4.8	5.1	15.9	23.2	48.9	93.8	111.5	153.8	204.8
Grants	2.1	9.4	66.4	8.1	206.8	321.8	647.9	880.6	1,080.8	1,434.4	1,771.8
of which: Family support program	-	-	42.7	-	-	196.6	577.8	253.8	146.1	290.8	371.7
Total expenditure 1/	229.3	378.8	612.7	561.9	1,021.7	1,755.3	3,373.3	4,976.7	7,050.0	9,740.0	12,757.3
Expense (current expenditure) 1/	222.3	375.9	596.7	555.9	908.1	1,573.2	3,103.7	4,666.7	6,598.0	9,155.6	12,028.9
Wages	32.8	58.4	226.8	149.4	252.0	249.3	558.9	888.8	1,281.7	1,768.3	2,354.6
Goods and services	16.1	20.7	45.0	36.3	101.8	109.6	178.2	271.1	390.9	539.4	718.2
Interest	3.2	3.6	3.6	0.4	1.2	35.6	31.4	60.0	131.3	288.7	522.5
Foreign	0.0	0.4	0.4	0.1	0.5	30.5	4.0	5.2	7.0	9.5	12.9
Domestic	3.2	3.1	3.1	0.3	0.8	5.1	27.4	54.7	124.3	279.2	509.7
Subsidies 2/	130.9	239.9	168.2	253.2	207.8	578.8	881.5	1,326.9	1,822.9	2,451.5	2,980.2
of which: Fuel	114.4	214.0	100.6	200.3	20.0	92.8	76.2	115.9	111.5	153.8	204.8
Wheat	8.6	19.5	54.1	34.0	61.7	139.9	225.2	345.4	498.6	683.4	705.1
Electricity	7.8	6.4	0.0	15.8	101.1	321.1	539.5	803.7	1,123.7	1,491.3	1,906.5
Transfers	28.1	35.1	55.6	76.5	192.7	413.5	771.1	1,144.6	1,604.7	2,203.0	2,894.6
of which: States (current)	18.3	22.8	34.7	68.9	89.9	234.6	504.4	789.9	1,170.4	1,647.3	2,211.7
States (capital)	9.6	11.7	12.8	2.7	87.9	102.2	120.6	197.4	344.0	435.1	528.3
Other transfers	0.3	0.6	4.1	4.9	1.6	76.7	146.1	157.4	90.2	120.6	154.7
of which: Transfer of payment to victims of terrorism	-	-	3.9	3.9	146.0	-	-	-	-	-	-
Other current	11.3	18.3	100.7	39.3	152.6	186.3	682.5	975.3	1,366.5	1,904.7	2,558.7
Of which: Social spending	10.5	15.0	98.7	39.3	137.9	186.3	682.5	975.3	1,366.5	1,904.7	2,558.7
FSP	-	-	-	-	-	116.0	356.3	-	-	-	-
Net acquisition of nonfinancial assets	7.0	2.9	16.0	6.0	113.6	182.0	269.7	310.0	452.0	584.4	728.4
Budget overall balance	-39.2	-41.3	-271.4	-239.9	-83.5	-455.7	-588.9	-647.9	-689.6	-741.7	-900.5
Overall balance 1/	-107.9	-219.2	-308.1	-312.6	-83.5	-449.0	-677.0	-1,022.8	-1,495.1	-2,108.9	-2,724.0
Non-oil Primary balance 1/	-122.5	-242.3	-367.3	-375.4	-271.2	-613.5	-1,002.9	-1,448.3	-2,147.5	-2,902.5	-3,648.3
Financing	107.9	219.2	308.1	312.6	82.9	449.0	677.0	1,022.8	1,495.1	2,108.9	2,724.0
Foreign financing	3.4	1.6	7.0	-0.6	28.0	2.0	19.9	29.7	41.5	55.1	70.4
Disbursements for projects	3.9	5.6	7.0	1.0	39.9	58.7	115.2	171.7	240.0	318.5	407.2
Principal repayments	0.5	4.0	0.0	1.6	11.9	56.7	95.3	142.0	198.5	263.4	336.8
Domestic financing	98.7	211.3	301.1	313.2	52.9	447.0	657.1	993.2	1,453.6	2,053.8	2,653.6
CBOS	79.5	200.0	217.1	395.9	52.0	431.4	596.1	780.6	890.7	1,123.5	1,312.5
Commercial banks	3.4	0.4	50.0	2.0	1.2	15.6	25.4	115.9	445.8	768.8	1,126.1
Nonbanks	16.1	11.2	0.0	0.0	-0.3	0.0	35.6	96.6	117.0	161.5	215.0
Change in net domestic arrears	-0.3	-0.3	-1.0	-3.3	-2.0	0.0	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	0.0	0.0
Repayment of arrears	0.3	0.3	1.0	3.3	2.0	0.0	0.0	0.0	0.0	0.0	0.0
<i>Memorandum items:</i>											
Nominal GDP			4,481.3	5,168.2	5,958.2	15,625.3	25,405.4	38,643.9	55,725.7	76,882.7	102,375.2

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 2018–26
(In percent of GDP)

	2018	2019	2020		2021		2022	2023	2024	2025	2026
			SMP	Act.	Bud.	Proj.					
Revenue and grants	8.9	7.8	6.8	4.8	15.7	8.4	10.6	10.2	10.0	9.9	9.8
Revenue	8.8	7.4	5.3	4.7	12.3	6.3	8.1	8.0	8.0	8.1	8.1
<i>Of which:</i> Nonoil revenue	7.5	6.1	4.0	3.4	9.8	5.0	6.7	6.7	6.6	6.7	6.7
Taxes	6.8	5.4	3.5	3.0	4.3	4.5	6.1	6.1	6.1	6.1	6.1
Goods and services	5.0	4.1	2.4	2.1	3.1	2.8	3.1	3.0	2.9	2.9	2.9
International trade and transactions	1.3	1.0	0.7	0.5	0.8	1.4	2.4	2.4	2.4	2.5	2.5
Income, profits, property and others	0.5	0.4	0.4	0.4	0.4	0.4	0.6	0.7	0.7	0.7	0.7
Oil revenue	1.3	1.3	1.3	1.2	5.9	1.3	1.4	1.3	1.4	1.4	1.4
Oil sales	0.6	0.6	0.5	0.5	5.0	0.9	0.9	0.9	1.0	1.0	1.0
Transitional Financial Arrangement	0.3	0.3	0.6	0.3	0.3	0.1	0.1	0.0	0.0	0.0	0.0
Oil transit fees	0.4	0.4	0.3	0.5	0.6	0.2	0.4	0.4	0.4	0.4	0.4
Other revenue	0.7	0.6	0.5	0.4	2.1	0.5	0.6	0.6	0.6	0.6	0.6
Property income	0.4	0.4	0.2	0.3	1.8	0.3	0.4	0.4	0.4	0.4	0.4
Administrative fees	0.2	0.2	0.1	0.1	0.3	0.1	0.2	0.2	0.2	0.2	0.2
Grants	0.2	0.5	1.5	0.2	3.5	2.1	2.6	2.3	1.9	1.9	1.7
<i>of which:</i> Family support program	-	-	1.0	0.0		1.3	2.3	0.7	-	-	-
Total expenditure 1/	16.8	18.7	13.7	10.9	17.1	11.2	13.3	12.9	12.7	12.7	12.5
Expense (current expenditure) 1/	16.3	18.5	13.3	10.8	15.2	10.1	12.2	12.1	11.8	11.9	11.7
Wages	2.4	2.9	5.1	2.9	4.2	1.6	2.2	2.3	2.3	2.3	2.3
Goods and services	1.2	1.0	1.0	0.7	1.7	0.7	0.7	0.7	0.7	0.7	0.7
Interest	0.2	0.2	0.1	0.0	0.0	0.2	0.1	0.2	0.2	0.4	0.5
Foreign	0.0	0.0	0.0	0.0	0.0	0.2	0.0	0.0	0.0	0.0	0.0
Domestic	0.2	0.2	0.0	0.0		0.0	0.1	0.1	0.2	0.4	0.5
Subsidies 2/	9.6	11.8	3.8	4.9	3.5	3.7	3.5	3.4	3.3	3.2	2.9
<i>of which:</i> Fuel	8.4	10.5	2.2	3.9	0.3	0.6	0.3	0.3	0.2	0.2	0.2
Wheat	0.6	1.0	1.2	0.7	1.0	0.9	0.9	0.9	0.9	0.9	0.7
Electricity	0.6	0.3	0.0	0.3	1.7	2.1	2.1	2.1	2.0	1.9	1.9
Transfers	2.1	1.7	1.2	1.5	3.2	2.6	3.0	3.0	2.9	2.9	2.8
States (current)	1.3	1.1	0.8	1.3	1.5	1.5	2.0	2.0	2.1	2.1	2.2
States (capital)	0.7	0.6	0.3	0.1	1.5	0.7	0.5	0.5	0.6	0.6	0.5
Other transfers	0.0	0.0	0.1	0.1	0.0	0.5	0.6	0.4	0.2	0.2	0.2
<i>of which:</i> Transfer of payments to victims of terrorism				0.1		0.9					
Other current	0.8	0.9	0.0	0.8	2.6	1.2	2.7	2.5	2.5	2.5	2.5
<i>Of which:</i> Social spending	0.8	0.7	2.2	0.8	2.3	1.2	2.7	2.5	2.5	2.5	2.5
Net acquisition of nonfinancial assets	0.5	0.1	2.2	0.1	1.9	1.2	1.1	0.8	0.8	0.8	0.7
Budget overall balance	-2.9	-2.0	-6.1	-4.6	-1.4	-2.9	-2.3	-1.7	-1.2	-1.0	-0.9
Overall balance 1/	-7.9	-10.8	-6.9	-6.0	-1.4	-2.9	-2.7	-2.6	-2.7	-2.7	-2.7
Non-oil primary balance	-9.0	-11.9	-8.2	-7.3	-4.6	-3.9	-3.9	-3.7	-3.9	-3.8	-3.6
Financing	7.9	10.8	6.9	6.0	1.4	2.9	2.7	2.6	2.7	2.7	2.7
Foreign financing	0.3	0.1	0.2	0.0	0.5	0.0	0.1	0.1	0.1	0.1	0.1
Disbursements for projects	0.3	0.3	0.2	0.0	0.7	0.4	0.5	0.4	0.4	0.4	0.4
Principal repayments	0.0	0.2	0.0	0.0	0.2	0.4	0.4	0.4	0.4	0.3	0.3
Domestic financing	7.2	10.4	6.7	6.1	0.9	2.9	2.6	2.6	2.6	2.7	2.6
Sale of government recovered assets	0.0	0.0	0.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.0
CBOS	5.8	9.9	4.8	7.7	0.9	2.8	2.3	2.0	1.6	1.5	1.3
Commercial banks	0.2	0.0	1.1	0.0	0.0	0.1	0.1	0.3	0.8	1.0	1.1
Nonbanks	1.2	0.6	0.0	0.0	0.0	0.0	0.1	0.3	0.2	0.2	0.2
Change in net domestic arrears	0.0	0.0	0.0	-0.1	0.0	0.0	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	0.0	0.0
Repayment of arrears	0.0	0.0	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Discrepancy	0.4	0.3	0.0	-1.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0

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

1/ Primary balance minus oil revenue.

2/ Fuel subsidies minus fuel stabilization fees.

Table 5. Sudan: Monetary Survey, 2015–22
(In millions of Sudanese pounds)

	2015	2016	2017	2018	2019	2020	2021	2022	
								Proj.	
Net foreign assets	-26,599	-36,788	-40,746	-290,044	-284,132	-319,615	-2,964,378	-4,377,131	
Central Bank of Sudan	-28,520	-38,344	-44,370	-300,410	-300,709	-356,922	-3,418,813	-5,206,912	
Commercial banks	1,921	1,556	3,624	10,366	16,577	37,307	454,435	829,781	
Net domestic assets	120,541	157,277	244,114	720,830	973,730	1,615,999	5,801,957	8,442,479	
Net domestic credit	132,916	170,738	255,030	438,221	674,472	1,121,603	2,353,797	3,771,871	
Net claims on general government (NCGG)	80,336	104,992	155,417	277,512	457,743	743,208	1,697,119	2,677,226	
Central Bank of Sudan	67,177	89,285	133,159	277,512	418,406	700,772	1,681,866	2,636,567	
Commercial banks	13,159	15,707	22,257	33,829	39,337	42,436	15,253	40,659	
Claims on Nongovernment sectors	52,581	65,746	99,614	160,710	216,729	378,395	656,678	1,094,645	
Public enterprises	9,071	11,736	24,554	33,294	31,032	49,034	65,169	93,438	
Private sector	41,606	52,561	72,735	123,107	179,478	320,844	577,519	981,782	
Other	1,903	1,449	2,325	4,308	6,219	8,518	13,990	19,426	
Other items (net)	-12,375	-13,461	-10,917	282,608	299,258	494,396	3,448,160	4,670,608	
Broad money (M2)	93,942	120,489	203,368	430,786	689,598	1,296,384	2,837,578	4,065,348	
Money	57,939	77,163	128,462	263,727	473,389	909,264	1,768,331	2,179,061	
Currency in circulation	27,495	38,712	61,455	112,832	281,336	556,671	880,805	1,050,620	
Demand deposits	30,443	38,451	67,007	150,895	192,053	352,592	887,527	1,128,441	
Domestic currency	25,776	33,461	59,546	119,612	157,948	313,569	496,151	525,310	
Foreign currency	4,668	4,990	7,462	31,283	34,105	39,023	391,375	603,131	
Quasi-money	36,004	43,327	74,905	167,059	216,209	387,120	1,069,247	1,886,287	
Domestic currency	27,639	34,420	59,840	92,647	167,877	333,051	526,978	1,050,620	
Foreign currency	8,364	8,907	15,065	74,412	48,332	54,069	542,269	835,667	
				(Change in percent, end of period)					
Broad money	20.9	28.3	68.8	111.8	60.1	88.0	118.9	43.3	
Money	20.8	33.2	66.5	105.3	79.5	92.1	94.5	23.2	
Currency in circulation	17.8	40.8	58.7	83.6	149.3	97.9	58.2	19.3	
Demand deposits	23.6	26.3	74.3	125.2	27.3	83.6	151.7	27.1	
Quasi-money	21.1	20.3	72.9	123.0	29.4	79.0	176.2	76.4	
Savings Deposits	22.2	23.1	73.5	124.0	28.4	81.2	164.5	54.1	
Domestic currency	30.7	24.5	73.9	54.8	81.2	98.4	58.2	54.0	
Foreign currency	-2.6	6.5	69.1	393.9	-35.0	11.9	102.3	103.3	
Net foreign assets	111.9	38.3	10.8	611.8	-2.0	12.5	827.5	47.7	
Net domestic assets	33.5	30.5	55.2	195.3	35.1	66.0	259.0	45.5	
Net claims on government	34.9	30.7	48.0	78.6	64.9	62.4	128.4	57.8	
Credit to the nongovernment sectors	21.5	25.0	51.5	61.3	34.9	74.6	73.5	66.7	
Claim on public enterprises	51.0	29.4	109.2	35.6	-6.8	58.0	32.9	43.4	
Claim on private sector	15.8	26.3	38.4	69.3	45.8	78.8	80.0	70.0	
Broad money to GDP	18.6	16.2	23.5	31.6	34.0	25.1	18.2	16.0	
Money to broad money	61.7	64.0	63.2	61.2	68.6	70.2	70.2	71.2	
Currency in circulation to M2	29.3	32.1	30.2	26.2	40.8	42.9	31.0	25.8	
Net claims on government to GDP	15.9	14.1	17.9	20.4	22.6	14.4	10.9	10.5	
Credit to the economy to GDP	10.4	8.8	11.5	11.8	10.7	7.3	4.2	4.3	
Velocity (GDP/M2, eop)	5.4	6.2	4.3	3.2	2.9	4.0	5.5	6.2	
Foreign currency deposits to M2	13.9	11.5	11.1	24.5	12.0	7.2	32.9	35.4	
Reserve money growth (annual changes, end of pe	22.5	26.5	63.8	170.5	77.5	97.0	124.4	42.0	
Money multiplier (M2/reserve money, eop)	1.8	1.8	1.9	1.5	1.3	1.3	1.2	1.3	

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

Table 6. Sudan: Summary Accounts of the Central Bank of Sudan, 2015–22
(In millions of Sudanese pounds)

	2015	2016	2017	2018	2019	2020	2021	2022	
							Proj.		
Net foreign assets	-28,520	-38,344	-44,370	-300,410	-300,709	-356,922	-3,418,813	-5,206,912	
Foreign assets	6,401	6,110	6,813	52,115	67,137	104,724	1,159,671	1,848,783	
Of which: Gross usable international reserves (exclude SDR holdings)	343	313	164	213	840	2,463	172,888	328,096	
Foreign liabilities	34,921	44,454	51,182	352,525	367,846	461,646	4,578,484	7,055,695	
Of which: Short-term foreign liabilities	2,436	4,448	5,335	35,552	41,321	54,420	482,784	743,997	
Net domestic assets	80,384	103,957	151,867	591,216	816,873	1,373,821	5,700,989	8,446,953	
Net domestic credit	79,312	101,310	151,290	268,282	455,658	756,763	1,827,086	2,786,172	
Net claims on general government (NCGG)	67,177	89,285	133,159	243,683	418,406	700,772	1,681,866	2,636,567	
of which: IMF-onlent	8,217	8,581	9,186	63,978	60,141	76,594	770,351	1,187,153	
Claims on public enterprises	1,170	1,400	1,480	4,707	4,554	5,528	57,524	57,524	
Claims on banks	10,965	10,625	16,651	19,892	32,698	50,463	87,696	92,081	
Other items (net)	1,072	2,648	576	322,934	361,215	617,058	3,873,903	5,660,780	
Reserve money	51,864	65,613	107,497	290,806	516,165	1,016,899	2,282,176	3,240,041	
Currency outside banks	29,340	40,904	65,241	113,922	295,274	588,829	922,396	1,092,212	
Reserves of commercial banks	19,143	21,623	38,990	161,214	173,720	375,520	1,370,679	1,931,378	
Required reserves	5,244	6,164	11,427	25,588	46,253	101,151	293,516	452,209	
Excess reserves	13,886	15,445	27,549	135,528	127,374	274,256	1,077,163	1,479,169	
Cash in vault	1,845	2,192	3,786	1,089	13,939	32,157	41,591	41,591	
Excess reserves	12,041	13,253	23,763	134,438	113,436	242,099	1,035,572	1,437,577	
of which: in foreign currency	10,749	11,569	14,820	96,716	76,243	92,371	817,612	1,219,617	
Deposits at CBOS included in broad money	3,380	3,086	3,266	15,671	47,170	52,550	-10,900	216,451	
				(Change in percent, end of period)					
Net foreign assets	81.6	34.4	15.7	577.1	0.1	18.7	-1,036.9	-1,358.8	
Foreign assets	-29.1	-4.6	11.5	665.0	28.8	56.0	1,627.3	1,665.4	
Gross international reserve	295.3	-8.8	-47.7	30.3	294.3	193.1	20,473.1	13,219.5	
Foreign liabilities	41.2	27.3	15.1	588.8	4.3	25.5	1,144.7	1,428.4	
Net domestic assets	38.5	29.3	46.1	289.3	38.2	68.2	597.9	514.9	
Net domestic credit	39.4	27.7	49.3	77.3	69.8	66.1	301.0	268.2	
Net claims on general government	37.3	32.9	49.1	83.0	71.7	67.5	302.0	276.2	
Other items (net)	-8.2	147.0	-78.2	55,919.3	11.9	70.8	972.5	817.4	
Reserve money	22.5	26.5	63.8	170.5	77.5	97.0	124.4	42.0	
<i>Memorandum items:</i>									
Gross usable international reserves (in millions of US\$)	230.4	216.2	193.3	177.6	190.4	223.2	379.3	451.8	

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

Table 7. Sudan: Summary Accounts of the Commercial Banks, 2015–22
(In millions of Sudanese pounds)

	2015	2016	2017	2018	2019	2020	2021	2022
								Proj.
Net foreign assets	1,921	1,556	3,624	10,366	16,577	37,307	454,435	829,781
Foreign assets	3,859	3,724	6,747	28,138	33,405	58,673	647,293	1,097,266
Foreign liabilities	1,937	2,168	3,123	17,772	16,828	21,366	192,858	267,485
Net domestic assets	65,471	79,847	142,959	302,381	365,366	702,831	2,062,472	2,949,009
Reserves	21,819	26,320	48,974	181,609	197,138	416,993	1,450,753	1,938,652
Cash in vaults	1,845	2,192	3,786	1,089	13,939	32,157	41,591	41,591
Required reserves	5,244	6,164	11,427	25,588	46,253	101,151	293,516	452,209
Other reserves	14,730	17,964	33,761	154,931	136,946	31,949	1,115,645	1,444,851
Net claims on central government	11,113	12,365	17,463	22,128	26,752	31,949	4,146	29,551
Claims on state & local government	2,046	3,342	4,794	11,701	12,585	11,107	11,107	11,107
Claims on non-government sectors	51,410	64,347	98,134	156,002	212,174	372,867	715,518	1,185,231
Non-bank financial institutions	1,903	1,449	2,325	4,308	6,219	8,518	13,990	19,426
Other items, net	-20,917	-26,526	-26,406	-69,058	-83,284	-130,085	-119,052	-215,532
Deposits	67,392	81,403	146,583	312,748	381,943	739,518	2,044,469	3,106,808
Demand deposits	29,115	37,236	65,436	147,012	184,771	336,624	887,527	1,128,441
Domestic currency	24,448	32,246	57,974	115,729	150,666	297,601	496,151	525,310
Foreign currency	4,668	4,990	7,462	31,283	34,105	39,023	391,375	603,131
Quasi-money deposits (time & saving)	33,951	41,455	73,210	155,271	176,321	350,538	1,069,247	1,886,287
Domestic currency	25,587	32,548	58,145	80,859	127,989	296,470	526,978	1,050,620
Foreign currency	8,364	8,907	15,065	74,412	48,332	54,069	542,269	835,667
Liabilities to CBOS 1/	4,326	2,712	7,937	10,465	20,851	52,355	87,696	92,081
<i>Memorandum items:</i>								
				(In percent)				
Credit to deposits	95.8	98.3	82.1	60.7	65.9	56.2	35.7	39.5
Reserves to deposits	32.4	32.3	33.4	58.1	51.6	56.4	71.0	62.4
Required reserves to deposits	7.8	7.6	7.8	8.2	12.1	13.7	14.4	14.6
Excess reserves to deposits	21.9	22.1	23.0	49.5	35.9	4.3	54.6	46.5
Cash to deposits	2.7	2.7	2.6	0.3	3.6	4.3	2.0	1.3
Claims on government to reserves	60.3	59.7	45.4	18.6	20.0	10.3	1.1	2.1

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	5.1
NPLs net of provisions to core capital	13.0	4.8	8.7	6.6	22.0
NPLs net of provisions to gross loans	2.1	0.6	0.7	0.7	2.9
Loans' provision to NPLs	60.0	81.3	72.1	78.5	42.0
Gross NPLs to gross loans	5.2	3	3.2	3.5	5.1
Foreign currency loans to total loans	4.4	3.8	17.9	6.2	8.5
Deposits and investment accounts to total asset	63.0	71.5	n.a.	73.0	73.6
Foreign currency deposits to total deposits	19.0	18.2	39.9	24.8	21.5
Off-balance sheet commitments to total assets	22.6	21.2	n.a.	19.2	15.2
Earnings and Profitability					
ROA (before tax)	4.7	3.8	4.9	3.4	2.5
ROE(before tax)	46.1	48.0	95.0	42.9	41.6
Liquidity					
Cash in vault to total assets	2.1	2.1	1.0	3.4	4.3
Liquid assets to total assets	35.1	37.3	51.6	49.5	51.9
Liquid assets to total short-term liabilities	88.0	82.2	112.0	103.3	95.5

Source: Central Bank of Sudan.

1 /Data for 2020 is up to October.

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

	Dec-19	Dec-20		Mar-21		Jun-21	Sep-21	Dec-21
	Benchmark	Target	Actual	Target	Actual	Target	Target	Target
Quantitative Benchmarks								
Banking system net credit to the central government (ceiling: in SDG billion)	386	672	655	758	683	807	909	1,092
CBOS net domestic assets (ceiling: in SDG billion) 2/	817	1,083	1,289	1,380	1,502	1,786	1,897	2,099
Net international reserves (floor: in millions of U.S. dollars) 2/	-728	-594	-6,511	-6,552	-6,336	-6,284	-6,226	-6,175
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	0	75	12	150	225	300
Indicative Targets								
Social spending (floor: in SDG billion)	15	99	39	53	15	43	90	186
Nonoil primary deficit (ceiling: in SDG billion) 4/	242	367	375	219	104	266	306	348
Reserve money (ceiling: in SDG million) 2/	0	766	1,000	1,094	1,208	1,451	1,565	1,770
Memorandum items:								
External grants for Family Support Program (in millions of U.S. dollars)		328	0	92	8	52	126	245
Other external non-project grants (in millions of U.S. dollars)	0	212	161	25	0	25	50	100
MOFEP repayments to CBOS for advances related to victims of terrorism (in millions of US dollars)				356	0	33	67	107
Government asset sales (in SGD billion)		35	0	0	0	0	0	0
External non-project loans (in millions of U.S. dollars)	91	127	0	0	0	0	0	0

1/ The variables are defined according to the TMU.

2/ Evaluated using program exchange rate of 45 SDG per U.S. dollar. The definition of net international reserves is updated to include all external liabilities denominated in foreign currency for March and June target, instead of short-term external liabilities. The actual performance for NIR in Dec-2020 based on the previous definition is \$-803 million.

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

4/ The unadjusted NOPD target for end March is 312. Adjustments were made per the TMU to account for fluctuations with respect to SSTL, SFSP and non-project grants.

Table 10. Sudan: Prior Actions and Structural Benchmarks Under the SMP

Benchmarks	Target Date	Macroeconomic Rationale
Prior Actions		
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.	Completed PA for SMP request	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.	Completed PA for SMP request	Fiscal consolidation
3. Announce the unification of the official exchange rate (excluding the customs valuation exchange rate) with the market rate at the prevailing market rate and issue regulations to banks and forex bureaus indicating that trading can take place in a +/-5 percent band around the indicative rate announced by the central bank prior to the opening of trading which is calculated as the weighted average of the previous day's trading excluding CBOS sales/purchases from government.	Completed February 21, 2021	Remove distortions and raise revenue
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 Met	Improve budget classification and fiscal reporting
2. Develop and adopt a PFM Roadmap based on the 2020 PEFA.	End-Sept 2021	Strengthen PFM
Governance		
3. Establish an independent anti-corruption commission through appointment of the Commissioners in accordance with the provisions of the Anti-Corruption National Commission Law.	End-Sept 2021	Strengthen governance
Expenditure policy		
4. Adopt automatic fuel pricing mechanism to ensure that retail diesel and gasoline prices reflect all costs, thus eliminating subsidization.	Sept. 2020 Not Met; see #5	Support fiscal consolidation
5. Eliminate government price controls on retail gasoline and diesel fuel prices and allow gasoline and diesel fuel suppliers to contract at negotiated market prices.	End-December 2021	Remove price controls and eliminate subsidies
Tax Policy		
6. Customs valuation exchange rate unification: Publish decree indicating imports to be valued at indicative exchange rate published by CBOS and rationalize multiple ad hoc fees and other related charges.	End-June 2021	Eliminate distortions and strengthen revenue collection
7. Eliminate (i) all exemptions on VAT except those related to food, and (ii) the personal income tax exemption on people over 50 years of age in the context of a progressive PIT structure.	End-December 2021	Broaden tax base
8. Issue implementing regulations for the Investment Law which stipulate that all tax exemptions must have prior approval from the Ministry of Finance and must be costed.	End-December 2021	Strengthen fiscal control; support revenue
Governance		
9. Prepare and publish an inventory of all state-owned enterprises including those supervised by ministry of finance, line ministries and security sector.	Dec. 2020 Not met; full list published on April 5, 2021 with the exception of those	Improve fiscal transparency

Table 10. Sudan: Prior Actions and Structural Benchmarks Under the SMP (continued)

Benchmarks	Target Date	Macroeconomic Rationale
	owned by the intelligence sector due to ongoing work to clarify ownership	
10. 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 Not Met; approved April 25, 2021	Fight corruption and improve governance
11. Establish an independent anti-corruption commission, consistent with the provisions of the new anti-corruption law.	Mar. 2021 Not met due to delay in approving law. Reprogrammed #3 above	Fight corruption and improve governance
12. Transfer financial oversight of all SOEs to the MOFEP and adopt an ownership strategy setting forth the strategic purposes, oversight and management principles of SOEs including guiding principles for the review of the existing stock of SOEs.	End-December 2021	Improve governance and transparency of the SOEs; mitigate contingent fiscal risks.
Monetary and Financial Sector		
13. 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 Not Met; draft sent to CBOS Board in February; approved May 1, 2021	Enhance central bank independence and improve governance
14. 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.	June 2021	Enhance central bank independence and improve governance
15. 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. Not met. See Prior Action (#3) for First Review (above).	Strengthen competitiveness and reduce distortions
16. Gradually adjust customs exchange rate towards market exchange rate and fully unify by June 2021.	Jun. 2021 Reprogrammed above #6	Eliminate distortion in the exchange rate market
17. 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 Met	Strengthen financial sector soundness

Table 10. Sudan: Prior Actions and Structural Benchmarks Under the SMP (concluded)

Benchmarks	Target Date	Macroeconomic Rationale
18. (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 Not met; five were completed as of end-March and eight as of mid-May with the remaining two pending	Reduce vulnerabilities to corruption and related money laundering
19. Enact a revised Banking Regulation Act which includes a comprehensive resolution regime for the banking sector, in line with international best practice.	End-December 2021	Strengthen the banking sector

Appendix I. Letter of Intent

Khartoum, June 10, 2021

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

Dear Ms. Georgieva:

We would like to assure you of the government of Sudan's continued and unwavering commitment to the Staff Monitored Program. Based on the strength of policies outlined in this letter and considering our performance thus far under the program including recent corrective measures, we are requesting the completion of the Second Review. In addition, in light of a possible delay in the HIPC Decision Point beyond the June 30 expiration of the SMP, as a precaution we also are requesting an extension of the SMP through end-December.

The Sudanese people continue to endure hardship as we begin to address the large distortions resulting from decades of economic mismanagement of the previous regime. Low tax revenue and depleted reserves have led to shortages of necessities including food, medicine, and fuel, soaring inflation and a loss of purchasing power. The COVID-19 pandemic exacerbated these challenges. However, the transitional government is committed to addressing these adverse social and economic legacies, and to meeting the aspirations of the Sudanese people to build a democratic and prosperous society. It is these principles that underlie our recently-adopted three-year Poverty Reduction Strategy.

We are making progress in reintegrating into the international community. On March 26, 2021, we cleared our arrears to the World Bank and regained access to multilateral funding through IDA's various facilities and windows. Clearance of our arrears to the African Development Bank (AfDB) was completed on May 12, and we hope that the IMF membership will come forward quickly with pledges to support us in clearing our arrears to the IMF. However, in light of the possibility of a delay in obtaining the required financing assurances before the conclusion of the current SMP at the end of June, as a precaution we are requesting to extend the SMP for 6 months to December 2021 in order to maintain an uninterrupted track record of satisfactory performance under a UCT-quality SMP leading up to the HIPC Decision Point.

Our home-grown reform program which is the basis of the Staff Monitored Program remains our guiding principle, and since the first review under the SMP, we have continued to advance key reform measures. In April, we achieved several important milestones, including the passage of the Anti-

corruption National Commission Law, Investment Law and the Public and Private Partnership Law, and the re-establishment of conventional banking in the context of dual banking system (conventional and Islamic) which aims to attract more private sector-led investment and facilitate a transition to reserve money targeting. On May 1 the CBOS Board approved the revised Central Bank Act which will strengthen independence of the CBOS, and work is underway on the Banking Regulation Act which includes a bank resolution framework to address weaknesses in the current system. We are also benefitting from the move to a market-determined exchange rate on February 21, 2021, through lower volatility of the exchange rate and the return of foreign exchange transactions to the formal sector, including a near five-fold increase in recorded remittances.

Looking ahead, over the next six months we intend to eliminate the customs valuation exchange rate and use the market exchange rate to value imports while removing ad hoc import fees and charges. We will also eliminate price controls on retail gasoline and diesel prices to eliminate retail fuel subsidies and to take steps to phase out some important VAT and personal income tax exemptions. We will continue to improve public financial management and fiscal planning, including steps to strengthen the management and transparency of SOEs. We request modifications to quantitative targets for end-June and the resetting of the structural benchmark (SB) related to the establishment of the Anti-Corruption Commission as an end-September 2021 SB to provide more time for the appointment of commissioners and in lieu of the delayed adoption of an automatic fuel price mechanism (end-September 2020 SB), would set an end-December 2021 SB on the removal of controls on retail gasoline and diesel prices. We would also propose the addition of new structural benchmarks for the second half of 2021 on the adoption of a PFM roadmap; issuance of implementing regulations for the Investment Law; elimination of VAT and personal income tax exemptions; adoption of an SOE strategy; and enactment of a revised Banking Regulation Act.

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 April 12 – May 7, 2021 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 the information necessary 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 in accordance with the Fund's transparency policy.

We believe that the policies and conditionality under the SMP remain of Upper Credit Tranche (UCT) quality and look forward to the IMF Executive Board's confirmation of this assessment in due course.

Very truly yours,

/s/
Gibril Ibrahim Mohamed
Minister, Ministry of Finance and Economic
Planning

/s/
Mohamed Elfatih Zeinelabdin Mohamed
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–December 31, 2021.** These policies will be implemented in the context of Sudan’s IMF staff-monitored program (SMP) to help restore macroeconomic stability and support higher and inclusive growth. The government remains 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 ongoing reform efforts 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 continue to limit the contracting of such borrowing to an annual amount of \$300 million (quantitative benchmark, QB #4) for specific, high return 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 a 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 will continue our vigorous efforts to (a) reform subsidies; (b) substantially raise non-oil revenues; (c) strengthen and expand the social safety net; (d) enhance the oversight and accountability of state enterprises; and (e) 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, strengthening the central bank’s independence, and developing instruments of monetary policy.
- 4. Social mitigation of the impact of reforms is critical.** The planned and ongoing reforms have reduced the purchasing power of citizens, including through rising prices, before a supply response has materialized. To mitigate this impact, we have introduced the Sudan Family Support Program (SFSP), a quasi-universal basic income scheme, which was piloted in June 2020, and launched on February 24, 2021 and has already provided support to 160,000 households; rollout of the program

will accelerate through the remainder of the year. We regret that the implementation of the program has been delayed due to delays in the unification of the exchange rate and administrative challenges with the result that the social spending target in the first quarter of 2021 was missed (indicative target, IT #1), but we are committed to now moving ahead fully with the program and will take steps to improve program coordination and administration. Reforms to counter corruption, strengthen governance, and streamline the business environment are also underway.

5. The health and economic fallout from COVID-19 has added considerably to our challenges. While many advanced countries have witnessed a decline of COVID-19 cases thanks to vaccination, we are experiencing a third wave of the COVID-19 pandemic and to this day, government offices and businesses continue to work at 50 percent capacity with limited availability of vaccine. While the pandemic has added to our challenges, it has not reduced our resolve and the government remains committed to the reform effort. We are counting on continued support from our international development partners, not only financial support but also for technical assistance and debt relief in support of attaining debt sustainability and self-reliance.

A. Recent Macroeconomic Developments

6. Sudan's economy is expected to recover in 2021. In 2020, containment measures to protect human life in the wake of the pandemic reduced economic activity but agricultural production and exports held up and the service sector rebounded quickly following the lock down. GDP is estimated to have contracted by -3.6 percent. With the clearance of arrears to the World Bank and AfDB, and positive policy developments such as exchange rate unification, GDP growth is expected to recover modestly to about 0.4 percent in 2021.

7. The fiscal balance improved in the first quarter though the composition of adjustment was less than ideal. Tax revenues in Q1 2021 outperformed our budgetary targets due to improved administration, including efforts to combat smuggling. However, on the expenditure side, social spending was below target due to the slow rollout of the Sudan Family Support Program while spending on fuel and wheat rose due to an increase in international prices and insufficient adjustment in fuel prices at the pump. As a result, while we met the end-March IT on the non-oil primary balance, the IT floor on social spending was missed.

8. Inflation remained high but is on a declining path. As the parallel market exchange rate was already widely used in FX transactions, the unification of the official exchange rate had a minimal impact on inflation. However, inflation remained high and continued to accelerate in the first quarter of 2021 due to the base effect from fuel price hikes and their second-round impact as well as shortages of food and fuel. In March, inflation reached 342 percent y-o-y, but on a month-on-month basis slowed to 7.2 percent compared to 13.1 percent in February 2021.

9. External sector performance was robust and the current account balance turned to surplus. The trade balance improved significantly on the back of exchange rate reforms. Exports increased a robust 54 percent, while imports contracted by 17 percent in the first quarter on year-on-year basis following a surge in late 2020. With more transactions shifting to the formal sector,

recorded remittances have increased nearly five times. Despite lower than expected external grants disbursements, the current account on cash basis registered a surplus of 1 percent of GDP in Q1. Gross usable international reserves improved to \$327 million at end-March 2021 (the equivalent of 0.4 months of imports). The banking sector remains fragile, with several banks undercapitalized and/or vulnerable to exchange rate depreciation and the CBOS is working with problem banks to address it.

B. Program Performance

10. We have recorded the following achievements since the last review:

- *Quantitative targets:* We met the quantitative benchmarks on net credit to the central government, the ceiling on contracting or guaranteeing external long-term nonconcessional debt and the NIR floor. However, the ceiling on NDA was missed mainly due to an increase in credit to the banking sector (mostly related to pandemic relief measures) relative to the programmed decline and to valuation effects. Fiscal consolidation, the reserve money targeting framework, and use of FX auctions should support our efforts to achieve program targets.
- *Indicative targets:* The IT floor on social spending was missed due to delays in the rollout of the SFSP, though the IT on the Non-Oil Primary Deficit was met by a wide margin due to this and other spending shortfalls and better than expected mobilization of tax revenue. Implementation of the SFSP should pick up through the summer as coordination with donors improves and disbursements accelerate. The reserve money ceiling was missed due to a combination of an increase in unsterilized foreign assets and credit to the banking sector.
- *Structural benchmarks:* The SB on bank stress tests was met but the full implementation of 10 on-site thematic AML/CFT inspections was missed, though significant progress has been made with eight out of 10 tests completed as of mid-May despite COVID-19 mitigation measures requiring the CBOS and banks to operate at 50 percent capacity. The establishment of the Anti-Corruption Commission is delayed due to the delayed passage of the Anti-Corruption National Commission Law (*end-October 2020 SB*) which was approved by the Sovereign Council on April 25, but the relevant authorities we have made progress in identifying commissioners.

C. The Economic Program for April 2021–December 2021

11. We remain committed to stabilize the economy and create conditions for robust and inclusive growth. We will eliminate the customs exchange rate while reducing ad hoc fees and charges (SB #6), reduce fiscal imbalances while reorienting spending to critical social services, work to strengthen the monetary policy framework and bolster the resilience of the banking system. We will implement structural reforms to improve public financial management and 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.

12. Policy adjustment and reforms, and external financing and debt relief, are critical to reducing macroeconomic imbalances and supporting robust and inclusive growth in the medium term. We target to reduce the fiscal deficit by about 3 percent of GDP in 2021, with a further reduction in 2022. Exchange rate and structural reforms would strengthen competitiveness and increase GDP growth to 4.4 percent over the medium term. Inflation is currently high, but we would expect it to decrease over time as the impact of fuel subsidy and exchange rate reforms are fully passed through.

Exchange Rate, Monetary, and Financial Sector Policies

13. We have taken significant steps to reform the exchange rate system to bolster competitiveness and transparency. On February 21, 2021 we unified all exchange rates (excluding the customs valuation exchange rate) at the prevailing market rate of SDG375/USD and issued regulations to commercial banks and FX bureaus to set exchange rates in line with market conditions (prior action). Although we set a ± 5 percent band on the exchange rates set by commercial banks and FX bureaus to help manage volatility, most FX transactions have taken place within ± 3 percent of the CBOS's indicative rate, indicating a welcome low level of volatility in the forex market. We will continue to observe market developments and 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 market segmentation by excessively restraining commercial banks and FX bureaus from adapting to market conditions. After end-June 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. In our view, the recent exchange rate reform has eliminated many of the measures that were previously found to be inconsistent with our obligations under Article VIII, Sections 2 and 3; and we look forward to the Fund's confirmation of the same. We commit to not introduce any new exchange restrictions or multiple currency practices (MCPs), and we will limit exchange rate intervention only to addressing disorderly market conditions. We also remain committed to aligning the customs valuation exchange rate, which is used to value imports for taxation purposes, with the CBOS indicative rate by end-June (SB #6). To limit the price impact of this measure, we plan to remove additional taxes and fees on imports which are subject to the top tariff rate of 40 percent. We will refrain from imposing any administrative restrictions on current account transactions as a means of constraining exchange rate movements.

14. We have taken financial sector and monetary measures to underpin exchange rate reform. To this end, we completed bank by bank stress tests to exchange rate shocks and communicated with identified problem banks to strengthen resilience to exchange rate movements, including through recapitalization and temporary regulatory forbearance, prior to the exchange rate reform (SB #17). We regret that the reserve money ceiling was missed due to an unsterilized accumulation of reserves above that which was programmed and credit to the banking sector. We also issued a new regulation in 2021 to forbid banks from having a short net FX open position and to limit the long position to 1-5 percent of regulatory capital. We are also working to transition our monetary policy framework to the reserve money target regime to help contain inflation. On the latter, we regret that like the NDA target the end-March IT on reserve money (IT #3) was missed due

to an increase in credit to commercial banks and a delay in setting up an FX auction to sterilize the accumulation of FX reserves. Auctions will begin in the coming weeks supported by IMF TA to improve auction regulation and design.

15. We remain committed to a reserve-money targeting framework with effective monetary instruments. We will establish a regular schedule of meetings of the 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 and coordination of foreign exchange management. 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 (IT #3). For instance, we have announced to increase the required reserve ratios from 20 percent to 22 percent. In the context of our broader strategy of the CBOS exiting its positions in commercial banks and as appropriate, we will mop-up liquidity in the financial system by selling CBOS's shares in the state-owned banks, commercial banks, micro-finance agencies and other companies guided by a fully-fledged action plan to resolve problem banks; we have also suspended the extension of CBOS's investment deposits in commercial banks falling due.

16. 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 the introduction of conventional instruments and IMF TA. Alongside, we will take concrete steps over the remainder of the program to begin to convert the net claims of the central bank on the general government (about SDG 700 billion in 2020, or 13.6 percent of GDP) into government securities. We are currently updating the regulations to fully implement the dual banking system comprised of both Islamic and conventional banking; this work is expected to be completed by end 2021 and will facilitate the sale of government securities.

17. We continue to work to strengthen central bank independence. The revised Central Bank Act has been amended following receipt of comments from the IMF and other stakeholders and was approved by the CBOS Board on May 1. The review by the Ministry of Justice is expected to be completed by end-June (SB #14). The law strengthens the central bank's mandate on price and financial stability, limits monetary financing of the government, and strengthens central bank governance.

18. 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 and international standards and boost supervisory vigilance to ensure that banks comply with prudential regulations, including the recently revised regulation to restrain bank's net open foreign currency position. Over time, we will further strengthen supervision by moving toward a risk-based regime and will work to strengthen corporate governance in the banking sector. Measures will be consistent 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. These steps will be supported by technical assistance from various IFIs, including from METAC.

19. We will strengthen our bank recovery and resolution framework, based on international good practice. We will pass an amended Banking Business Act including establishing an appropriate bank resolution framework (SB# 19), which will pave the way for restructuring the banking sector through bank resolution, liquidation and/or merger and acquisition. With the completion of the Asset Quality Review (phase 1 comprised of 8 banks, phase 2 covering an additional 9 banks and a potential phase 3 on the remaining banks by end-2021, pending available funding), we will adopt an action plan for strengthening the banking system, including application of the resolution framework and divestiture of the CBOS from commercial banks.

20. We have introduced a dual system of conventional and Islamic banking to expand access to credit. The dual banking system will help attract both foreign and domestic investment in the banking sector which will improve financial inclusion, strengthen governance in the financial sector and facilitate investment. We plan to request technical assistance to help strengthen supervision of both the Islamic and conventional banking systems.

21. Addressing AML/CFT deficiencies remains a priority. We will complete the thematic AML/CFT on-site inspections of the remaining two highest-risk banks determined by the central bank's off-site assessment tool, focusing on politically exposed persons (PEPs), suspicious transaction reporting, and higher-risk customers and transactions in the real estate sector, and provide aggregate data to the IMF on any related violations found and sanctions levied by the CBOS in line with the existing legal framework. We will also work toward completing a National Risk Assessment (NRA).

Fiscal Policy

22. Sustained efforts toward fiscal consolidation are vital to stabilizing the economy. Therefore, our fiscal consolidation plan over 2021 focuses on (i) enhance domestic revenue mobilization so as to create fiscal space for needed social and infrastructure spending, and (ii) continued reforms in the energy sector to reverse the reemergence of retail fuel subsidies and facilitate the gradual removal of electricity subsidies. The 2021 budget contains measures that we assess will reduce the deficit by about 3 percent of GDP to achieve a target of 2.9 percent of GDP, and meet the targets under our program including significantly reducing the need for monetization.¹

23. Reducing fossil fuel subsidies, which accounted for 79 percent of total subsidies in 2020, is at the center of our fiscal consolidation efforts. By the end of 2021, we will eliminate government controls on retail gasoline and diesel fuel prices and allow gasoline and diesel fuel suppliers to contract at negotiated market prices (SB# 4). In the electricity sector, we will gradually reduce electricity subsidies by increasing electricity tariff rates on high-end consumers and

¹ The approved 2021 budget was constructed using the then-applicable official rate of SDG55/\$; the fiscal numbers reported in this MEFP represent our assessment of the 2021 budget using the market exchange rate.

improving efficiency in power generation. With the assistance of the World Bank, we will conduct a cost of service study in the electricity sector to formalize the tariff adjustment methodology and new tariff structure while protecting vulnerable groups through continued strengthening of the social safety net. We will adopt a revised Electricity Act to create a more effective regulatory framework for power sector development to facilitate private sector investment in power generation and to encourage switching to renewable energy such as solar and wind in power generation. Lower spending on subsidies will help to free up fiscal space for social spending and infrastructure development.

24. Social spending has lagged program targets but we will take remedial measures. Actual Q1 social spending underperformed the relevant IT floor due to the delay in exchange rate unification as well as donor coordination and administrative challenges impacting the rollout of the Sudan Family Support Program (SFSP), including the need to recruit staff and implement reliable benefit delivery mechanisms. We will take remedial actions to speed up SFSP implementation, including by convening a Coordination Committee of key government agencies and international partners and appointing a director to lead the Project Implementation Unit. After a slow start, the pace of local staff recruitment has also accelerated, which should facilitate SFSP disbursements through the Summer and help in achieving our goal of reaching two million households by the end of the year. We estimate that spending on the SFSP and additional health expenditure, including measures to treat and mitigate the spread of COVID-19, at about 1 ¼ percent of GDP in 2021 (IT #1).

25. 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. Driven by the unification of the exchange rate, we expect tax revenue to increase to 4.9 percent of GDP in 2021, a notable increase over the 2020 tax revenue yield of 3.4 percent of GDP. Based on donor pledges at the Sudan Partnership Conference on June 25, 2020, and prior assistance for our COVID-19 response, we anticipate donor support of \$770 million in 2021, including 0.7 percent of GDP in grants for the SFSP 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 abates. Revenue measures include the elimination of all exemptions on VAT except those related to food, and the elimination of the personal income tax (PIT) exemption on people over 50 years of age in the context of a progressive PIT structure (SB #7); and strengthening the Large Taxpayer Office by increasing the percentage of taxpayers processed electronically from 70 percent to 75 percent through the Tax Administration Core System (TACS) database by the end of 2021.

26. We will continue efforts to strengthen public financial management (PFM). Key areas include budget planning, fiscal reporting, fiscal risk management, and the treasury single account (TSA). We will aim to anchor annual budgets on a credible medium-term fiscal framework including policy tradeoffs, financing constraints, and fiscal risks, and will develop a Public Financial Management Roadmap based on the recent PEFA (SB #2). 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 and will gradually

extend TSA coverage to extrabudgetary funds and improving expenditure control by setting up a commitment control system so that control over expenditure is exercised at the commitment stage, instead of the payment stage.

27. We will improve fiscal coverage and the transparency of reporting. The current system of central government reporting omits key information needed in fiscal policymaking. Therefore, we will work to consolidate financial statements between the central and state governments and annually thereafter within three months of end of the reporting period. We will work toward publishing the financial statement and audit report of the top 10 SOEs starting in 2022 and will provide transparent reporting of spending on subsidies. We will coordinate with the Supreme Audit Institution to enhance audits in line with international best practice.

Other Structural Reforms

28. 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. In addition, a new Ministry of Investment was established by the government and will be supported by the IFC. Finally, new Investment and PPP Laws have been recently enacted. We intend to issue implementing regulations for the Investment Law which will stipulate that all tax exemptions must have prior approval from the Ministry of Finance and must be costed. There will be a similar stipulation with respect to the PPP Law, and we will define overall limits on the government’s total exposure on PPPs and procedures to ensure the affordability of PPP projects in the longer term.

29. 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 the new Anti-Corruption Law (completed on April 25) and the establishment of an independent Anti-Corruption Commission (as tasked by the Constitutional Declaration) by end-September 2021 with a strong mandate to prevent, detect, and investigate corruption. The establishment of the Commission was a structural benchmark for October 2020 but would be reprogrammed given delays in passing the law. 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. Oversight of these assets will be transferred to a holding company under the financial oversight of the MOFEP, and their disposal and use of related resources will adhere to fully transparent procedures.

- We will develop an SOE ownership strategy which will set forth the strategic purposes, oversight and management principles of this sector, including a framework for determining which SOEs should remain public, be liquidated, or be privatized. The strategy will be endorsed by the Cabinet and the financial oversight of all SOEs will be transferred to the MOFEP by the end of December 2021 (SB #12).
- Improving the quality and frequency of key macroeconomic statistics would help strengthen governance and policymaking substantially. To this end, we will step up efforts to improve macroeconomic data quality, including national accounts, fiscal, BOP, and labor market data, with technical assistance from the IMF, other international financial institutions, and from bilateral donors.
- The completion of the delayed governance diagnostic exercise, which is needed to build a roadmap for strengthening governance across various sectors of government.
- Finally, AML/CFT reforms, increased electronic processing of taxpayers, and the maintenance of a market-based exchange rate will help to enhance transparency and reduce opportunities for corruption.

D. External Debt and Relief Prospects

30. Sudan is in debt distress. The most recent estimate based on the ongoing debt reconciliation exercise shows total public and publicly guaranteed (PPG) external debt at around USD 56 billion at end-2020 (163 percent of GDP), with the bulk in arrears (87 percent of the external debt stock). Out of this total, 41 percent is owed to Paris Club creditors, 36 percent to Non-Paris Club creditors, 11 percent to multilateral institutions and the remaining 12 percent to commercial creditors. As of end-March 2021, Sudan's outstanding arrears to the IMF stood at SDR 964 million (about USD 1,367 million). Sudan's arrears to the World Bank Group and African Development Bank were cleared on March 26 and May 12, respectively. Final reconciliation of end-2020 PPG debt is still in progress.

31. Our debt strategy is to assure the flow of financing for critical development projects. Under the SMP we intend to limit payments only 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. We commit to limit new non-concessional borrowing in line with program targets (QB #4) and use the proceeds to 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—to IMF staff.

32. 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. We

understand that building a track record of performance is only one of four conditions that must be met to reach the HIPC Decisions Point. In this regard, the government will work with the IMF and World Bank to complete the joint debt reconciliation exercise and will reach out to creditors for the needed financing assurances for eventual comprehensive debt relief through the HIPC process including by the IMF.

33. 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.

E. Proposed Extension of the Program, Modalities and Monitoring

34. In light of the possibility that the HIPC DP will slip past end-June we are requesting an extension of the SMP through end-December 2021. While we hope that the international community will urgently provide formal pledges to finance the Fund’s participation in HIPC, we are conscious of the fact that reaching the HIPC DP requires an uninterrupted track record of satisfactory performance under a UCT-quality SMP leading up to the Decision Point.

35. Therefore, out of an abundance of caution, we are requesting an extension of the SMP with the hope that it will not be needed. The extension would establish two additional test dates, one at end-September and another at end-December 2021 as well as corresponding quantitative and indicative targets and structural benchmarks. In addition to new quantitative targets and benchmarks for the fourth (end-September) and fifth (end-December) reviews, we propose that modifications be made to existing structural benchmarks. The structural benchmark related to the establishment of the Anti-Corruption Commission originally programmed for end-March 2021 would be shifted to end-September 2021 to allow more time for the appointment and vetting of commissioners. In lieu of the delayed adoption of an automatic fuel price mechanism (an end-September 2020 SB), an end-December 2021 benchmark should be set on the removal of controls on retail gasoline and diesel prices. Finally, we would propose the establishment of new structural benchmarks during the extended period of the SMP on: the adoption of a PFM roadmap; issuance of implementing regulations for the Investment Law; elimination of VAT and personal income tax exemptions; adoption of an SOE strategy; and enactment of a revised Banking Regulation Act. The quantitative benchmarks and indicative targets are described in detail 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.

36. In September 2020 we set up an institutional framework to monitor program execution and improve data collection. The institutional framework comprised key decision makers on

economic and financial matters, notably the Finance Minister, the Petroleum and Mining Minister and the Governor of CBOS. They are assisted by the SMP Monitoring Committee comprised of 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. We will strive to ensure the SMP Monitoring Committee meets in a frequent and timely manner to ensure adequate program monitoring.

37. 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, and the IMF Board decision to support a reduction of payments to \$2.5 million annually. We are committed to make regular monthly payments at least sufficient to cover our obligations falling due, and to increase them as our capacity to repay improves; monthly payments were made to the IMF in January, February, March and April 2021 totaling \$880,000, amounting to approximately 35 percent of the expected annual payment.

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

	Dec-19	Dec-20		Mar-21		Jun-21	Sep-21	Dec-21
	Benchmark	Target	Actual	Target	Actual	Target	Target	Target
Quantitative Benchmarks								
Banking system net credit to the central government (ceiling: in SDG billion)	386	672	655	758	683	807	909	1,092
CBOS net domestic assets (ceiling: in SDG billion) 2/	817	1,083	1,289	1,380	1,502	1,786	1,897	2,099
Net international reserves (floor: in millions of U.S. dollars) 2/	-728	-594	-6,511	-6,552	-6,336	-6,284	-6,226	-6,175
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	0	75	12	150	225	300
Indicative Targets								
Social spending (floor: in SDG billion)	15	99	39	53	15	43	90	186
Nonoil primary deficit (ceiling: in SDG billion) 4/	242	367	375	219	104	266	306	348
Reserve money (ceiling: in SDG million) 2/	0	766	1,000	1,094	1,208	1,451	1,565	1,770
Memorandum items:								
External grants for Family Support Program (in millions of U.S. dollars)		328	0	92	8	52	126	245
Other external non-project grants (in millions of U.S. dollars)	0	212	161	25	0	25	50	100
MOFEP repayments to CBOS for advances related to victims of terrorism (in millions of US dollars)				356	0	33	67	107
Government asset sales (in SGD billion)		35	0	0	0	0	0	0
External non-project loans (in millions of U.S. dollars)	91	127	0	0	0	0	0	0

1/ The variables are defined according to the TMU.

2/ Evaluated using program exchange rate of 45 SDG per U.S. dollar. The definition of net international reserves is updated to include all external liabilities denominated in foreign currency for March and June target, instead of short-term external liabilities. The actual performance for NIR in Dec-2020 based on the previous definition is \$-803 million.

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

4/ The unadjusted NOPD target for end March is 312. Adjustments were made per the TMU to account for fluctuations with respect to SSSL, SFSP and non-project grants.

Table 2. Sudan: Prior Actions and Structural Benchmarks Under the SMP

Benchmarks	Target Date	Macroeconomic Rationale
Prior Actions		
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.	Completed PA for SMP request	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.	Completed PA for SMP request	Fiscal consolidation
3. Announce the unification of the official exchange rate (excluding the customs valuation exchange rate) with the market rate at the prevailing market rate and issue regulations to banks and forex bureaus indicating that trading can take place in a +/-5 percent band around the indicative rate announced by the central bank prior to the opening of trading which is calculated as the weighted average of the previous day's trading excluding CBOS sales/purchases from government.	Completed February 21, 2021	Remove distortions and raise revenue
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 Met	Improve budget classification and fiscal reporting
2. Develop and adopt a PFM Roadmap based on the 2020 PEFA.	End-Sept 2021	Strengthen PFM
Governance		
3. Establish an independent anti-corruption commission through appointment of the Commissioners in accordance with the provisions of the Anti-Corruption National Commission Law.	End-Sept 2021	Strengthen governance
Expenditure policy		
4. Adopt automatic fuel pricing mechanism to ensure that retail diesel and gasoline prices reflect all costs, thus eliminating subsidization.	Sept. 2020 Not Met; see #5	Support fiscal consolidation
5. Eliminate government price controls on retail gasoline and diesel fuel prices and allow gasoline and diesel fuel suppliers to contract at negotiated market prices.	End-December 2021	Remove price controls and eliminate subsidies
Tax Policy		
6. Customs valuation exchange rate unification: Publish decree indicating imports to be valued at indicative exchange rate published by CBOS and rationalize multiple ad hoc fees and other related charges.	End-June 2021	Eliminate distortions and strengthen revenue collection
7. Eliminate (i) all exemptions on VAT except those related to food, and (ii) the personal income tax exemption on people over 50 years of age in the context of a progressive PIT structure.	End-December 2021	Broaden tax base
8. Issue implementing regulations for the Investment Law which stipulate that all tax exemptions must have prior approval from the Ministry of Finance and must be costed.	End-December 2021	Strengthen fiscal control; support revenue
Governance		
9. Prepare and publish an inventory of all state-owned enterprises including those supervised by ministry of finance, line ministries and security sector.	Dec. 2020 Not met; full list published on April 5, 2021 with the exception of those	Improve fiscal transparency

Table 2. Sudan: Prior Actions and Structural Benchmarks Under the SMP (continued)

Benchmarks	Target Date	Macroeconomic Rationale
	owned by the intelligence sector due to ongoing work to clarify ownership	
10. 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 Not Met; approved April 25, 2021	Fight corruption and improve governance
11. Establish an independent anti-corruption commission, consistent with the provisions of the new anti-corruption law.	Mar. 2021 Not met due to delay in approving law. Reprogrammed #3 above	Fight corruption and improve governance
12. Transfer financial oversight of all SOEs to the MOFEP and adopt an ownership strategy setting forth the strategic purposes, oversight and management principles of SOEs including guiding principles for the review of the existing stock of SOEs.	End-December 2021	Improve governance and transparency of the SOEs; mitigate contingent fiscal risks.
Monetary and Financial Sector		
13. 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 Not Met; draft sent to CBOS Board in February; approved May 1 2021	Enhance central bank independence and improve governance
14. 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.	June 2021	Enhance central bank independence and improve governance
15. 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. Not met. See Prior Action (#3) for First Review (above).	Strengthen competitiveness and reduce distortions
16. Gradually adjust customs exchange rate towards market exchange rate and fully unify by June 2021.	Jun. 2021 Reprogrammed above #6	Eliminate distortion in the exchange rate market
17. 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 Met	Strengthen financial sector soundness

Table 2. Sudan: Prior Actions and Structural Benchmarks Under the SMP (concluded)

Benchmarks	Target Date	Macroeconomic Rationale
18. (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 Not met; five were completed as of end-March and eight as of mid-May with the remaining two pending	Reduce vulnerabilities to corruption and related money laundering
19. Enact a revised Banking Regulation Act which includes a comprehensive resolution regime for the banking sector, in line with international best practice.	End-December 2021	Strengthen the banking sector

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 quarterly quantitative benchmarks and three indicative targets for end-June, end-September and end-December 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, indicative 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 \$70.73 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 is defined as the sum of 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 -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 adjusted downward *pro tanto* by the amount of any excess of non-project external grants and loans relative to program projections. The ceiling will be adjusted upward *pro tanto* by the amount 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 adjusted downward *pro tanto* by the amount of any excess of receipts from government asset sales. The ceiling will be adjusted upward *pro tanto* by the amount of any shortfall in receipts from government asset sales.

- The ceiling on net domestic assets of the CBOS will be adjusted downward *pro tanto* by the amount of receipts from the Central Government for SSTL repayment to the central bank.

7. Net international reserves (NIR) of the CBOS are the stock of gross official usable international reserves *minus* external liabilities denominated in foreign currencies. The gross official usable international reserves assets comprise foreign exchange banknotes in the vaults of the central bank, monetary gold, and SDR holdings. External liabilities denominated in foreign currencies are defined as the sum of: short-term foreign liabilities, other deposits from non-residents in foreign currencies, long-term loans from non-residents in foreign currency, and accounts payable from nonresidents in foreign currency and any SDR allocation. SDR allocations are included in external liabilities.

Adjustors:

- The floor on the NIR of the CBOS will be adjusted upward by the amount equal to receipts from the Government for SSTL repayment to the CBOS in foreign currency or monetary gold that would increase gross official usable reserves assets.
- This target will be adjusted upward by the amount of any excess of non-project external grants and loans relative to program projections needed to eliminate monetization.

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 adjusted downward *pro tanto* by the amount of any excess of non-project external grants and loans (excluding that for the SFSP) relative to program projections. The ceiling will be adjusted upward *pro tanto* by the amount 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 adjusted downward *pro tanto* by the amount of any excess in receipts from government asset sales. The ceiling will be adjusted upward *pro tanto* by the amount of any shortfall in receipts from government asset sales.
- The ceiling on net credit to government by the banking system will be adjusted downward *pro tanto* by the amount of receipts from the Government for SSTL repayment.

9. Non-oil primary balance of the central government (NOPB) is defined as non-oil revenues¹ minus expenditures excluding interest payments cumulatively since the beginning of the calendar year.

Adjustors:

- The ceiling on the NOPB deficit set in Table 1 will be adjusted downward (upward) *pro tanto* by the amount of any excess (shortfall) of project external loans relative to program projections.
- The ceiling on the NOPB deficit set in Table 1 will be adjusted upward (downward) *pro tanto* by the amount of any excess (shortfall) of non-project grants (excluding those earmarked for the SFSP) relative to program projections.
- The ceiling on the NOPB deficit will be adjusted downward *pro tanto* by the amount of any shortfall in external non-project grants earmarked for the SFSP.
- The ceiling on the NOPB deficit will be adjusted downwards(upwards) *pro tanto* by any excess (shortfall) amount of SSTL payment.

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);
 - (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

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.

- (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 concessional 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.

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
	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

Reporting Agency	Type of Data	Description of Data	Frequency	Timing (within period specified)
	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
	Central government domestic debt	End-month stocks, and monthly issuances and repayments, of all domestic debt instruments: GMCs, GICs, loans and advances from the banking 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

Reporting Agency	Type of Data	Description of Data	Frequency	Timing (within period specified)
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 (comprehensive 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												
USES												
Sales to Government for petroleum												
Sales to Government for eletricity												
Sales to public entities												
Sales to commerial 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

	2020M1	2020M2	2020M3	2020M4	2020M5	2020M6	2020M7	2020M8	2020M9	2020M10	2020M11	2020M12
Capital Adequacy												
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												