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March 22, 2021

**Statement by Mr. Tanaka, Mr. Chikada, and Ms. Kikuchi on Sudan
(Preliminary)
Executive Board Meeting
March 24, 2021**

We thank staff for a well-written set of reports and Ms. Mannathoko and Mr. Ismail for their helpful Buff statement.

We commend the authorities' every effort to pursue ambitious reforms under the Staff-Monitored Program (SMP) and the recent significant progress in key reforms including the implementation of exchange rate unification despite challenging circumstances. **We concur that the SMP continues to meet the UCT standard and strongly encourage the authorities to accelerate their effort in building a satisfactory track record toward HIPC Decision Point.**

Also, in light of Sudan's ongoing efforts to cooperate with the Fund, **we support staff's proposal that no further remedial action be taken at this time**, given the resumption of monthly payment and the authorities' commitment to continue to make regular payments totaling US\$ 2.5 million per year, which is broadly equivalent to the annual obligations falling due. Furthermore, we also welcome the authorities' commitment to increase the payment as their capacity to pay improves. We broadly agree with the thrust of the staff's appraisal and will limit our comments to the following points:

We commend the recent implementation of exchange rate unification as a big and crucial step and urge the authorities to avoid backtracking from the move to a market rate. The shift to a market-determined exchange rate will bolster competitiveness and transparency by reducing distortions, and therefore will restore macroeconomic stability and achieve sustainable economic growth. In this sense, we welcome the authorities' commitment to take stock of the daily limit of exchange rate set by banks and forex bureaus after end-March 2021 and not to impose administrative restrictions on current account transactions as a means of constraining exchange rate movements. We also reiterate the

importance of strengthening central bank independence and its supervisory capacity and urge the authorities to accelerate their efforts on this front.

Fiscal consolidation remains a key priority for macroeconomic stabilization as well as restoration of external viability. We welcome the authorities' ongoing effort to enhance public financial management and domestic revenue mobilization including the removal of fuel subsidies and introduction of tax measures. We echo staff's view that the unification of the customs exchange rate is crucial not only to further improve domestic revenue mobilization but also to enhance transparency. In this context, while we welcome that the authorities have started a gradual unification of the customs exchange rate, *we note they plan to reduce the average import tariff to minimize associated inflationary effects. We would like to hear staff's view on this point.* Furthermore, continuous effort to strengthen oversight of state-owned enterprises and to address AML/CFT deficiencies are crucial to further improve fiscal transparency, which is essential for private sector-led growth.

A prudent debt payment and borrowing strategy as well as accurate debt data are indispensable. We cautiously note that the authorities made selective debt service payments in 2020 notwithstanding staff's advice to avoid them. While we welcome the authorities' commitment to limit payments only to creditors who provide net positive flows, we urge the authorities and staff to secure close communication on debt service payments as it could complicate and delay debt relief negotiations across all creditors. Given the unsustainable debt in Sudan, the authorities should seek grant assistance or highly concessional financing. Considering the large debt data discrepancies, we welcome the ongoing effort to implement debt data reconciliation, which the IMF and the World Bank have been jointly working on. *Could staff update on progress of the reconciliation exercise for the 2020 debt stock?* We encourage the authorities to continue to make effort to enhance debt transparency, which is crucial not only for debt relief but also in normal circumstances for sustainable recovery and economic development.

With these remarks, we wish the authorities further success.