

**IMMEDIATE
ATTENTION**

EBD/09/52

July 2, 2009

To: Members of the Executive Board

From: The Acting Secretary

Subject: **Sudan—Request for Approval of Exchange Restrictions Subject to Article VIII**

Attached for consideration by the Executive Directors is a request for approval of exchange restrictions subject to approval under Article VIII for Sudan.

It is not proposed to bring this matter to the agenda of the Executive Board for discussion unless an Executive Director so requests by **noon on Friday, July 10, 2009**. In the absence of such a request, the draft decision that appears on page 2 will be deemed approved by the Executive Board and it will be so recorded in the minutes of the next meeting thereafter.

Questions may be referred to Mr. Al-Atrash (ext. 38432) and Mr. Naseer (ext. 36948) in MCD.

This document will shortly be posted on the extranet, a secure website for Executive Directors and member country authorities.

Att: (1)

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INTERNATIONAL MONETARY FUND

SUDAN

Request for Approval of Exchange Restrictions Subject to Article VIII

Prepared by the Middle East and Central Asia Department
(In consultation with Legal and Strategy, Policy and Review Departments)

July 1, 2009

1. This note provides information about the exchange restrictions and the multiple currency practice recently introduced in Sudan subject to Fund approval under Article VIII, Sections 2(a) and 3.
2. On February 17, 2009, the Central Bank of Sudan issued a circular requiring 100 percent cash margin for letters of credit on most imports. Certain medical, agricultural, and industrial items are exempted from this requirement. The measure, which was introduced to curb the demand for imports and, by extension, for foreign exchange, gives rise to both an exchange restriction and a multiple currency practice subject to Fund approval under Article VIII, Sections 2(a) and 3 of the Fund's Articles of Agreement.
3. On March 17, 2009, the Central Bank of Sudan issued another circular limiting the amount of foreign currency that could be purchased for travel outside of Sudan to €3,000 (or the equivalent in other currencies) per person per visit. This absolute ceiling on the amount of foreign exchange that could be purchased for travel abroad constitutes an exchange restriction subject to Fund approval under Article VIII, Section 2(a).
4. These measures were implemented for balance of payments reasons and are nondiscriminatory in nature. Given the authorities' commitment to remove them by end-year, staff recommend the approval of these exchange measures until December 31, 2009.

Proposed Decision

The following decision, which may be adopted by a majority of the votes cast, is proposed for adoption by the Executive Board:

1. Sudan maintains (i) an exchange restriction and a multiple currency practice arising from the imposition by the government of a cash margin requirement for most imports and (ii) an exchange restriction arising from the imposition of an absolute ceiling on foreign exchange for travel, subject to Fund approval under Article VIII, Section 2(a) and 3.
2. In the circumstances of Sudan, the Fund grants approval for the retention of these exchange measures until December 31, 2009.