EXECUTIVE BOARD MEETING

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To: Members of the Executive Board

From: The Secretary

Subject: **Sudan—Staff Report for the 2019 Article IV Consultation**

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***Unless an objection from the authorities is received prior to the conclusion of the Board's consideration, the document will be published.**

SUDAN

STAFF REPORT FOR THE 2019 ARTICLE IV CONSULTATION

February 5, 2020

KEY ISSUES

Context: Regime change has created a window of opportunity for fundamental reforms to address major macro imbalances and lay the groundwork for inclusive growth. After prolonged protests, President Al-Bashir's government was removed and a transitional government was sworn in August 2019 for a 39-month period, to be followed by general elections. Major challenges lie ahead. The economy is shrinking, fiscal and external imbalances are large, inflation is high, the currency is overvalued, and competitiveness is weak. The humanitarian situation is dire with large numbers of internally displaced people and refugees. U.S. sanctions on trade and financial flows were revoked in October 2017, but Sudan remains on the state sponsors of terrorism list (SSTL), which effectively discourages external investment and blocks progress toward both HIPC debt relief and the clearance of large arrears to the Fund. In this context, staff engagement has intensified to render the necessary policy and technical assistance to help the authorities seize this once-in-a-generation opportunity for reforms. There is broad agreement between the authorities and staff about the key reform priorities, but the authorities have yet to put together a fully coherent and viable plan that enjoys broad public support and can plausibly attract adequate donor financing.

Policy advice:

- Intensified efforts to strengthen governance and institutions, and curb corruption, would be critical for sustaining public support for the government and reforms.

- A unified and market-clearing exchange rate is key to reducing external imbalances and boosting competitiveness, investment, growth, and fiscal revenues.

- Fiscal reforms are critical to address deficit monetization, reduce inflation, and support social and development programs. Energy subsidies should be gradually phased out and adjustment pain mitigated by substantially increased spending on vulnerable groups. The tax base should be broadened, and capital investment increased.

- Additional measures are needed to ensure credible fiscal consolidation in 2020. The 2020 budget as passed incorporates optimistic revenue projections and large expenditure increases. Building public support for commencing energy subsidy reforms, and stronger revenue mobilization efforts, will be key for successful consolidation.

- Central bank independence should be buttressed, and monetary policy should be tightened to curb rising inflationary pressures. The central bank should also continue to strengthen financial sector soundness and mitigate risks, including through enhanced risk-based AML/CFT supervision.

- Reforms should be carefully sequenced and be condition-based rather than time-bound. Notably, an expanded social safety net needs to be in place prior to implementation of potentially disruptive subsidy and exchange rate reforms. The monetary policy framework needs to be enhanced, and the banking system's ability to sustain shocks will need to be reviewed—and strengthened as necessary—prior to the unification of the exchange rate. An extensive information and communication campaign will be critical to strengthen civil society buy-in of these important reforms.

- A critical mass of structural reforms will be needed (together with improved governance and macroeconomic policies) to support higher sustained growth and competitiveness.

- Substantial donor assistance will be needed to ensure orderly and gradual adjustment. While the authorities' attempts to secure external financing have so far been only partly successful, credible implementation of reforms would help to raise donor support.

Past Surveillance: During the 2017 Article IV consultation, Executive Directors called for exchange rate unification and liberalization, fiscal consolidation (notably revenue mobilization and phasing out subsidies), monetary tightening, and structural reforms to achieve macroeconomic stability, address vulnerabilities, and promote inclusive growth. Progress since has been limited: reflecting ballooning energy subsidies and weak revenue mobilization, the fiscal deficit has continued to trend upward, fueling a vicious cycle of monetization, inflation, and exchange rate depreciation.

Approved By

Juha Kähkönen (MCD) and Yan Sun (SPR)

Discussions were held in Khartoum during December 4–17, 2019. The team comprised Daniel Kanda (head), Qiaoe Chen, Atif Chaudry, Mohd S.M. Zaher (all MCD), Marta Spinella (FIN), Abdikarim Farah, (Resident Representative), and Abdelmhmoud Abuelhassan (local economist). The mission met with Finance Minister Ibrahim Elbadawi, Central Bank Acting Governor Ibrahim BadrEldin Abdelrahim, other senior government officials, members of the business and diplomatic communities, and members of civil society organizations.

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CONTEXT

1. **Regime change has created a window of opportunity for fundamental reforms to address major macro imbalances and lay the groundwork for sustained inclusive growth.** After prolonged protests beginning in December 2018, ex-President Al-Bashir was removed in April 2019 and replaced, in August 2019, by a Sovereign Council composed of 6 civilian and 5 military members and a civilian cabinet led by a Prime Minister, to govern for a 39-month transitional period, followed by general elections. Key objectives of the new government include pursuing comprehensive peace across the entire country, fundamental economic reforms, strengthening anti-corruption and governance efforts, and re-integrating Sudan into the international community.

2. **The new government faces major challenges.** The economy is shrinking, fiscal and external imbalances are large, inflation is high, the currency is overvalued, and competitiveness is weak. The humanitarian situation is dire with large numbers of internally displaced people and refugees. U.S. sanctions on trade and financial flows were revoked in October 2017, but Sudan remains on the state sponsors of terrorism list (SSTL), which blocks progress toward HIPC debt relief (Annex II). Large arrears block financing from the Fund, World Bank, and African Development Bank. The authorities have requested a Staff Monitored Program (SMP) to help formulate and implement comprehensive reforms.

3. **Social, political, and financial constraints to reform abound.** Public tolerance for policy adjustment has been eroded by economic hardship, and while the government enjoys substantial goodwill the window of opportunity for reforms is likely to be limited. There is a need for an extensive information and communication campaign (ICC) to strengthen public support for potentially painful reforms. Also, the social safety net (SSN) is substantially underdeveloped, and rapidly expanding coverage will be a major logistical challenge. Finally, prospects for large external financing—critical for orderly adjustment—remain uncertain despite pledges from Saudi Arabia and the UAE ($2 billion remaining to be disbursed), and the EU (€100 million). The authorities continue to make strong efforts to obtain additional donor financing, but thus far firm commitments have not emerged. Credible implementation of reforms could help to raise donor support.

4. **Public confidence in government also needs to be strengthened.** This will require improving transparency and enhancing the quality of basic public services particularly at local government level. Civil Society Organizations have also remarked that many legacy issues need to be tackled to provide a vibrant civic space for the free public discussion needed to achieve consensus on difficult reforms.

5. **Concerns about governance and corruption persist (Figure 1).[1]** While regime change provides opportunity for substantial improvements, Sudan suffers from weak institutional capacity and deep-seated weak governance. Cross-country indicators point to pervasive corruption, lack of judicial independence, and weak rule of law and public-sector accountability. There are widespread

[1] See also accompanying Selected Issues Papers

fiscal governance weaknesses: Sudan publishes little fiscal information; internal monitoring reports are compiled from unreconciled data sources; and spending control and bank account reconciliation need strengthening. Multiple currency practices (MCPs) and associated distortions persist, encouraging rent-seeking and increasing vulnerabilities to corruption.

DEVELOPMENTS, OUTLOOK, AND RISKS

6. The economy shrank in 2018 and 2019. Reflecting weak competitiveness, the poor business environment, and social turmoil, GDP is estimated to have contracted by 2½ percent in 2019, on top of a 2¼ percent contraction in 2018.

7. The fiscal position has deteriorated because of ballooning fuel subsidies and weak revenue mobilization (Tables 1–7; Figures 2–5).

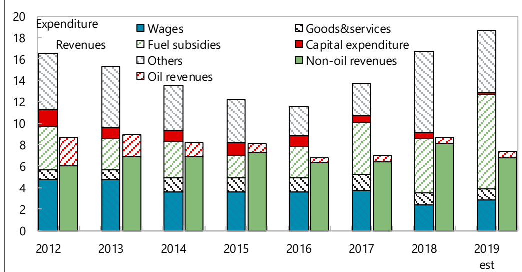
- Revenues and grants increased by 1¾ percentage points to almost 9 percent of GDP in 2018 as exchange rate devaluation boosted customs duty and VAT on imports, but remained among the lowest in the world. In 2019, however, they fell to 7¾ percent of GDP as continued overvaluation of the official and customs duty exchange rates depressed foreign-currency-denominated and import-related revenues.

- Total expenditure (including off-budget implicit fuel subsidies) increased by 3 percentage points to 16¾ percent of GDP in 2018, with ballooning subsidies partly offset by other expenditure tightening. Expenditure increased further by 2 percentage points to 18¾ percent of GDP in 2019 largely due to a continued increase of fuel subsidies.

    - Total (explicit and implicit) fuel subsidies rose by an estimated 7½ percentage points to 11¾ percent of GDP over 2018–19 because of higher international oil prices, exchange rate depreciation, and increased fuel consumption.

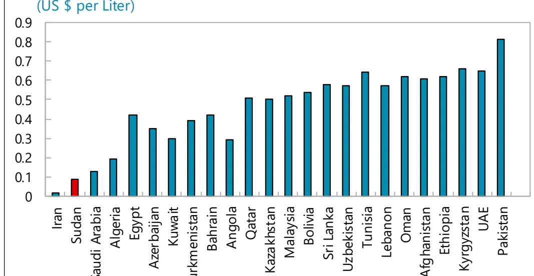
    - In 2018, the wage bill fell by 1¼ percent of GDP, as public workers did not receive a wage increase despite high inflation. There were also moderate cuts to expenditure on goods and services, wheat subsidies, and

Fiscal Developments
(In percent of GDP)



Source: Ministry of Finance of Sudan, IMF staff calculations.

Diesel Prices in Selected Countries 1/
(US $ per Liter)



Source: Globalpetrolprices.com.
1/ Data is for Nov 2019.

Gap Between Domestic and International Fuel Prices

Fuel type	Current domestic prices (SDG/litre)	Current international prices (SDG/litre) 1/	Price increase (percent)	Share in total consumption (percent)
Gasoline	6.4	44.6	601	24.9
Diesel	4.3	43.6	910	54.7
Fuel oil	4.3	32.5	665	5.2
Kerosene	4.1	40.1	876	0.2
LPG	5.2	24.9	380	12.7

1/ Evaluated at exchange rate of SDG 82/US$.

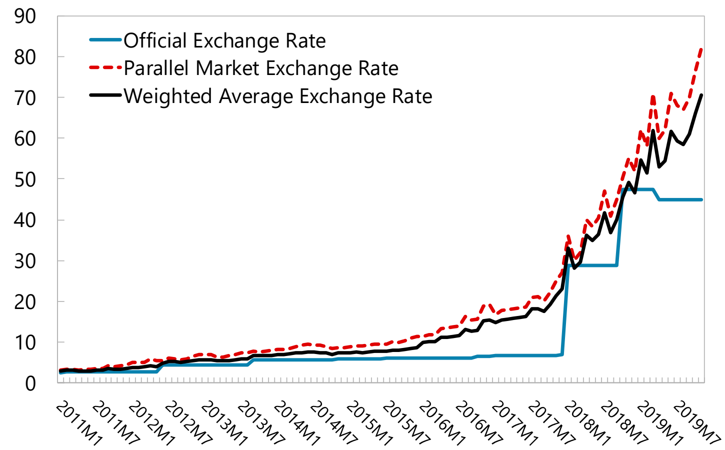
transfers to state governments. In 2019, the wage bill is estimated to have risen by ½ percent of GDP on account of higher wages for some segments of the civil service and the security forces. There were also modest cuts to expenditure on goods and services, and transfers to state governments. Capital expenditure fell by ½ percent of GDP to nearly zero.

- Thus, the fiscal deficit has risen rapidly, from 6½ percent of GDP in 2017 to 10¾ percent of GDP in 2019.

8. With limited external financing, the fiscal deficit has primarily been financed by monetization, fueling a vicious cycle of exchange rate depreciation and deficit expansion. With domestic fuel prices fixed in SDG terms, exchange rate depreciation automatically increases the size of the fiscal subsidy, which in turn increases deficit monetization, leading to pressures on the exchange rate and inflation.

- Despite broad administrative restrictions on repatriation of export proceeds, imports, lending to domestic retail traders, cash withdrawals from banks, and parallel market transactions, continued exchange rate pressures have caused the parallel market exchange rate to depreciate from SDG 27/$ at end-2017 to SDG 85/$ in December 2019.

Exchange Rate (SDG/$)



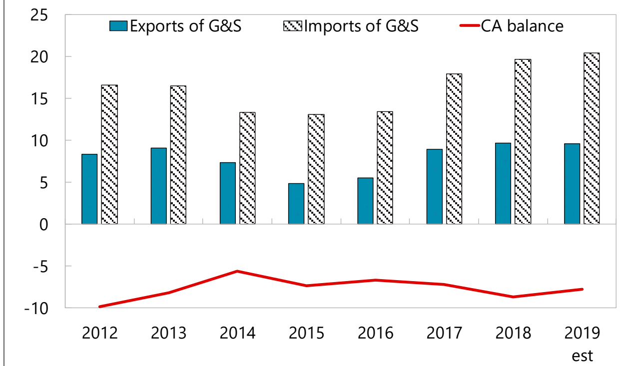
Source: Central Bank of Sudan, IMF Staff calculations.

- Inflation rose to 73 percent in December 2018 before falling to 44 percent in January 2019 from base effects. It has since increased to 60 percent in November 2019.

9. The exchange rate system remains highly distorted. In October 2018, the central bank (official) and commercial bank exchange rates were unified and devalued (from SDG 18/$ to SDG 47.5/$). Subsequently, the official exchange rate was revalued to SDG 45/$ in April 2019 even though the parallel exchange rate continued to depreciate. However, despite the changes to the official rate, forex transactions for the budget continued to use SDG 18/$. Also, the customs duty exchange rate (which was initially part of the official rate) was excluded from the unification and is currently at SDG 15/$. Moreover, the fuel import exchange rate remained at SDG 6.7/$. The parallel market continues to dominate, accounting for about 80 percent of all transactions. Much of the impact of nominal exchange rate depreciation on the REER has been offset by sharp increases in inflation.

10. The external position of Sudan is substantially weaker than implied by fundamentals and desirable policy settings (Annex III). Though the current account deficit (cash basis) is estimated to have decreased from 8¾ percent of GDP in 2018 to 7¾ percent of GDP in 2019 reflecting large grants from Gulf countries, it is weaker than a deficit of 4.3 percent implied by fundamentals, while the REER is overvalued by 36 percent. Gross international reserves are low at $1.4 billion in October 2019 (2 months of imports), far below the 6–8 months suggested by the Fund's reserve adequacy metric. Limited forex for fuel imports has led to rationing, persistent shortages, and disruptions to electricity and food supplies.

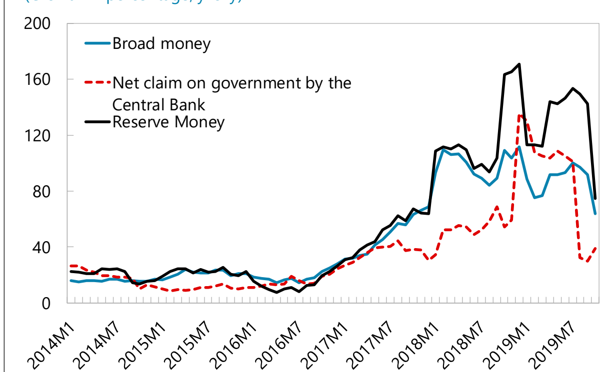
Exports, Imports and CA balance
(In percent of GDP)



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

11. Sudan continues to be in debt distress (see DSA). Public and external debt ratios remain high and unsustainable, with most external debt in arrears. Public and external debt ratios stood at 211.7 percent of GDP and 198.2 percent of GDP, respectively, in 2019.

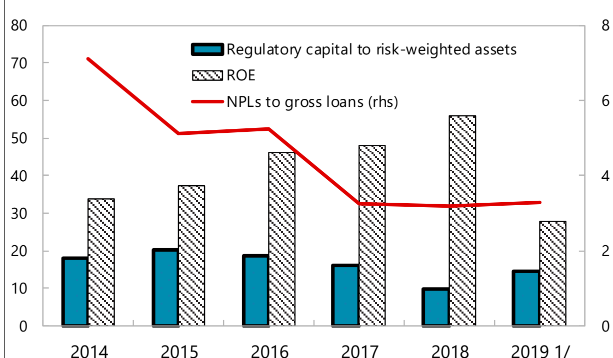
Monetary Aggregates
(Growth in percentage, y-o-y)



Source: Central Bank of Sudan and IMF staff calculations.

12. Monetary aggregates have expanded rapidly, reflecting fiscal deficit monetization and exchange rate devaluation. The current interpretation of Islamic banking precludes conventional interest-rate-based policy instruments in Sudan, and in practice has limited the scope to mop up liquidity via sales of central bank or government paper because of low rates of return offered. Thus, reserve money growth increased sharply from 63.8 percent in 2017 to 171 percent in 2018 partly due to currency depreciation. While the growth rate has since declined, it remains high at 74 percent as of October 2019. Real credit to the private sector contracted by 20 percent in 2018 but has gradually picked up in 2019.

Financial Soundness Indicators
(In percent)



Source: Central Bank of Sudan.
1/ 2019 data are the latest available.

13. The banking sector is fragile, with several banks undercapitalized. Reported nonperforming loan (NPL) ratios significantly underestimate the true state of impairment of bank loans, and even with the low reported NPL estimates twelve banks have capital adequacy ratios below the regulatory 12 percent minimum.[2] Some banks have been undercapitalized for many years. Large U.S. penalties on international banks in 2014 contributed to a sharp decline in correspondent banking lines with Sudanese banks. While sanctions have now been revoked, most correspondent banks have been reluctant to re-establish relationships with Sudanese banks, reflecting concerns with ML/TF risks, AML/CFT deficiencies, and the SSTL. Equity injections into several banks resulted in the authorities owning stakes in 15 of the 37 banks, and restructuring has been lagging.

14. Preliminary bank stress tests indicate some vulnerability to exchange rate depreciation. As of November 2019, 16 out of 37 commercial banks (with more than 40 percent market share) had short net foreign exchange positions, with 6 banks positions outside the regulatory limit.

15. With large imbalances and loose policies, the outlook is alarming without policy reforms. GDP growth is likely to remain negative in the near term, with minimal investment and subdued consumption, while bank fragility will continue to rise. High inflation, continued exchange rate depreciation, and pervasive shortages will continue to aggravate social tensions. Absent corrective measures, the fiscal imbalance would intensify over the medium term, while the current account deficit would remain large, raising risks of disorderly adjustment.

16. Downside risks to the outlook dominate, albeit with large margins of uncertainty (Annex I). Failure to manage expectations and delays in implementing reforms could undermine public support for the government and foster renewed political uncertainty, with attendant risks to the growth outlook. High inflation could have a larger than expected impact on social cohesion, disrupting economic activity. Higher-than-expected oil prices would aggravate fiscal and external imbalances. The key upside risk is progress toward removal from the SSTL and debt relief, which would facilitate higher external inflows and investment. Also, lasting peace in South Sudan could boost oil revenues.

KEY CONSIDERATIONS FOR SUCCESSFUL REFORMS

17. Sudan urgently needs to reestablish macroeconomic stability and create conditions for stronger inclusive growth. This requires liberalizing the exchange rate, revenue measures, and phasing out fuel subsidies, supported by an expanded SSN to mitigate the impact of adjustment on vulnerable groups. Reforms should be carefully sequenced, and condition-based rather than time-bound. Notably, an expanded SSN should be in place prior to implementation of potentially disruptive subsidy reforms. Also, unification of the exchange rate at a sustainable market-clearing level requires introducing adequate monetary policy instruments and bolstering the resilience of the banking system to such changes. Alongside, structural reforms should focus on anti-corruption measures and improving governance and the business environment to sustain macroeconomic

[2] The central bank's definition of NPL only covers the impaired past due installment payments rather than the total loan value.

stability and boost inclusive growth and competitiveness. An extensive information and communication campaign will be critical to strengthen public buy-in of the reforms.

18. An illustrative reform scenario, assuming adequate donor assistance will be forthcoming, could therefore be as follows (Annex IV):

- Begin by addressing the key pre-conditions to enable the commencement of adjustment measures, including (i) a bank-by bank review of resilience to exchange rate, credit, and liquidity shocks, and preparation of measures to address identified vulnerabilities, including reform of the resolution framework and identification of sources of fresh capital if needed, by the end of 2020: Q1; (ii) increase the SSN to cover 60 percent of the population and implement an extensive ICC to foster public acceptance of reforms, by 2020: Q4; and (iii) establish an effective reserve money targeting framework to help contain inflation, by mid-2020.

- Base-broadening revenue measures can commence immediately and should target an increase of at least one percent of GDP over the medium term.

- Measures to strengthen governance and the business environment and curb corruption can commence immediately and are crucial for sustaining public support and unleashing Sudan's growth potential.

  - With banking sector resilience bolstered and an appropriate monetary policy framework in place, all but the customs exchange rate can be unified and liberalized in mid-2020 with minimal expected price impact, particularly given the already large share of the parallel market. Customs exchange rate liberalization and the commencement of energy subsidy reform would be implemented in 2020: Q4 once the expanded SSN is in place. Remaining energy subsidies would be gradually phased out in subsequent years.

Fuel Price Increase in the Illustrative Scenario

(Percentage change)

	Oct-22	Jan-21	Jan-22	Jan-23	Jan-24	Jan-25
Diesel	60	50	50	50	50	43
Gasoline	70	70	60	60	60	44
Fuel Oil	60	60	60	60	50	48
Kerosene	…	60	60	60	50	47
LPG	…	60	60	60	50	18

- Excluding potential bank restructuring costs, the external financing needed to eliminate deficit monetization, increase international reserves to about 3 months of imports, and help stabilize the exchange rate (necessary to prevent large second-round inflationary effects of gradual fuel subsidy removal) would be $6.2 billion over 2020–21, with more needed thereafter.

- These measures and the associated external financing would reduce the fiscal deficit to sustainable levels, strengthen the external position, reduce inflation to single digits, and stabilize the exchange rate, while also supporting significantly higher growth.

19. Reform implementation risks are substantial. The preconditions for adjustment could take significantly more time to implement than anticipated; public reaction to the reforms is uncertain; and capacity weaknesses are substantial. Moreover, the yield from revenue measures could disappoint. Thus, flexibility on reform timelines will be needed. In general, materialization of these risks would cause fiscal adjustment to be more gradual than anticipated, requiring larger donor financing to cover deficits. If the required donor financing is not available, monetization or arrears accumulation would likely be the only financing option, with attendant elevated risks.

POLICY DISCUSSIONS

20. There was broad agreement about key reform priorities, and the authorities had clear policy preferences, but viable plans for subsidy and SSN reforms are not fully developed. The authorities concurred on the need for exchange rate liberalization, revenue mobilization, an expanded SSN, energy subsidy removal, and structural reforms to boost inclusive growth and competitiveness. However, they believed that—subject to available external financing—a larger expansion of the social safety net and higher public wages would pave the way for a more rapid removal of energy subsidies. Staff observed that the implied large external financing would be difficult to obtain, raising risks of a return to monetization. Also, social pressures derailed initial plans for energy subsidy reforms, and a viable plan will only emerge after extensive outreach efforts.

21. The authorities agreed that immediate actions should be taken to intensify their outreach efforts. They have given several media interviews and reached out to political parties, academics and professionals to discuss reform options and plans. Staff welcomed these actions and urged continued and intensified efforts, noting that the ICC should extend beyond key political parties to reach civil society and local communities, and be transparent, explain the rationale for reform, the cost of the status quo, discuss potential adverse effects, present mitigating measures, and seriously address feedback from the public, to secure public support for the reforms. Moreover, surprise announcements of adjustment measures should be avoided.

22. There was consensus that intensified efforts to strengthen governance and institutions, and curb corruption, would be critical for sustaining public support for the government and reforms. Stronger governance would require building a culture of transparency and accountability in public institutions and enterprises grounded in timely publication of comprehensive data and reports, upgrading the public sector regulatory framework to international best practices, and actively engaging civil society and the private sector in curbing corruption. In this regard, the authorities pointed to plans and efforts to strengthen central bank governance, extend the tax net to cover security sector owned companies, and strengthen Public Financial Management. They also requested an IMF comprehensive governance diagnostic mission in early 2020 to help motivate measures for reducing governance and corruption vulnerabilities.

A. Exchange Rate, Monetary, and Financial Sector Policies

23. There was agreement that a unified market-clearing exchange rate is critical for restoring macro stability and strengthening investment and growth. It would bolster competitiveness and transparency, eliminate the MCPs and associated distortions, boost central bank independence, and minimize rent-seeking activities that increase risks of corruption. It would also support fiscal consolidation by boosting import-related and oil revenues. Upfront liberalization of all exchange rates would send a strong signal about the authorities' commitment to reforms, but given the significant impact of changes in the customs rate on inflation a gradual approach would be advisable. The authorities expressed a preference to use a budget exchange rate of SDG 55/$ throughout 2020 to simplify budget management, liberalize all but the customs and budget exchange rates in March/April 2020, and liberalize the customs rate more gradually than staff recommended (from July 2020 to June 2021).

Pros and Cons of Upfront Versus Gradual Exchange Rate Reform

	Upfront liberalization	Gradual liberalization
Pros	Strong signal of commitment to reform Reduce risks of delay and interference of vested interests	Smaller initial impact on prices, and less likely to cause social upheaval More time to ramp up social safety net to mitigate adjustment pain
Cons	Significantly larger upfront impact on prices, on top of the price hikes from reduction of fuel subsidies, which could threaten social cohesion Higher risk of exchange rate overshooting, which would intensify adjustment pain The authorities believe it is the riskier option	Commitment to complete reform is less credible, and higher risks of delays and resistance from vested interests Longer persistence of exchange rate overvaluation, MCPs, and associated distortions, delaying competitiveness and fiscal revenue gains

24. **The authorities observed that reducing import tariffs would reduce the inflationary impact of customs rate liberalization and help strengthen the business environment.** Staff agreed, noting that customs rate liberalization would raise the average effective tariff rate, and the effective rate of VAT on imports, from about 3 percent and 2.8 percent to 20 percent and 17 percent, respectively. While this would increase fiscal revenues substantially, it would also cause a substantial increase in prices of imported goods and the overall price level, potentially aggravating social tensions. While the VAT rate is broadly in line with regional peers, the high and highly variable tariff structure is a source of economic distortions that would become significantly larger as the effective tariff rises. Moving toward lower and more uniform tariff rates would be appropriate and (together with reducing non-tariff barriers) would also strengthen efforts to join the WTO. The authorities requested Fund technical assistance (TA) to help with the tariff reforms.

25. **There was consensus that a new nominal anchor for monetary policy will be needed alongside exchange market reforms, requiring well-sequenced steps.** Exchange rate liberalization must be accompanied by the authorities' announcing an end to monetization, and adopting appropriate monetary and exchange rate policies. Notably, effectively managing domestic currency liquidity would help stabilize the exchange rate. Inflation targeting may be an appropriate medium-to long-term objective but cannot be implemented for some time given data and capacity gaps. As an interim step, the authorities intend to adopt a reserve money targeting framework, to be announced and operationalized concurrently with exchange rate liberalization to anchor monetary policy.

26. Staff stressed that monetary policy should be tightened to contain rising inflation. The key to monetary tightening is eliminating deficit monetization. Notwithstanding the limited policy toolkit, the central bank should urgently develop effective monetary instruments with which they could raise market rates of return to appropriate levels, and deploy available instruments, including sales of securities—where higher returns will need to be offered—and consider higher reserve requirements as needed. The authorities concurred and indicated their intention to learn from other Islamic financial regimes about developing the government securities' market and broadening the central bank's monetary policy toolbox.

27. The authorities acknowledged that fiscal dominance has undermined central bank governance. Monetizing the fiscal deficit has led to loss of monetary control by the central bank. Moreover, there is no active monetary policy committee, and little coordination between the central bank and the ministry of finance on liquidity management. Protection of senior central bank staff from political interference and summary dismissal is limited. The authorities informed staff that plans are underway to upgrade the central bank law to boost central bank independence and effectiveness, and that they would seek Fund TA in this regard.

28. There was agreement that the central bank should continue to upgrade its capacity to supervise and mitigate financial stability risks. This would require modernizing banking regulations in line with Islamic Financial Stability Board standards and strengthening coordination between banking regulation and supervision departments. Also stress testing should be conducted frequently to identify and address vulnerabilities in individual banks. Supervisory vigilance should be further strengthened, notably ensuring that all banks respect prudential regulation. The authorities also intend to continue to address AML/CFT deficiencies, improve the understanding of ML/TF risks, increase the effectiveness of the Financial Intelligence Unit (FIUSU), fully implement risk-based AML/CFT supervision, and improve the process of freezing terrorist assets in line with Fund TA.

B. Fiscal Consolidation

29. The authorities agreed that fiscal consolidation over the medium term would buttress macro stability and fiscal sustainability. Fiscal consolidation is the most essential measure to eliminate monetization and stabilize inflation and the exchange rate. A deficit target of one percent of GDP would be an appropriate medium-term fiscal anchor: it is about the maximum that can be financed from non-inflationary domestic sources and would generate a gradual decline in the debt ratio. Given pressing needs for social and capital spending, achieving the deficit target would require substantial revenue mobilization.

30. While full exchange rate liberalization would substantially increase fiscal revenues, the authorities' immediate focus was on base-broadening measures. Staff estimates that revaluation of oil revenues would add 1¾ percent of GDP while higher effective taxation of imports would add 3¼ percent of GDP. In addition, the authorities remarked that base-broadening and administrative measures—notably rationalizing tax exemptions—would increase revenues while strengthening governance, transparency, and accountability. Thus, their immediate focus was to expand the tax net to cover security-sector-owned commercial companies. Staff also encouraged the authorities to streamline tax exemptions embedded in legislation (notably the Investment Law), to contain revenue losses, noting that improving the business environment is a more effective way to increase investment.

31. A major expansion of the SSN would be needed to mitigate adjustment pain and sustain public support for reforms.

- The authorities indicated that about 60 percent of the population (about 4 million families) need assistance. They expressed a preference for a temporary (2–3 year) Quasi-Universal Basic Income (QUBI) scheme covering 80 percent of the population, because with almost-universal coverage, targeting of benefits would be simpler and faster, and the impact on the politically important middle class would be stronger than with a more targeted approach, which would facilitate a more rapid progress in implementing painful reforms. The monthly benefit would be the SDG equivalent of $5 per person, and the QUBI would be implemented with World Bank and UN assistance. They intend to begin in early 2020 with a pilot program covering 4.5 million persons—which would enable them to also make progress on the substantial logistical challenges associated with the payments of benefits across the country—and expand to the QUBI after 6 months.

- The authorities also plan substantial increases in allocations for health insurance coverage and school feeding programs, and the abolition of fees for basic education and health care.

- Staff observed that the QUBI would cost $2 billion (5¼ percent of GDP) a year, which would be difficult to finance given limited donor assistance. Reducing coverage of the QUBI to 60 percent of the population would increase the targeting challenge to a level similar to expanding the existing cash transfer scheme to 4 million families, and the advantages of the QUBI would practically disappear. Moreover, exiting from the QUBI would likely be politically difficult.

- Expanding the existing cash transfer scheme to cover 4 million families with a monthly cash benefit of $20 per family (in the range the World Bank considers to be appropriate) would be significantly less expensive, raising expenditure by about 2½ percent of GDP (full-year basis). Moreover, improved targeting over time would permit higher-than-inflation benefit increases to the most vulnerable while adhering to the overall expenditure envelope.

- The authorities responded that there was scope to reduce spending plans—including the coverage of the QUBI—if envisaged external financing did not materialize. They were also optimistic about the potential yield from revenue measures. Finally, they believed that exiting from the QUBI should be manageable with clear upfront communication.

32. Phasing out fuel subsidies over the medium term is crucial for durably reducing the fiscal deficit and eliminating its monetization. Staff suggested that fuel subsidy reforms should be gradual and commence only after an extensive ICC and a substantial expansion of the SSN are implemented. Additionally, the removal of kerosene and LPG subsidies (which disproportionately benefit the poor) should be backloaded. The authorities initially expressed a preference for substantially faster elimination of subsidies, including (i) eliminating the subsidy on gasoline—primarily affecting the middle class rather than the vulnerable—and significantly reducing the electricity subsidy by March/April 2020, and (ii) phasing out the diesel subsidy in H2 2020. They remarked that (i) there is strong merit in early decisive action to eliminate subsidies and free up resources for more productive uses, (ii) the large public wage increase plus strong ICC would suffice for successful early removal of the gasoline subsidy, (iii) with a credible rollout of a QUBI it should be possible to speed up the removal of diesel subsidy, and (iv) a gradual pace risks reform fatigue and the possibility that donor financing will dry up before subsidies are decisively reduced, with attendant risks to macro stability. While acknowledging these important points, staff still cautioned against rapid fuel subsidy removal given recent international experience suggesting high social sensitivity to such reforms.

33. The 2020 budget as passed will likely prove expansionary, with elevated risks, unless additional measures are taken in 2020. Facing social pressures, the authorities removed all references to fuel subsidy removal in the 2020 budget, and will hold a national conference in March 2020 to achieve a public consensus on the appropriate pace for fuel subsidy removal. At the same time, the full cost of the QUBI was not budgeted, and only the pilot program appears, with greater clarity on available external financing expected after a donor conference in April/May 2020. Revenue projections also appear optimistic, and a large hole in public finances will emerge if they are not realized, requiring additional measures to ensure fiscal consolidation.

- Nominal public wages will be increased by 123 percent to mitigate tensions in an important class of middle-income families without a natural hedge to inflation. Staff acknowledged that public wages had not kept up with inflation since 2017 but cautioned that the planned increase will increase the wage bill by one percent of GDP, and potentially crowd out other needed spending given the uncertainties about external financing.

- The share of state governments in total budgeted revenues is to be increased from 28 percent to 30 percent, with the distribution of transfers adjusted in favor of states with difficult humanitarian conditions.

- Public investment is to be increased to 1¾ percent of GDP.

- Revenues and grants are projected to increase by 9 percent of GDP, reflecting (i) $2 billion in-kind grants from (unidentified) bilateral and multilateral donors, (ii) a non-transparent contribution of $2 billion from security sector owned companies, and (iii) optimistic oil revenue projections that would require sharp increases in oil production to materialize. However, the amounts of grant inflows and receipts from the security sector are uncertain. Moreover, even if they materialize, the two $2 billion receipts are likely one-off, implying that major consolidation would be needed in 2021.

- The large receipt from the security sector raises significant questions, including on oversight of the sector, and how much donor financing is really needed given the apparently large stock of wealth in the security sector. The authorities have indicated plans to place oversight of all public enterprises under the Ministry of Finance to strengthen their governance.

- Overall, the headline budget deficit is projected to decline to 2¼ percent of GDP, while including implicit subsidies would raise the deficit to 7¼ percent of GDP. However, if the expected large receipts fail to materialize the deficit could rise up to 14¾ percent of GDP.

34. Completely fulfilling the authorities' medium-term policy adjustment plans would require successful energy subsidy reforms, a timely exit from the QUBI, and revenue measures. If the authorities' policy preferences are broadly realized, there would be substantial fiscal consolidation over the medium term (Annex IV). However, the frontloaded removal of subsidies would imply much higher inflation (and higher risk of social unrest) in 2020–21 in comparison with staff's illustrative scenario.

- Successful removal of diesel and gasoline subsidies, adoption of a full QUBI, and adjusting transfers to state governments and the wage/GDP ratio in light of different revenue and GDP assumptions would reduce overall expenditure (including implicit subsidies) by 3½ percent of GDP compared to the budget. At the same time, more conservative oil revenue projections, treating the in-kind grants as a financing item, and incorporating the positive impact of exchange rate reforms would cause total revenues to decline by 4¾ percent of GDP relative to the budget. Overall, the fiscal deficit would decline from 10¾ percent of GDP in 2019 to 8½ percent of GDP in 2020, with an associated external fiscal financing need of $4.7 billion. With limited available donor assistance this would imply higher risks of renewed deficit monetization and attendant elevated macroeconomic imbalances.

- For 2021, the complete removal of fuel subsidies would contain expenditure pressures, while customs exchange rate reform would boost revenues considerably. As a result, the fiscal deficit would fall to 5 percent of GDP. In subsequent years, transitioning from the QUBI to a smaller targeted cash transfer scheme would continue to reduce the fiscal deficit. However, additional progress on revenue mobilization would be needed to achieve the medium-term fiscal target.

35. The authorities concurred that public financial management should be strengthened, which also helps improve governance. Key areas include budget planning, fiscal reporting, fiscal risk management, the single treasury account (TSA), and public procurement. New efforts are underway to incorporate a medium-term fiscal framework into budget planning and strengthen the macro-fiscal unit to enhance policy formulation. Good progress has been made in establishing the TSA, but it still needs to be entrenched by improving cash forecasting, extending the setting of cash ceilings for ministries, departments, and agencies from one to three months, improving management of payments, and gradually extending to extrabudgetary funds. Fiscal governance would be substantially improved by publishing comprehensive fiscal data and strengthening public procurement rules.

36. The authorities continue to engage with international partners to secure comprehensive support for debt relief. Discussions continue with the U.S. government on the removal of Sudan from the SSTL. The authorities also reaffirmed their commitment to cooperate with the Fund on policies and payments, including by continuing annual payments on arrears to the Fund of a minimum $10 million, and at least enough to cover Sudan's obligations falling due. They also hope to build a track record of sound economic policies under an SMP, which is a pre-condition to get to the HIPC decision point. Efforts to prepare a full PRSP continue. Staff encouraged the authorities to adopt a prudent debt strategy that minimizes non-concessional borrowing and avoids selective debt servicing of bilateral lenders, to avoid complicating debt relief efforts.

C. Supply-Side Reforms

37. Unlocking Sudan's private sector development potential is key for higher inclusive growth and competitiveness. The IFC and the World Bank, together with donors, have been supporting the authorities' efforts to improve the investment climate, foster Public-Private Dialogue, strengthen the legal and institutional framework for Public-Private Partnerships (PPPs), and support MSME development, focusing on access to finance, business entry and taxation, innovation and entrepreneurship. An IFC private sector diagnostic will be completed around mid-2020 to provide the analytical underpinning for prioritizing economy-wide and sector-specific interventions. In addition, the IFC intends to scale up its advisory services to support the establishment of the new Investment and Private Sector Development Authority and assess investment projects envisaged by the authorities.

OTHER

38. The authorities acknowledged the major shortcomings in macroeconomic data, reflecting capacity constraints, and hope to improve data quality building on Fund TA. National accounts are based on 1968 SNA with a base year of 1981 and have weaknesses in quality and timeliness—the latest data are from 2016. Coverage of FDI, remittances, and gold exports is limited, impairing BOP compilation. Labor market data are practically nonexistent. Coverage of monetary data is not complete as some monetization items are not included in the database.

39. Progress toward an SMP is contingent on adequate progress in finalizing the authorities' reform package and on sufficient external financing assurances from donors. Once sufficient progress has been made on viable plans for subsidy and SSN reforms, and on securing donor financing, a mission will be fielded to negotiate the SMP. Without adequate donor financing, it would be very difficult to finalize an SMP, and Fund engagement might have to be based on surveillance and TA to help mitigate risks.

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40. While regime change has created a window of opportunity for fundamental reforms, the challenges facing the new government are daunting. Macroeconomic imbalances are large, competitiveness is weak, the currency is substantially overvalued, and the humanitarian situation is dire. Sudan's continued listing as a state sponsor of terrorism also blocks progress toward HIPC debt relief and the clearance of large arrears to the IMF. Key elements of a comprehensive reform package include exchange rate liberalization, fiscal revenue mobilization, phasing out fuel subsidies, and increasing social transfers to mitigate adjustment pain. However, social, political, and financial constraints to reform abound, and implementation risks are substantial.

41. Boosting governance and institutions, and curbing corruption, would be critical for sustaining public support for the government and reforms. Stronger governance would require building a culture of transparency and accountability in public institutions and state-owned enterprises grounded in timely publication of comprehensive data and reports, aligning the public sector regulatory framework with international best practices, and encouraging the active engagement of civil society and the private sector in curbing corruption.

42. Reforms should be carefully sequenced, flexible, and condition-based rather than time-bound. Notably, an expanded social safety net needs to be in place prior to implementation of potentially disruptive subsidy and exchange rate reforms. The monetary policy framework needs to be enhanced, and the banking system's ability to sustain shocks will need to be reviewed and strengthened as necessary prior to the unification of the exchange rate. An extensive information and communication campaign will be critical to strengthen public buy-in of these important reforms. Alongside, structural reforms should focus on anti-corruption measures and improving governance and the business environment to sustain macroeconomic stability and boost inclusive growth.

43. Exchange rate liberalization is critical for restoring macro stability and strengthening investment and growth. It would bolster competitiveness and transparency, eliminate the multiple currency practices and associated distortions, minimize rent-seeking activities that increase risks of corruption, strengthen central bank independence, and boost fiscal revenues. Exchange rate liberalization should be preceded by measures to bolster banking sector resilience to exchange rate shocks and to develop an effective monetary policy. Given data and capacity gaps, a reserve money targeting framework should be established first to help curb inflation and support a more stable exchange rate, with inflation targeting as an appropriate medium-to long-term objective.

44. Fiscal dominance has led to loss of monetary control by the central bank and undermined its governance. Protection of senior central bank staff from political interference and summary dismissal is limited. The central bank law should be upgraded to boost central bank independence and effectiveness, and the Fund stands ready to provide TA in this regard. The central bank should also continue to upgrade its capacity to supervise and mitigate financial stability risks, including by modernizing banking regulations, strengthening banking supervision, and continuing to address AML/CFT deficiencies in line with Fund TA.

45. Fiscal consolidation would buttress macro stability and fiscal sustainability. A deficit target of one percent of GDP would be an appropriate medium-term fiscal anchor: it is about the maximum that can be financed from non-inflationary domestic sources and would generate a gradual decline in the debt ratio. While exchange rate liberalization would substantially increase fiscal revenues, broadening the tax base and strengthening revenue administration are also important and would strengthen governance, transparency and accountability. Stronger public financial management and publication of comprehensive fiscal data would improve governance.

46. Additional measures are needed to ensure credible fiscal consolidation in 2020. The 2020 budget incorporates optimistic revenue projections and large expenditure increases. Intensified efforts to build public support for commencing energy subsidy reforms and mobilize additional revenue will be key for successful consolidation.

47. Phasing out fuel subsidies over the medium term is crucial for durably reducing the fiscal deficit and its monetization. Strong information and communication efforts and an expanded social safety net will be needed to build public support for energy subsidy reforms ahead of the national conference in March 2020. Moreover, given pervasive economic hardship and recent international experience the reforms should be gradual, and the removal of kerosene and LPG subsidies (which disproportionately benefit the poor) should be backloaded.

48. A major expansion of the social safety net would mitigate adjustment pain and help sustain public support for reforms. While the authorities' preferred temporary Quasi-Universal Basic Income (QUBI) scheme could facilitate a more rapid progress in implementing painful reforms, it would cost $2 billion a year, which would be difficult to finance. Moreover, exiting from the QUBI would likely be politically difficult. Expanding the existing cash transfer scheme to cover 4 million families with a monthly cash benefit of $20 per family (in the range the World Bank considers appropriate) would be significantly less expensive.

49. Unlocking Sudan's private sector development potential is key for higher inclusive growth and competitiveness. This will require crafting measures, with help from the World Bank and IFC, to improve the business environment considerably, drawing also on the IFC's private sector diagnostic to be completed by mid-2020.

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

51. Article VIII issues. The authorities note the findings of MCPs and exchange restrictions and expect that these will be removed as plans for exchange rate reforms are finalized and implemented. The authorities are not requesting approval for the exchange restrictions and MCPs (informational annex), and no approval is recommended, as there is no clear timetable for their removal.

52. Staff proposes that the next Article IV consultation take place on the standard 12-month cycle.

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

	2017	2018	2019	2020	2021	2022	2023	2024	2025
		Est.		Proj.					
Output and prices	(Annual change in percent)								
Real GDP (market prices)	0.7	-2.3	-2.5	-1.2	-0.6	0.4	1.1	1.5	1.5
Nominal GDP (in millions of SDGs)	830,265	1,370,224	2,033,412	3,355,368	5,819,335	10,517,766	19,463,402	36,474,018	68,765,283
Nominal GDP (in $US million) 2/	45,812	35,891	33,609	34,543	35,042	35,609	36,245	36,878	37,521
Consumer prices (period average)	32.4	63.3	51.3	66.4	74.8	80.2	83.2	85.0	85.7
Central government	(In percent of GDP)								
Revenue and grants	7.2	8.9	7.8	6.4	5.6	5.1	4.8	4.7	4.6
Revenue	7.0	8.7	7.4	6.3	5.5	5.0	4.8	4.7	4.6
Tax revenue	5.5	6.7	5.4	4.9	4.5	4.2	4.1	4.0	4.0
Expenditure 3/	13.7	16.7	18.7	21.4	22.6	22.8	23.1	23.3	23.2
Current 3/	13.0	16.2	18.5	19.4	20.6	20.8	21.1	21.3	21.2
Wage bill	3.7	2.4	2.9	2.9	2.9	2.9	2.9	2.9	2.9
Goods and services	1.5	1.2	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Subsidies 3/	4.2	9.6	11.8	12.6	14.1	14.5	15.0	15.2	15.2
Transfers	2.3	2.1	1.7	1.8	1.6	1.4	1.4	1.3	1.3
Other current	0.8	0.8	0.9	0.9	0.9	0.9	0.9	0.9	0.9
Capital	0.6	0.5	0.1	2.0	2.0	2.0	2.0	2.0	2.0
Overall balance 3/	-6.5	-7.9	-10.8	-15.0	-16.9	-17.7	-18.3	-18.6	-18.6
Public debt 2/	159.6	185.6	211.7	227.6	242.5	251.4	254.7	256.0	256.7
Monetary sector	(Annual changes in percent)								
Broad money	68.8	111.8	66.8	97.2	120.5	79.5	79.3	86.0	87.7
Balance of payments	(In percent of GDP, unless otherwise indicated)								
Current account balance (cash basis)	-7.2	-8.7	-7.8	-9.2	-8.2	-10.2	-7.7	-6.3	-5.2
External debt	154.5	180.8	198.2	204.3	211.3	209.7	209.8	211.7	213.0
External debt (in billions of US$)	53.9	55.1	56.3	57.5	58.8	58.5	59.0	60.3	61.6
Gross international reserves (in millions of US$)	725.0	852.9	1,203.0	1,101	877	553	249	150	190
In months of next year's imports of G&S	1.1	1.3	2.5	1.5	1.2	0.8	0.3	0.2	0.2
Memorandum items:									
Exchange rate (SDG/US$, end of period)4/	24.0	45.2	71.92	...	...	...	...	...	...
Exchange rate (SDG/US$, period average) 4/	18.1	38.2	60.50	...	...	...	...	...	...
NEER (2007=100, percent change, period average)	-32.44	-52.22	...	...	...	...	...	...	...
REER (2007=100, percent change, period average)	-13.19	-24.45	...	...	...	...	...	...	...

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

1/ The 2020-2025 projection is based on a no-policy measures assumption.

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

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

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

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

	2017	2018 Est.	2019 Est.	2020 Proj.	2021	2022	2023	2024	2025
Output and prices	(Annual change in percent)								
Real GDP (at market prices)	0.7	-2.3	-2.5	-1.2	-0.6	0.4	1.1	1.5	1.5
Consumer prices (end of period)	25.2	72.9	60.2	70.2	78.1	81.8	84.2	85.5	85.9
Consumer prices (period average)	32.4	63.3	51.3	66.4	74.8	80.2	83.2	85.0	85.7
GDP deflator	28.9	68.9	52.2	67.0	74.5	80.0	83.0	84.7	85.7
Investment and savings	(In percent of GDP)								
Gross domestic expenditure	109.0	109.0	110.3	110.9	109.9	109.6	108.4	107.9	107.0
Final consumption	96.0	93.0	94.3	94.9	93.9	93.6	92.4	91.9	91.2
Gross capital formation	13.0	16.0	16.0	16.0	16.0	16.0	16.0	16.0	15.8
Gross Savings	3.5	5.1	5.0	4.3	5.6	6.0	7.5	8.1	8.8
Central government operations									
Revenue and grants	7.2	8.9	7.8	6.4	5.6	5.1	4.8	4.7	4.6
Revenue	7.0	8.7	7.4	6.3	5.5	5.0	4.8	4.7	4.6
Taxes	5.5	6.7	5.4	4.9	4.5	4.2	4.1	4.0	4.0
Expenditure 1/	13.7	16.7	18.7	21.4	22.6	22.8	23.1	23.3	23.2
Current 1/	13.0	16.2	18.5	19.4	20.6	20.8	21.1	21.3	21.2
Wages	3.7	2.4	2.9	2.9	2.9	2.9	2.9	2.9	2.9
Subsidies 1/	4.2	9.6	11.8	12.6	14.1	14.5	15.0	15.2	15.2
Transfers	2.3	2.1	1.7	1.8	1.6	1.4	1.4	1.3	1.3
Capital	0.6	0.5	0.1	2.0	2.0	2.0	2.0	2.0	2.0
Overall balance	-6.5	-7.9	-10.8	-15.0	-16.9	-17.7	-18.3	-18.6	-18.6
Primary balance	-3.3	-2.6	-1.9	-3.7	-4.1	-4.3	-4.4	-4.4	-4.5
Public debt 2/	159.6	185.6	211.7	227.6	242.5	251.4	254.7	256.0	256.7
Monetary sector	(Annual change in percent, unless otherwise indicated)								
Broad money	68.8	111.8	66.8	97.2	120.5	79.5	79.3	86.0	87.7
Reserve money	63.8	170.5	76.5	122.7	101.0	80.8	80.6	87.4	89.2
Credit to the private sector	38.4	69.3	90.3	71.5	37.5	38.2	38.7	39.1	39.3
Broad money (percent of GDP)	24.5	31.4	35.3	42.2	53.7	53.3	51.7	51.3	51.1
Net claims on government (percent of GDP)	12.5	16.4	21.0	28.5	33.9	37.2	39.1	40.1	40.6
Credit to the private sector (percent of GDP)	8.8	9.0	11.5	12.0	9.5	7.3	5.4	4.0	3.0
External sector	(In percent of GDP, unless otherwise indicated)								
Exports of goods (in US$, annual percent change)	32.5	-15.0	-7.6	0.7	12.0	3.9	7.7	4.0	2.8
Imports of goods (in US$, annual percent change)	9.9	-14.1	-3.0	4.0	2.6	1.7	-0.2	0.8	-1.3
Merchandise trade balance	-8.6	-9.0	-10.3	-10.9	-9.9	-9.6	-8.4	-7.9	-7.0
Current account balance (cash basis)	-7.2	-8.7	-7.8	-9.2	-8.2	-10.2	-7.7	-6.3	-5.2
External debt 2/	154.5	180.8	198.2	204.3	211.3	209.7	209.8	211.7	213.0
External debt (in billions of US$)	53.9	55.1	56.3	57.5	58.8	58.5	59.0	60.3	61.6
Gross international reserves (in millions of US$)	725	853	1,203	1,101	877	553	249	150	190
In months of next year's imports of G&S	1.1	1.3	1.7	1.5	1.2	0.8	0.3	0.2	0.2
Memorandum items:									
Nominal GDP (in billions of SDG)	830.3	1,370.2	2,033.4	3,355.4	5,819.3	10,517.8	19,463.4	36,474.0	68,765.3
Exchange rate (SDG/US$, weighted average)	18.1	38.2	60.5	…	…	…	…	…	…
NEER (2007=100, percent change, period average)	-32.4	-52.2	…	…	…	…	…	…	…
REER (2007=100, percent change, period average)	-13.2	-24.5	…	…	…	…	…	…	…

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

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

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

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

	2017	2018	2019	2020	2021	2022	2023	2024	2025
			Est.			Proj.			
Current account balance	-4,611	-4,679	-4,030	-4,602	-4,280	-4,896	-4,161	-3,740	-3,377
Current account balance (cash basis)	-3,297	-3,118	-2,621	-3,192	-2,870	-3,627	-2,806	-2,325	-1,962
Trade balance	-3,935	-3,242	-3,463	-3,759	-3,471	-3,433	-3,041	-2,898	-2,632
Oil	1,235	1,417	1,281	1,294	1,302	1,315	1,314	1,325	1,312
Non-oil	-5,171	-4,658	-4,744	-5,053	-4,773	-4,748	-4,355	-4,223	-3,945
Exports, f.o.b.	4,100	3,485	3,219	3,241	3,629	3,772	4,062	4,224	4,341
Oil	417	520	373	350	334	330	331	334	334
Non-oil	3,683	2,965	2,846	2,891	3,295	3,442	3,731	3,890	4,006
Of which: Gold	1,559	832	711	810	857	895	933	972	1,002
Imports, f.o.b.	8,220	7,065	6,854	7,131	7,315	7,441	7,430	7,487	7,391
Oil	818	897	907	944	968	985	983	991	978
Non-oil	7,402	6,168	5,947	6,187	6,347	6,456	6,446	6,496	6,413
Services (net)	185	339	172	130	216	237	327	366	418
Receipts	1,780	1,511	1,382	1,389	1,506	1,550	1,638	1,687	1,723
Payments	1,595	1,172	1,210	1,258	1,291	1,313	1,311	1,321	1,304
Primary income (net)	-1,651	-1,812	-1,530	-1,620	-1,609	-2,079	-1,798	-1,605	-1,609
Receipts	4	127	404	404	404	404	404	404	404
Payments	1,655	1,939	1,647	1,703	1,717	2,182	1,896	1,708	1,710
Of which: Public interest due	1,351	1,596	1,444	1,444	1,444	1,444	1,444	1,444	1,444
Secondary income (net)	975	375	963	778	799	616	678	763	863
Private	538	24	155	236	271	371	432	517	618
Official	437	351	835	569	555	273	273	273	273
Capital account	152	163	174	200	200	200	200	200	200
Financial account (net)	-3,401	-2,981	-3,646	-4,402	-4,080	-4,696	-3,961	-3,540	-3,177
Direct Investment (net)	-1,065	-1,136	-1,013	-1,176	-1,206	-1,227	-1,225	-1,235	-1,219
Portfolio Investment (net)	22	-3	-3	-3	-3	-4	-4	-4	-4
Other investment (net)	-2,335	-1,822	-2,980	-3,121	-2,646	-3,141	-2,428	-2,201	-1,995
Reserve assets	-23	-21	350	-102	-224	-324	-304	-99	40
Overall balance	-1,059	-1,534	-209	0	0	0	0	0	0
Errors and omissions	1,059	1,534	209	0	0	0	0	0	0
Memorendum items:									
Terms of trade (annual percentage change)	15.8	-3.2	7.3	6.7	-1.1	-1.1	-2.1	-2.1	-2.1
Import prices	2.4	6.5	-1.6	0.4	2.3	2.2	2.1	2.2	2.2
Export prices	18.5	3.1	3.8	5.0	0.8	0.6	0.7	0.8	0.8
Terms of trade (Index, base year=2000)	225.5	218.3	234.3	250.0	247.3	244.6	239.5	234.4	229.5
Import prices	137.2	146.1	143.8	144.3	147.6	150.8	154.0	157.4	160.9
Export prices	309.3	318.9	331.1	347.5	350.2	352.4	354.7	357.4	360.2
External debt (US $, million)	53,857	55,084	56,311	57,546	58,774	58,475	59,049	60,331	61,623
External debt (percent of GDP)	154.5	180.8	198.2	204.3	211.3	209.7	209.8	211.7	213.0
Arrears:	46,547	48,128	49,702	51,279	52,859	54,441	56,027	57,616	59,209
Of which: IMF	1,366	1,341	1,347	1,350	1,352	1,354	1,356	1,359	1,359
Interest		1,596	1,444	1,444	1,444	1,444	1,444	1,444	1,444
Gross International reserves (US$, million)	725	853	1,203	1,101	877	553	249	150	190
Imports coverage (in months)	1.1	1.3	1.7	1.5	1.2	0.8	0.3	0.2	0.2
Nominal GDP (US$, million)	45,812	35,891	33,609	34,543	35,042	35,609	36,245	36,878	37,521

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

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

	2017	2018	2019	2020	2021	2022	2023	2024	2025
			Est.			Proj.			
Current account balance	-10.1	-13.0	-12.0	-13.3	-12.2	-13.7	-11.5	-10.1	-9.0
Current account balance (cash basis)	-7.2	-8.7	-7.8	-9.2	-8.2	-10.2	-7.7	-6.3	-5.2
Trade balance	-8.6	-9.0	-10.3	-10.9	-9.9	-9.6	-8.4	-7.9	-7.0
Oil	2.7	3.9	3.8	3.7	3.7	3.7	3.6	3.6	3.5
Non-oil	-11.3	-13.0	-14.1	-14.6	-13.6	-13.3	-12.0	-11.5	-10.5
Exports, f.o.b.	9.0	9.7	9.6	9.4	10.4	10.6	11.2	11.5	11.6
Oil	0.9	1.4	1.1	1.0	1.0	0.9	0.9	0.9	0.9
Non-oil	8.0	8.3	8.5	8.4	9.4	9.7	10.3	10.5	10.7
Of which: Gold	3.4	2.3	2.1	2.3	2.4	2.5	2.6	2.6	2.7
Imports, f.o.b.	17.9	19.7	20.4	20.6	20.9	20.9	20.5	20.3	19.7
Oil	1.8	2.5	2.7	2.7	2.8	2.8	2.7	2.7	2.6
Non-oil	16.2	17.2	17.7	17.9	18.1	18.1	17.8	17.6	17.1
Services (net)	0.4	0.9	0.5	0.4	0.6	0.7	0.9	1.0	1.1
Primary income (net)	-3.6	-5.0	-4.6	-4.7	-4.6	-5.8	-5.0	-4.4	-4.3
Receipts	0.0	0.4	1.2	1.2	1.2	1.1	1.1	1.1	1.1
Payments	3.6	5.4	4.9	4.9	4.9	6.1	5.2	4.6	4.6
Secondary income (net)	2.1	1.0	2.9	2.3	2.3	1.7	1.9	2.1	2.3
Private	1.2	0.1	0.5	0.7	0.8	1.0	1.2	1.4	1.6
Official	1.0	1.0	2.5	1.6	1.6	0.8	0.8	0.7	0.7
Capital account	0.3	0.5	0.5	0.6	0.6	0.6	0.6	0.5	0.5
Financial account (net)	-7.4	-8.3	-10.8	-12.7	-11.6	-13.2	-10.9	-9.6	-8.5
Direct Investment (net)	-2.3	-3.2	-3.0	-3.4	-3.4	-3.4	-3.4	-3.3	-3.2
Portfolio Investment (net)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other investment (net)	-5.1	-5.1	-8.9	-9.0	-7.6	-8.8	-6.7	-6.0	-5.3
Reserve assets	-0.1	-0.1	1.0	-0.3	-0.6	-0.9	-0.8	-0.3	0.1
Overall balance	-2.3	-4.3	-0.6	0.0	0.0	0.0	0.0	0.0	0.0
Errors and omission	2.3	4.3	0.6	0.0	0.0	0.0	0.0	0.0	0.0

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

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

	2017	2018	2019	2020		2021	2022	2023	2024	2025
			Est.	Budget.	Proj.			Proj.		
Revenue and grants	**59.8**	**121.4**	**159.2**	**568.3**	**216.2**	**328.0**	**536.3**	**941.3**	**1,710.3**	**3,167.1**
Revenue	58.1	119.3	149.8	412.3	210.8	322.6	530.9	935.9	1,705.0	3,161.7
Of which: Nonoil revenue	51.9	103.9	125.6	304.1	187.2	299.8	513.3	918.3	1,687.2	3,143.9
Taxes	45.3	92.4	110.5	158.9	163.7	261.5	447.0	799.1	1,468.9	2,739.5
Goods and services	30.4	68.2	82.4	113.7	129.2	215.9	381.0	694.8	1,291.7	2,424.5
International trade and transactions	10.7	17.4	19.4	26.0	20.2	20.7	21.0	21.0	21.2	20.9
Income, profits, property and others	4.3	6.8	8.7	19.2	14.4	24.9	45.0	83.3	156.0	294.1
Oil revenue	6.2	15.4	24.2	108.2	23.6	22.8	17.6	17.6	17.8	17.8
Other revenue	6.1	9.1	12.7	145.0	20.7	35.6	63.7	116.5	215.6	401.7
Property income	3.2	5.8	8.9	29.7	14.6	25.0	44.7	81.9	151.8	283.0
Administrative fees	2.0	3.2	3.7	5.3	6.1	10.4	18.7	34.2	63.4	118.2
Others				110.0						
Grants	1.7	2.1	9.4	156.0	5.4	5.4	5.4	5.4	5.4	5.4
Total expenditure 2/	**113.5**	**229.3**	**379.7**	**642.4**	**718.5**	**1,313.1**	**2,399.1**	**4,499.9**	**8,485.9**	**15,986.6**
Expense (current expenditure) 2/	108.2	222.3	376.8	584.4	651.4	1,196.7	2,188.7	4,110.6	7,756.4	14,611.3
Wages	30.4	32.8	58.4	131.1	96.3	167.1	301.9	558.8	1,047.1	1,974.1
Goods and services	12.4	16.1	20.7	35.0	34.2	59.3	107.2	198.3	371.6	700.6
Interest	4.1	3.2	3.6	10.0	9.7	9.7	12.2	10.7	9.6	9.6
Foreign	0.2	0.0	0.4	6.0	0.6	0.6	3.2	1.6	0.5	0.5
Domestic	3.9	3.2	3.1	4.0	9.0	9.1	9.1	9.1	9.1	9.1
Subsidies 2/	35.0	130.9	240.7	255.4	421.4	818.3	1,526.2	2,911.2	5,534.5	10,447.2
of which: Fuel	18.0	114.4	214.8	…	363.0	637.3	1,188.9	2,281.5	4,357.0	8,246.2
Transfers	19.4	28.1	35.1	105.9	60.8	92.2	150.8	264.7	480.9	890.5
Other current	6.9	11.3	18.3	47.0	29.0	50.1	90.4	167.0	312.7	589.3
Of which: Social spending	5.2	10.5	15.0	45.0	23.6	40.7	73.3	135.5	253.6	477.8
Net acquisition of nonfinancial assets	5.3	7.0	2.9	58.0	67.1	116.4	210.4	389.3	729.5	1,375.3
Overall balance 2/	**-53.7**	**-107.9**	**-220.1**	**-74.1**	**-502.3**	**-985.1**	**-1,862.8**	**-3,558.6**	**-6,775.5**	**-12,819.5**
Primary balance 1/ 2/	-49.6	-104.7	-216.5	-64.1	-492.7	-975.5	-1,850.5	-3,547.9	-6,765.9	-12,809.9
Financing	**53.7**	**107.9**	**220.1**	**74.1**	**502.3**	**985.1**	**1,862.8**	**3,558.6**	**6,775.5**	**12,819.5**
Foreign financing	-0.3	3.4	1.6	24.0	3.4	5.8	10.5	19.5	36.5	68.8
Disbursements	0.8	3.9	5.6	34.0	3.4	5.8	10.5	19.5	36.5	68.8
Principal repayments	1.1	0.5	4.0	10.0	0.0	0.0	0.0	0.0	0.0	0.0
Domestic financing	54.0	104.5	218.4	50.1	499.0	979.3	1,852.3	3,539.1	6,739.1	12,750.8
CBOS	43.3	79.5	200.9	70.9	492.3	967.7	1,831.2	3,500.2	6,666.1	12,613.2
Commercial banks	5.1	3.4	0.4	…	6.7	11.6	21.0	38.9	72.9	137.5
Nonbanks	2.7	16.1	11.2	-19.8	0.0	0.0	0.0	0.0	0.0	0.0
Change in net domestic arrears	2.9	5.5	6.0	-1.0	0.0	0.0	0.0	0.0	0.0	0.0
Memorandum items:										
Nominal GDP (SDG in billion)	830.3	1,370.2	2,033.4	2,079.6	3,355.4	5,819.3	10,517.8	19,463.4	36,474.0	68,765.3
Public debt	1,325	2,543	4,305	…	7,638	14,110	26,437	49,572	93,367	176,516
External	1,252	2,412	3,924	…	6,683	11,996	21,509	39,816	75,276	142,788
Domestic 3/	73.3	131.5	380.8	…	955.0	2,113.5	4,927.4	9,755.8	18,091.2	33,787.0

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

1/ Primary balance minus oil revenue.

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

3/ Staff estimates and projections.

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

	2017	2018	2019	2020		2021	2022	2023	2024	2025
			Est.	Budget	Proj.			Proj.		
Revenue and grants	**7.2**	**8.9**	**7.8**	**16.9**	**6.4**	**5.6**	**5.1**	**4.8**	**4.7**	**4.6**
Revenue	7.0	8.7	7.4	12.3	6.3	5.5	5.0	4.8	4.7	4.6
Of which: Nonoil revenue	6.3	7.6	6.2	9.1	5.6	5.2	4.9	4.7	4.6	4.6
Taxes	5.5	6.7	5.4	4.7	4.9	4.5	4.2	4.1	4.0	4.0
Goods and services	3.7	5.0	4.1	3.4	3.9	3.7	3.6	3.6	3.5	3.5
International trade and transactions	1.3	1.3	1.0	0.8	0.6	0.4	0.2	0.1	0.1	0.0
Income, profits, property and others	0.5	0.5	0.4	0.6	0.4	0.4	0.4	0.4	0.4	0.4
Oil revenue	0.7	1.1	1.2	3.2	0.7	0.4	0.2	0.1	0.0	0.0
Other revenue	0.7	0.7	0.6	4.3	0.6	0.6	0.6	0.6	0.6	0.6
Property income	0.4	0.4	0.4	0.9	0.4	0.4	0.4	0.4	0.4	0.4
Administrative fees	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Others				3.3						
Grants	0.2	0.2	0.5	4.6	0.2	0.1	0.1	0.0	0.0	0.0
Total expenditure 1/	**13.7**	**16.7**	**18.7**	**19.1**	**21.4**	**22.6**	**22.8**	**23.1**	**23.3**	**23.2**
Expense (current expenditure) 1/	13.0	16.2	18.5	17.4	19.4	20.6	20.8	21.1	21.3	21.2
Wages	3.7	2.4	2.9	3.9	2.9	2.9	2.9	2.9	2.9	2.9
Goods and services	1.5	1.2	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Interest	0.5	0.2	0.2	0.3	0.3	0.2	0.1	0.1	0.0	0.0
Foreign	0.0	0.0	0.0	0.2	0.0	0.0	0.0	0.0	0.0	0.0
Domestic	0.5	0.2	0.2	0.1	0.3	0.2	0.1	0.0	0.0	0.0
Subsidies 2/	4.2	9.6	11.8	7.6	12.6	14.1	14.5	15.0	15.2	15.2
of which: Fuel	2.2	8.4	10.6	...	10.8	11.0	11.3	11.7	11.9	12.0
Transfers	2.3	2.1	1.7	3.2	1.8	1.6	1.4	1.4	1.3	1.3
Other current	0.8	0.8	0.9	1.4	0.9	0.9	0.9	0.9	0.9	0.9
Of which: Social spending	0.6	0.8	0.7	1.3	0.7	0.7	0.7	0.7	0.7	0.7
Net acquisition of nonfinancial assets (capital exp.)	0.6	0.5	0.1	1.7	2.0	2.0	2.0	2.0	2.0	2.0
Overall balance 1/	**-6.5**	**-7.9**	**-10.8**	**-2.2**	**-15.0**	**-16.9**	**-17.7**	**-18.3**	**-18.6**	**-18.6**
Primary balance	-6.0	-7.6	-10.6	-1.9	-14.7	-16.8	-17.6	-18.2	-18.5	-18.6
Financing	**6.5**	**7.9**	**10.8**	**2.2**	**15.0**	**16.9**	**17.7**	**18.3**	**18.6**	**18.6**
Foreign financing	0.0	0.3	0.1	0.7	0.1	0.1	0.1	0.1	0.1	0.1
Disbursements	0.1	0.3	0.3	1.0	0.1	0.1	0.1	0.1	0.1	0.1
Principal repayments	0.1	0.0	0.2	0.3	0.0	0.0	0.0	0.0	0.0	0.0
Domestic financing	6.5	7.6	10.7	1.5	14.9	16.8	17.6	18.2	18.5	18.5
CBOS	5.2	5.8	9.9	2.1	14.7	16.6	17.4	18.0	18.3	18.3
Commercial banks	0.6	0.2	0.0	...	0.2	0.2	0.2	0.2	0.2	0.2
Nonbanks	0.3	1.2	0.5	-0.6	0.0	0.0	0.0	0.0	0.0	0.0
Change in net domestic arrears	0.4	0.4	0.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Memorandum items:										
Public debt	159.6	185.6	211.7	...	227.6	242.5	251.4	254.7	256.0	256.7
Of which: External	150.8	176.0	193.0	...	199.2	206.1	204.5	204.6	206.4	207.6
Domestic 2/	8.8	9.6	18.7	...	28.5	36.3	46.8	50.1	49.6	49.1

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

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

2/ Staff estimates and projections.

Table 5. Sudan: Monetary Survey, 2014–20

	2014	2015	2016	2017	2018	2019	2020
						Est.	Proj.
				(In million Sudanese Pounds)			
Net foreign assets	-14,326	-28,466	-38,644	-43,008	-304,027	-295,134	-291,171
Central Bank of Sudan	-17,478	-30,387	-40,201	-46,632	-314,393	-311,268	-315,849
Commercial banks	3,152	1,921	1,556	3,624	10,366	16,134	24,678
Net domestic assets	92,043	122,408	159,134	246,375	734,813	1,013,759	1,708,553
Net domestic credit	98,909	115,722	143,761	203,266	386,050	693,788	1,404,502
Net claims on general government (NCGG)	55,617	63,142	78,014	103,652	225,341	427,387	956,291
Central Bank of Sudan	44,987	49,983	62,308	81,395	225,341	392,415	884,685
Commercial banks	10,629	13,159	15,707	22,257	33,829	34,971	71,606
Claims on Nongovernment sectors	43,292	52,581	65,746	99,614	160,710	266,402	448,211
Public enterprises	6,008	9,071	11,736	24,554	33,294	26,000	40,000
Private sector	35,920	41,606	52,561	72,735	123,107	234,285	401,711
Other	1,364	1,903	1,449	2,325	4,308	6,117	6,500
Other items (net)	-6,865	6,686	15,373	43,110	348,763	319,971	304,051
Broad money (M2)	77,717	93,942	120,489	203,368	430,786	718,625	1,417,383
Money	47,981	57,939	77,163	128,462	263,727	503,038	1,020,515
Currency in circulation	23,343	27,495	38,712	61,455	112,832	201,215	408,206
Demand deposits	29,512	35,111	43,440	74,469	182,178	301,823	612,309
Domestic currency	24,638	30,443	38,451	67,007	150,895	249,994	507,164
Foreign currency	4,874	4,668	4,990	7,462	31,283	51,829	105,145
Quasi-money	29,736	36,004	43,327	74,905	167,059	215,588	396,867
Domestic currency	21,146	27,639	34,420	59,840	92,647	119,560	220,094
Foreign currency	8,590	8,364	8,907	15,065	74,412	96,028	176,774
				(Change in percent, end of period)			
Broad money	17	21	28	69	112	67	97
Money	19	21	33	66	105	91	103
Currency in circulation	22	18	41	59	84	78	103
Demand deposits	15	19	24	71	145	66	103
Quasi-money	13	21	20	73	123	29	84
Savings Deposits	14	20	22	72	134	48	95
Domestic currency	15	27	25	74	92	52	97
Foreign currency	95	96	97	98	99	100	101
Net foreign assets	-3	99	36	11	607	-3	-1
Net domestic assets	13	33	30	55	198	38	69
Net claims on government	14	14	24	33	117	90	124
Credit to the nongovernment sectors	15	21	25	52	61	66	68
Claim on public enterprises	50	51	29	109	36	-22	54
Claim on private sector	9	16	26	38	69	90	71
				(In percent)			
Broad money to GDP	18	18	19	24	31	35	42
Money to broad money	62	62	64	63	61	70	70
Currency in circulation to M2	30	29	32	30	26	28	29
Private sector deposits to M2	55	56	57	58	59	60	60
Net claims on government to GDP	13	12	12	12	16	21	29
Credit to the economy to GDP	10	10	10	12	12	13	12
Velocity (GDP/M2, eop)	6	5	5	4	3	3	3
Foreign currency deposits to M2	17	14	12	11	25	21	20
Money multiplier (M2/reserve money, eop)	1.8	1.8	1.8	1.9	1.5	1.4	1

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

Table 6. Sudan: Summary Accounts of the Central Bank of Sudan, 2014–20

	2014	2015	2016	2017	2018	2019	2020
						Est.	Proj.
			(In millions of Sudanese pounds)				
Net foreign assets	-17,478	-30,387	-40,201	-46,632	-314,393	-311,268	-315,849
Foreign assets	9,009	6,398	6,103	6,838	52,115	68,519	63,938
Of which : Gross international reserve	7,642	5,053	4,583	5,073	40,511	56,266	51,685
SDR holdings	1,063	1,054	1,103	1,214	8,222	7,790	7,790
Foreign liabilities	26,487	36,785	46,304	53,469	366,509	379,787	379,787
Of which : Short-term foreign liabilities	1,722	2,436	4,448	5,335	35,552	45,559	45,559
Net domestic assets	59,822	82,250	105,814	154,129	605,200	824,572	1,458,899
Net domestic credit	52,922	62,118	74,332	99,526	216,111	422,040	914,310
Net claims on general government (NCGG)	44,987	49,983	62,308	81,395	191,512	392,415	884,685
Claims on public enterprises	894	1,170	1,400	1,480	4,707	4,621	4,621
Claims on banks	7,041	10,965	10,625	16,651	19,892	25,003	25,003
Other items (net)	6,900	20,132	31,482	54,603	389,089	407,153	549,211
Reserve money	42,344	51,864	65,613	107,497	290,806	513,304	1,143,050
Currency outside banks	25,060	29,340	40,904	65,241	113,922	218,372	579,777
Reserves of commercial banks	16,089	19,143	21,623	38,990	161,214	80,980	333,470
Required reserves	4,509	5,244	6,164	11,427	25,588	46,666	65,467
Excess reserves	11,568	13,886	15,445	27,549	135,528	28,006	70,144
Cash in vault	1,717	1,845	2,192	3,786	1,089	17,157	45,000
Excess reserves	9,851	12,041	13,253	23,763	134,438	10,848	25,144
Deposits at CBOS included in broad money	1,196	3,380	3,086	3,266	15,671	213,952	229,803
			(Change in percent, end of period)				
Net foreign assets	0.0	-73.9	-32.3	-16.0	-574.2	1.0	-0.5
Foreign assets	-5.1	-29.0	-4.6	12.0	662.2	31.5	22.7
Gross international reserve	-5.4	-33.9	-9.3	10.7	698.5	38.9	27.6
Foreign liabilities	-1.8	38.9	25.9	15.5	585.5	3.6	3.6
Net domestic assets	10.8	37.5	28.6	45.7	292.7	36.2	141.1
Net domestic credit	14.4	17.4	19.7	33.9	117.1	95.3	323.1
Net claims on general government	11.6	11.1	24.7	30.6	135.3	104.9	361.9
Other items (net)	-10.7	191.8	56.4	73.4	612.6	4.6	41.2
Reserve money	16.0	22.5	26.5	63.8	170.5	76.5	122.7
Memorandum items:							
Gross international reserves (in millions of US$)	1,283	832	697	725	853	1,203	1,101

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

Table 7. Sudan: Summary Accounts of the Commercial Banks, 2014–20

	2014	2015	2016	2017	2018	2019 Est.	2020 Proj.
	(In millions of Sudanese pounds)						
Net foreign assets	3,152	1,921	1,556	3,624	10,366	16,134	24,678
Foreign assets	5,149	3,859	3,724	6,747	28,138	34,654	45,051
Foreign liabilities	1,997	1,937	2,168	3,123	17,772	18,520	20,372
Net domestic assets	52,877	65,471	79,847	142,959	302,381	287,325	754,695
Reserves	18,891	21,819	26,320	48,974	181,609	91,829	307,182
Cash in vaults	1,717	1,845	2,192	3,786	1,089	17,157	171,571
Required reserves	4,509	5,244	6,164	11,427	25,588	46,666	65,467
Other reserves	9,851	12,041	13,253	23,763	22,670	28,006	70,144
Net claims on central government	8,707	11,113	12,365	17,463	22,128	23,052	56,606
Claims on state & local government	1,923	2,046	3,342	4,794	11,701	11,919	15,000
Claims on non-government sectors	42,398	51,410	64,347	98,134	156,002	259,351	456,531
Non-bank financial institutions	1,364	1,903	1,449	2,325	4,308	6,117	6,500
Other items, net	-19,041	-20,917	-26,526	-26,406	-69,058	-98,826	-80,624
Deposits	53,178	63,066	78,691	138,646	302,283	303,459	779,373
Demand deposits	24,258	29,115	37,236	65,436	147,012	87,871	382,506
Domestic currency	19,384	24,448	32,246	57,974	115,729	71,176	309,830
Foreign currency	4,874	4,668	4,990	7,462	31,283	16,695	72,676
Quasi-money deposits (time & saving)	28,920	33,951	41,455	73,210	155,271	215,588	396,867
Domestic currency	20,330	25,587	32,548	58,145	80,859	112,270	206,673
Foreign currency	8,590	8,364	8,907	15,065	74,412	103,318	190,194
Memorandum items:	(In percent)						
Credit to deposits	99.7	102.4	101.7	86.8	62.8	97.0	67.8
Reserves to deposits	35.5	34.6	33.4	35.3	60.1	30.3	39.4
Required reserves to deposits	8.5	8.3	7.8	8.2	8.5	15.4	8.4
Excess reserves to deposits	18.5	19.1	16.8	17.1	7.5	9.2	9.0
Cash to deposits	3.2	2.9	2.8	2.7	0.4	5.7	22.0
Claims on government to reserves	56.3	60.3	59.7	45.4	18.6	38.1	23.3

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

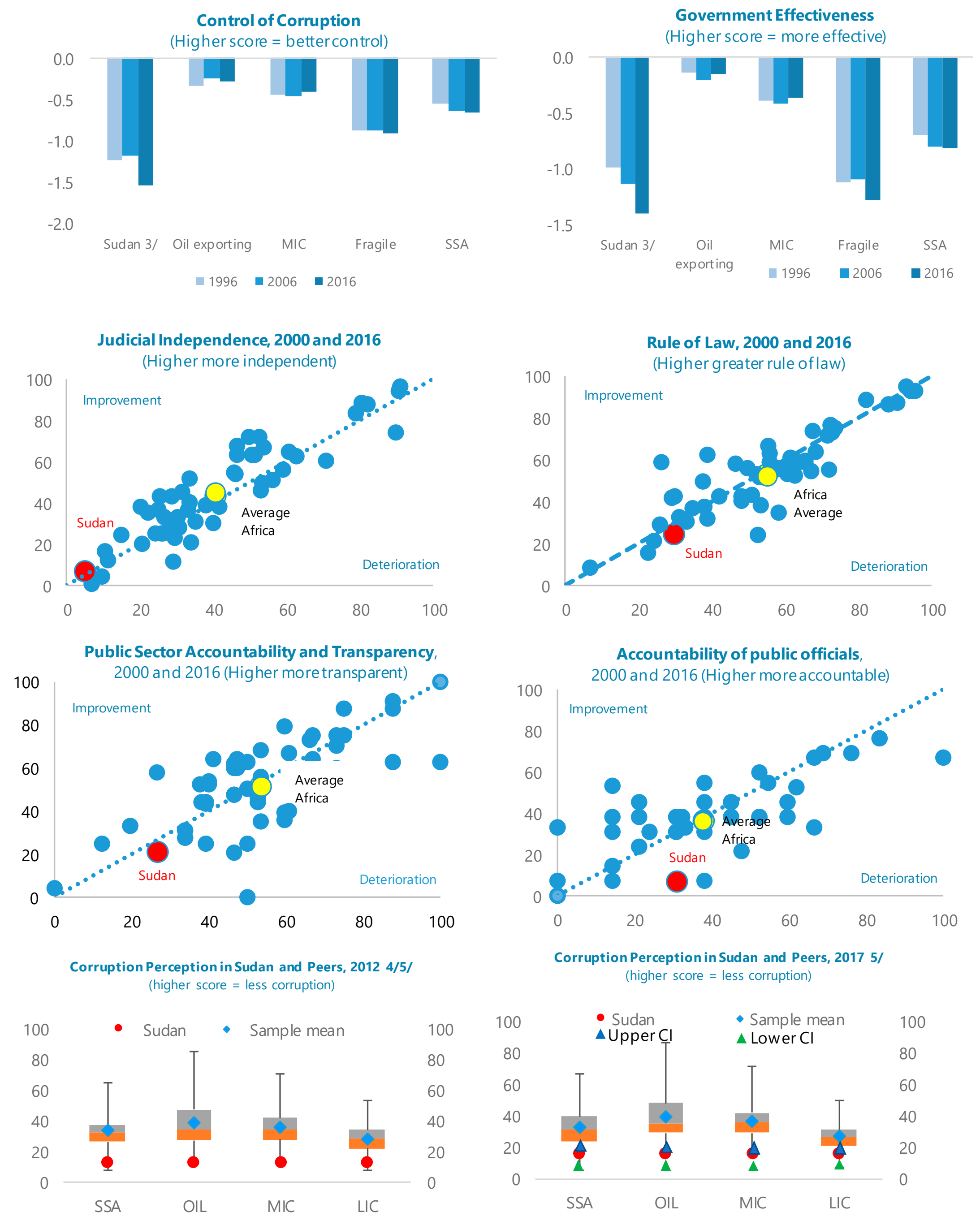
Table 8. Sudan: Financial Soundness Indicators
(In percent)

	2016	2017	2018	2019 1/
Capital Adequacy				
Regulatory capital to risk-weighted assets	18.7	16.2	9.9	14.5
Regulatory Tier I capital to risk-weighted assets	16.2	12.9	7.3	10.0
Asset composition and quality				
Gross NPLs to gross loans	5.2	3.3	3.2	3.3
NPLs net of provisions to core capital	13.0	4.8	8.7	5.4
NPLs net of provisions to gross loans	2.1	0.6	0.7	0.7
Loans' provision to NPLs	60.0	81.3	72.1	78.5
Gross NPLs to gross loans	5.2	3	3.2	3.3
Foreign currency loans to total loans	4.4	3.8	17.9	14.8
Deposits and investment accounts to total assets	63.0	71.5	n.a.	75.6
Foreign currency deposits to total deposits	19.0	18.2	39.9	29.7
Off-balance sheet commitments to total assets	22.6	21.2	n.a.	20.4
Earnings and Profitability				
ROA (before tax)	4.7	3.8	4.9	1.8
ROE(before tax)	46.1	48.0	95.0	27.9
Liquidity				
Cash in vault to total assets	2.1	2.1	1.0	2.2
Liquid assets to total assets	35.1	37.3	51.6	50.2
Liquid assets to total short-term liabilities	88.0	82.2	112.0	107.4

Source: Central Bank of Sudan.

1/ Data for 2019 is up to July.

Figure 1. Sudan: Selected Governance Indicators 1/2/3/



Sources: Worldwide Governance Indicators, D. Kaufmann (Natural Resource Governance Institute and Brookings Institution) and A. Kraay (World Bank), 2017; Ibrahim Index of African Governance, Transparency International, and IMF staff calculations.

1/ Use of these indicators should be considered carefully, as they reflect perceptions-based data.

2/ World Governance Indicator scores are normalized each year to mean zero and hence measure relative performance.

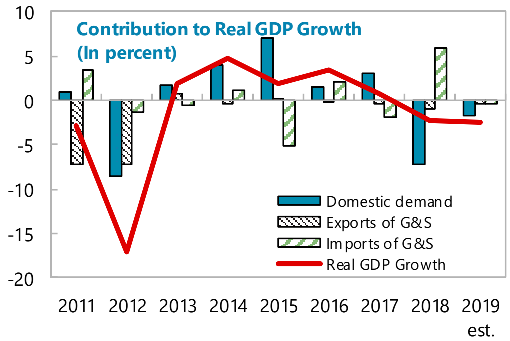
3/The key components of Ibrhim Index of African Governance are classified in four categories, including safety & rule of law, participation & human rights, sustainable economic opportunity and human development. The index provide data for 54 African countries for the year from 2008-2017. Indicators for the index are collected from 35 independent sources, such as UN agencies, the World Bank and African Development Bank, data projects, and surveys. Therefore, it also includes perceptions-based data.

4/ Confidence interval is not available.

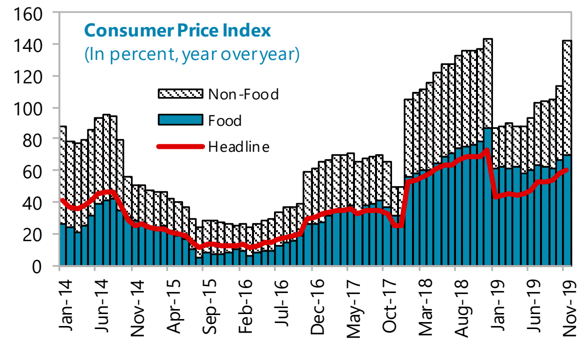
5/ The gray and orange bars represent the distance of the 3rd and 1st qunatile from the median of selected groups.

Figure 2. Sudan: Selected Economic Indicators

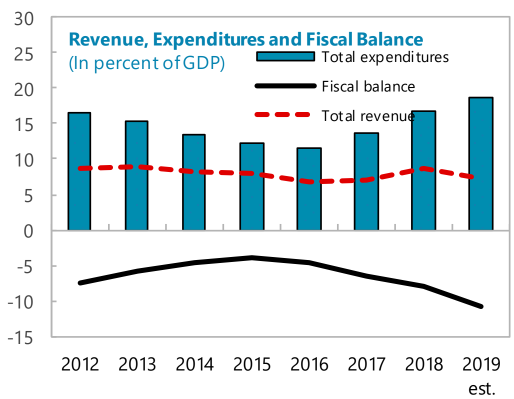
GDP growth declined…



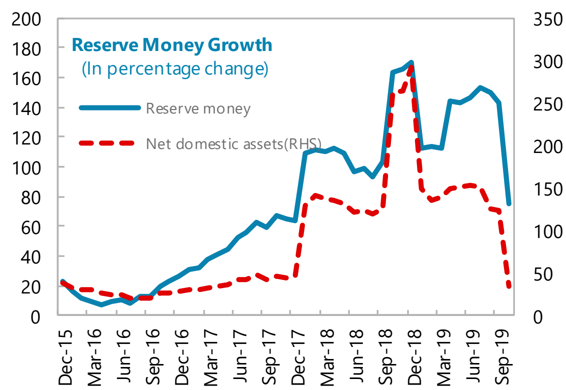
…while inflation continued to rise.



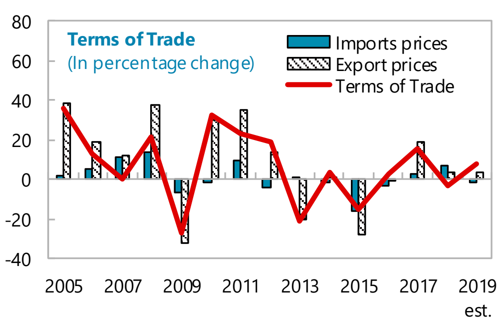
The fiscal deficit widened…



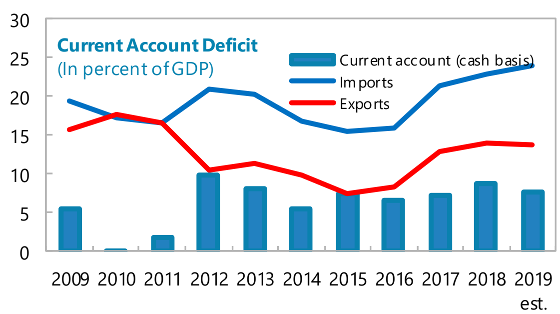
…prompting large monetization.



Terms of trade increased…

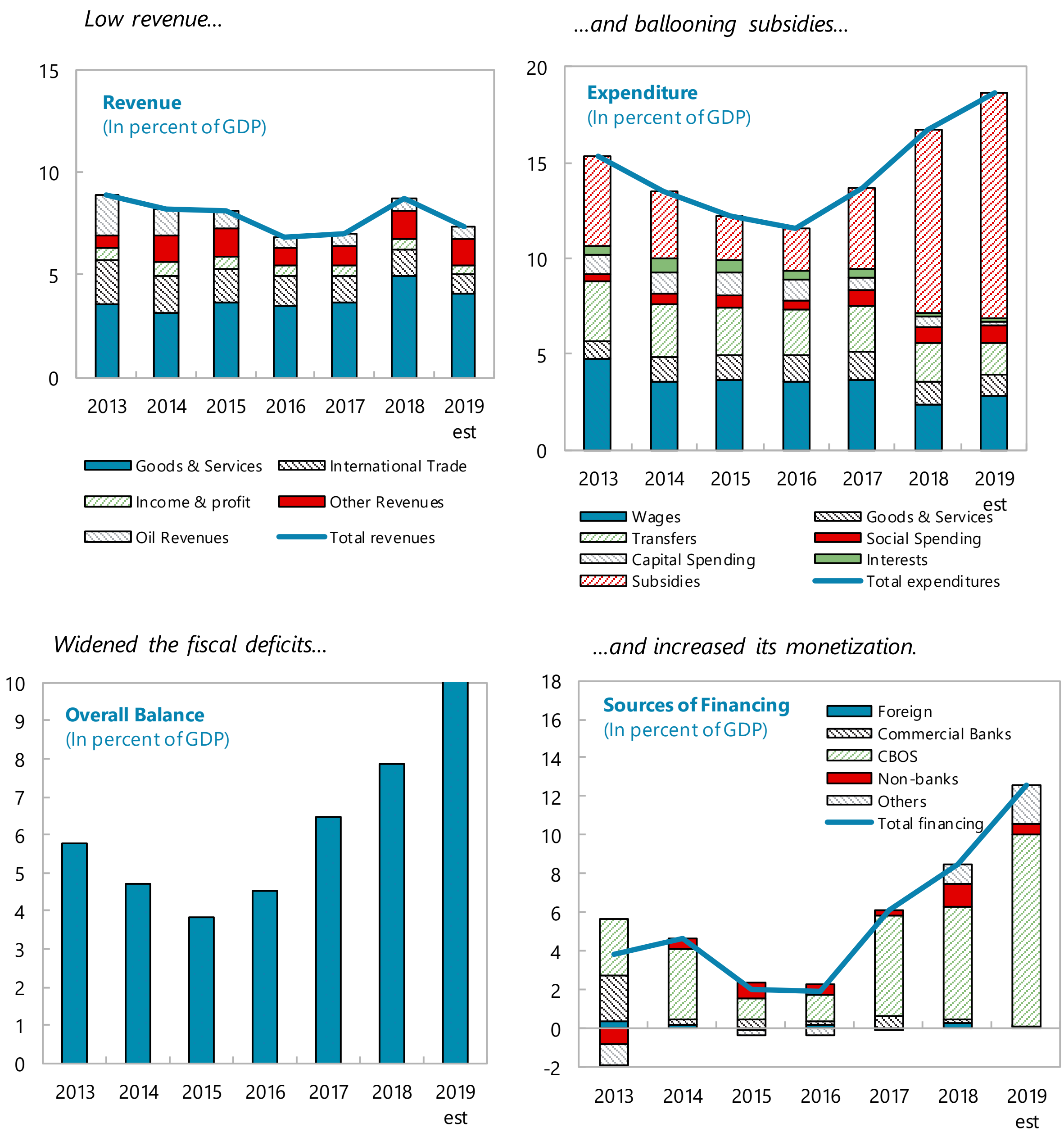


…and resulted in relatively rapid growth of imports



Sources: Sudanese authorities; and IMF staff calculations.

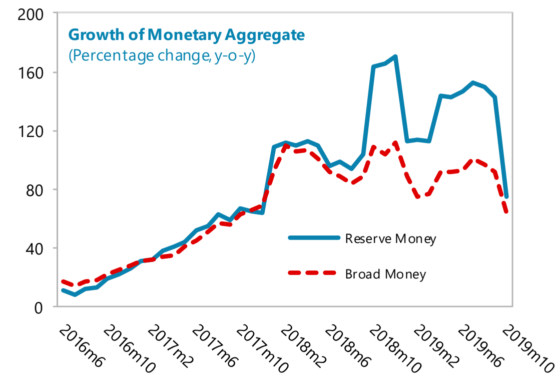
Figure 3. Sudan: Fiscal Sector



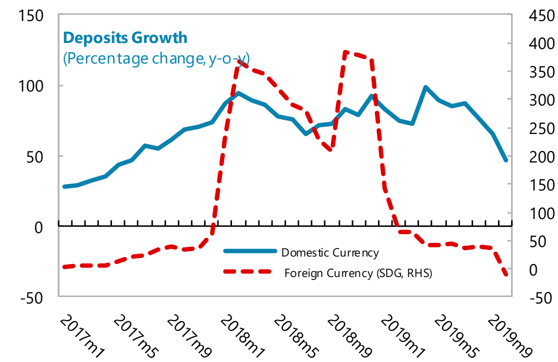
Sources: Sudanese authorities, and IMF Staff estimates.

Figure 4. Sudan: Monetary Sector

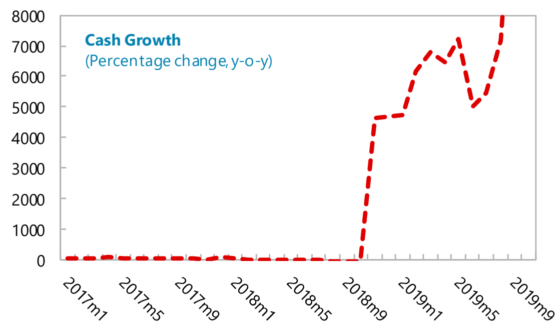
Money growth remained at record high...



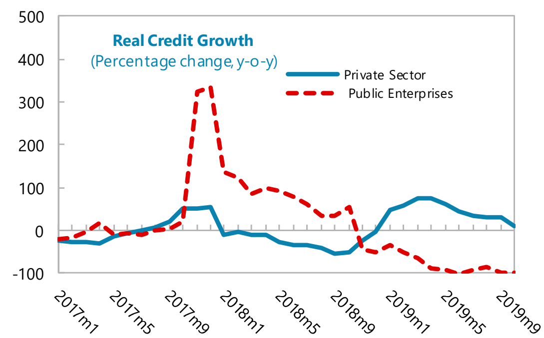
...however, deposit growth has slowed.



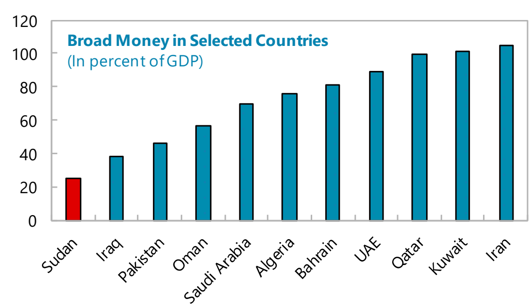
The cash crisis ended with sharp increase in cash held by commercial banks...



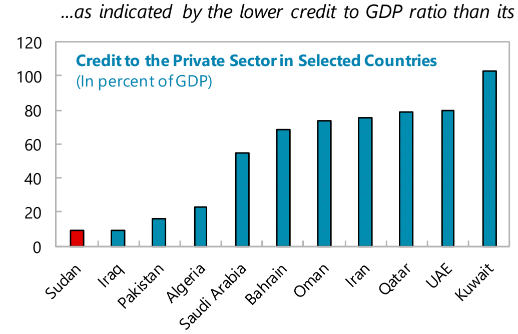
...and real growth in private sector credit is recovered, while SOEs credit continued contracting.



Financial intermediation remains relatively low in Sudan...



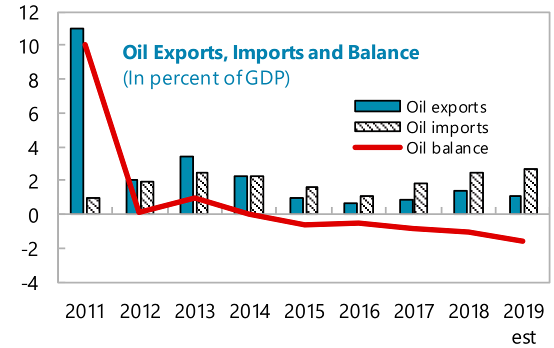
...as indicated by the lower credit to GDP ratio than its peers.



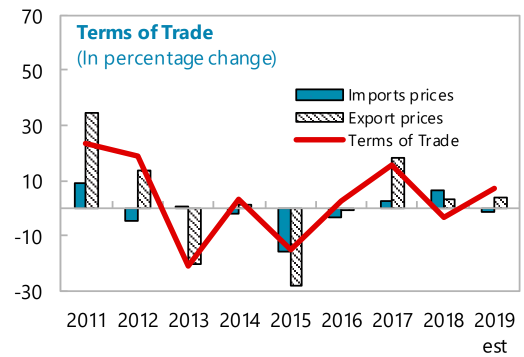
Sources: World Economic Outlook, Central Bank of Sudan, and IMF staff calculations.

Figure 5. Sudan: External Sector

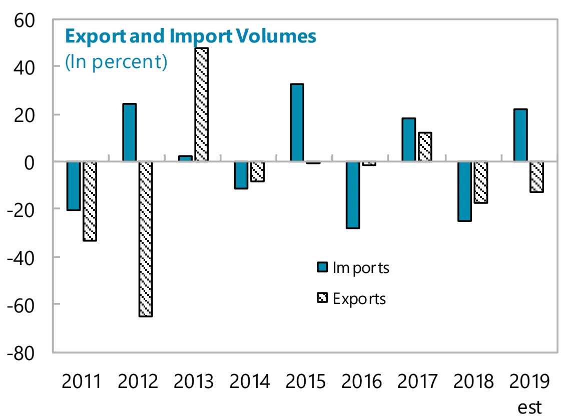
Oil surplus has disappeared following the seccession of South Sudan.



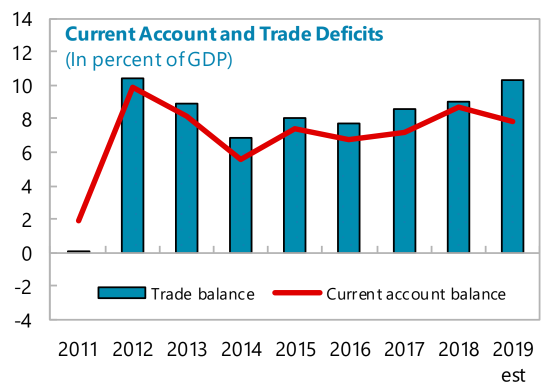
Terms of trade increased...



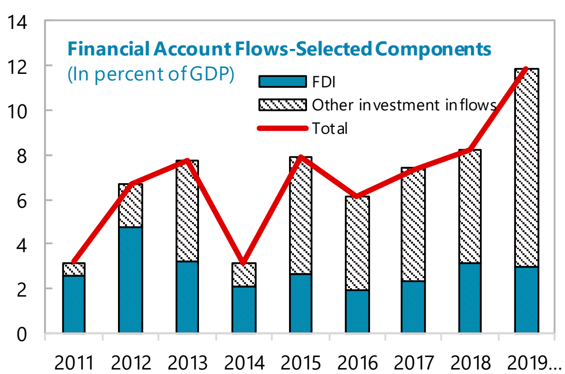
...and import volumes increased...



...and the current account deficits remained high.



Capital inflows increased...



...and gross reserves picked up due to support from Gult countries.

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

Annex I. Risk Assessment Matrix 1/

Source of Risks	Relative/ Likelihood	Impact if Realized	Policy Responses
		Global	
1. Weaker-than-expected global growth. Idiosyncratic factors in the U.S (medium risk), Europe (high), China (high), and stressed emerging markets (medium) feed off each other to result in a synchronized and prolonged growth slowdown	***Medium/ High***	***Medium*** Lower exports, FDI and deteriorating external balance. Rising pressure on the exchange rate and reserves. Lower growth.	Greater exchange rate flexibility would help cushion the shock and prevent reserve losses. Fiscal consolidation, focusing on decisive phasing out of energy subsidies and revenue mobilization, to create room for higher social and infrastructure spending while supporting external adjustment.
2. **Intensification of geopolitical tensions and security risks** (e.g., in the Middle East) cause socio-economic and political disruption, disorderly migration, volatile commodity prices, and lower confidence.	***High***	***Medium to High*** Lower remittances and weaker external balance. Lower growth and high inflation.	Strengthen domestic revenue mobilization to increase social safety nets. Governance and structural reforms to boost inclusive growth.
3. Higher energy prices, due to steeper-than-anticipated export declines in some producers, possibly prompted by political disruptions, amid supply bottlenecks.	***Medium***	***Medium to High*** Higher export receipts but more than offset by higher import bill. Rising pressure on the exchange rate, reserves, and fiscal balance via fuel subsidies.	Remove fuel subsidies Greater exchange rate flexibility to reduce external pressures and improve competitiveness.
		Regional	
4. Oil production in South Sudan increases following peace agreement	***High***	***High*** Reduction in fiscal and internal imbalances and inflation.	Greater scope to increase exchange rate flexibility and phase out fuel subsidies to boost competitiveness and support fiscal consolidation.
		Country Specific	
6. Larger than expected impact of loose policy settings on macro stability	***High***	***High*** Sharp increases in inflation and exchange rate depreciation, potentially undermining social cohesion.	Exchange rate liberalization to boost competitiveness and fiscal revenues. Revenue mobilization. Phase out fuel subsidies to help tighten fiscal and monetary policies
7. Renewed domestic unrest from continued economic hardship	***Medium/ High***	***High*** Political instability and limited reform progress	Careful sequencing. Implementation of painful adjustment measures only after scaling up the SSN and extensive information and communications campaign deployed to secure public support.

1/ The Risk Assessment Matrix (RAM) shows events that could materially alter the baseline path (the scenario most likely to materialize in the view of IMF staff). The relative likelihood of risks listed is the staff's subjective assessment of the risks surrounding the baseline ("low" is meant to indicate a probability below 10 percent, "medium" a probability between 10 and 30 percent, and "high" a probability of 30 percent or more). The RAM reflects staff views on the source of risks and overall level of concern as of the time of discussions with the authorities.

Annex II. Path to Debt Relief

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

- Sudan faces an unsustainable debt burden that cannot be addressed through traditional debt relief mechanisms; and

- It has developed an Interim Poverty Reduction Strategy (I-PRSP) document. Sudan's I-PRSP and the Joint Staff Advisory Note were discussed at the IMF's and World Bank's Executive Boards in September 2013. The Government is implementing the Interim-PRSP and started the process of preparing a full PRSP.

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

- Obtain assurances of support for HIPC debt relief from a large majority of creditors representing at least 70 percent of HIPC-eligible debt;

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

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

3. The resources required for the IMF's participation in the HIPC Initiative have not yet been identified. As the costs to the IMF for providing debt relief to Sudan were not included in the original costing estimates for the HIPC Initiative, additional financing will need to be secured when Sudan is ready to clear its arrears and embark on the HIPC Initiative. As of end-December 2019, Sudan's outstanding arrears to the IMF stood at SDR 964.12 million.

Annex III. External Stability Assessment

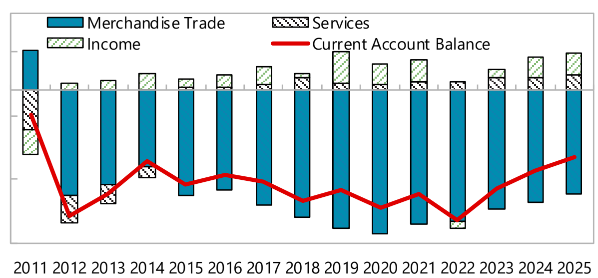
The external position of Sudan in 2019 was substantially weaker than implied by fundamentals. Despite repeated nominal devaluations in 2018 and a depreciating parallel exchange rate, the current account deficit has continued to worsen amid accelerating inflation and weak responses by exports and imports.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

Current Account

Background

1. **The current account deficit (cash basis) decreased to an estimated 7.8 percent of GDP in 2019 from 8.6 percent in 2018.** Grants from friendly countries improved the current account, while the trade balance was broadly the same as in 2018. The trade deficit accounts for most of the current account deficit. The economy is yet to fully adjust to the sharp decline in exports following the loss of three-quarters of its oil production with secession of South Sudan in 2011. In U.S. dollar terms, imports in 2019 are estimated to be lower than 2018 due to suppressed demand, but exports are also lower due to lackluster exports in gold and oil sectors, leaving the trade balance somewhat higher in 2019. The large trade deficit continues to reflect overvalued exchange rates, slow recovery in oil production, and large dependence on imported food.

Current Account Balance (cash basis)
(In percent of GDP)



Source: Central Bank of Sudan and IMF Staff forecasts

Assessment

2. **Results from the EBA-lite analysis suggest that Sudan's external position was substantially weaker than implied by fundamentals and desirable policy settings.** In 2019, the model estimates that the cyclically-adjusted current account deficit was 7.8 percent of GDP while the multilaterally-consistent cyclically-adjusted current account norm was -4.3 percent. The underlying CA gap was therefore assessed to be -3.6 percent of GDP, of which -0.6 percent could be explained by deviation of the authorities' current policies from the desirable policies, especially with regards to a large and growing fiscal deficit, less than desired growth in reserves and contracting private credit. The remaining large unexplained portion of the CA gap, however, suggests that the model does not capture well the specific set of external constraints Sudan faces, such as being placed in U.S. State sponsors of terrorism list which is blocking access to external financing, and having arrears to most

of the creditors. The EBA-lite also does not incorporate the structural break caused by the 2011 secession of South Sudan.

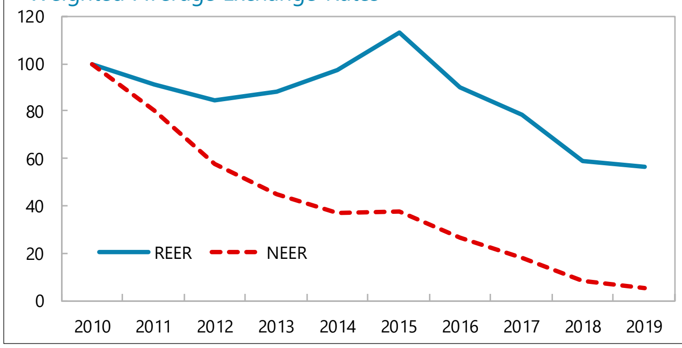
Real Effective Exchange Rate

Background

3. In April 2019, the customs rate and the commercial bank rate were revalued. The customs rate was revalued from SDG18/$ to SDG15/$ and commercial bank rate was revalued from SDG47.5/$ to SDG45/$ despite a depreciating parallel exchange rate. Both exchange rates have remained constant thereafter. The budget exchange rate (used for fiscal operations) has remained constant at SDG18/$ while the parallel exchange rate continues to depreciate. Currently, there are five exchange rates: (i) the budget rate (SDG 18/$) for government transactions; (ii) the official central and commercial bank rate for formal private sector transactions (SDG 45/$); (iii) the fuel exchange rate (SDG 6.7/$) for fuel imports; (iv) the customs duty rate (SDR15/$) for the calculation of import duty; and (v) the parallel market rate (SDG 85/$) where all other transactions (about 80 percent of total) take place.

Sudan: NEER and REER

Weighted Average Exchange Rates



Assessment

4. The EBA-lite Current Account model estimates that, despite pronounced currency depreciation during the year, the REER remains overvalued by 36 percent. The REER overvaluation estimated by the model reflects both Sudan's large current account deficit and relatively low elasticity of the current account to real depreciation—estimated to be -0.1 based on the differences in the estimated elasticities of exports (-0.4) and imports (0.2) weighted by the country's export- and import-to-GDP ratios in 2018 (14 percent and 24 percent, respectively). The low elasticity implies that reducing the current account deficit by 1 percent of GDP requires about 10 percent real depreciation, which in turn implies that 36 percent depreciation in the REER is necessary to close the estimated CA gap of-3.6 percent of GDP. Other indicators also point to overvaluation of REER, including: (i) persistent current account deficit, (ii) remaining large gap between the official and the parallel market exchange rates; (iii) much higher inflation relative to trading partners, while official exchange rates are fixed (iv) low international reserves, and (iii) continued accumulation of external arrears. This REER overvaluation estimate would be even higher if the one-off grants received from the Gulf countries, which resulted in a smaller current account deficit in 2019, are excluded.

Capital and Financial Flows

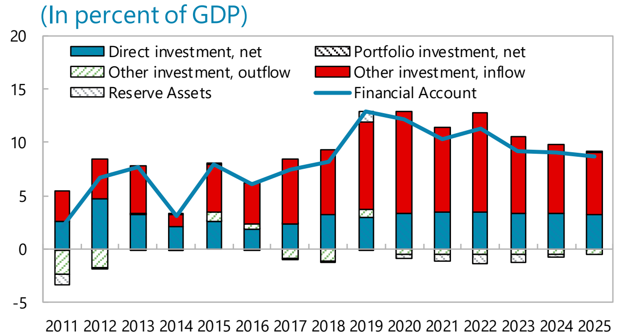
Background

5. Capital flows in Sudan are dominated by Foreign Direct Investment (FDI) and Other Inflows (averaging around 40 percent and 60 percent, respectively, in 2014–18). FDI declined to $1 billion in 2019 (3.0 percent of GDP), lower than the $1.1 billion of FDI recorded in 2018. The decrease in FDI was due to sustained social protests in 2019 that constrained investors and economic activity. Other Inflows, mostly to official sectors representing the overdue debt principal and penalty interest payments, increased to $2.7 billion from $2.2 billion in the previous year due to a $500 Million deposit made by Saudi Arabia and UAE in the Central Bank of Sudan Account.

Assessment

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

Capital Flows
(In percent of GDP)



Reserves

Background

7. Gross international reserves were estimated at $1.2 billion (1.7 months of imports) at end-2019, a slight increase from $852 million in 2018. The reserves increased after deposits received by the Central Bank of Sudan from Saudi Arabia and the UAE.

Assessment

8. With the sizeable external imbalances and limited access to external financing, there is little prospect of reserves increasing over the medium term under current policies. As a result, reserves are projected to remain at about 1 month of imports in the medium term, far below the traditionally recommended minimum of 3 months of imports or the 6–8 months suggested by the IMF's reserve adequacy metric.[1]

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

EBA-Lite Assessment Results (Percent of GDP)	
CA-Actual	-7.8
Cyclical Contributions (from model)	0.1
Cyclically adjusted CA	-7.9
CA-Norm	-4.7
Cyclically adjusted CA Norm	-4.8
Multilaterally Consistent Cyclically adjusted CA Norm	-4.3
CA-Gap	-3.6
of/which Policy gap	3.5
REER Gap	35.5
CA-Fitted	-0.6
Residual	-7.2
Natural Disasters and Conflicts	0.6

Annex IV. Baseline and Policy Reform Scenarios

1. **The baseline projections (Tables 1–8) are based on the assumption that there are no policy changes implemented over the medium term.** As a result, the fiscal deficit continues to balloon, inflation continues to rise, growth remains negative in the near term, the current account deficit continues to be large, and international reserves become depleted.

2. **While a budget was passed in late December, it gives an incomplete picture of the authorities' policy intentions and is unlikely to be viable in its current form without substantial additional measures.** Notably, (i) planned energy subsidy reforms were removed at the last minute and decisions on that issue deferred to a national conference in March; (ii) plans for establishing a QUBI are not fully incorporated in the budget—which only incorporates the pilot program for 4.5 million persons; and (iii) the budget incorporates very optimistic revenue projections, and there is a significant likelihood that if those revenue expectations do not materialize their planned expenditures will need to be reconsidered. Given these large margins of uncertainty, the 2020 budget numbers were not directly incorporated in the baseline but are shown in a separate column.

3. **Against this background, staff prepared two scenarios—the authorities preferred reform scenario and staff's illustrative reform scenario**—to highlight the differences between the authorities' policy preferences (assuming they can muster sufficient political support and donor financing to fully implement their proposed reform package) and staff recommendations. Key differences between the two scenarios are as follows (Table):

- **Exchange rate policy.** Given the importance of exchange rate reforms for strengthening competitiveness and governance, limiting the scope for corruption, and substantially increasing fiscal revenues, staff recommended that full exchange rate liberalization be completed by the end of 2020. The authorities however expressed a preference for completing exchange rate liberalization by mid-2021—in part reflecting a concern that a more rapid pace in addition to the planned rapid energy subsidy removal might create significant public backlash. At the same the authorities preferred to liberalize all but customs and budget rates in March/April 2020, whereas staff advice was to do this in mid-2020 after key preconditions are met. Moreover, the authorities preferred to use a budget exchange rate of SDG 55/$ throughout 2020—still significantly lower than the parallel rate and thus entailing revenue losses—while staff advice was to liberalize the budget rate together with the other rates in mid-2020, which would boost revenues while minimizing risks of continuation of distortions that could severely undermine the overall reform effort. In both staff and the authorities' scenarios it is envisaged that average tariffs would be cut to 10 percent over the same horizon as customs exchange rate reform to help mitigate its inflationary impact. Finally, staff recommended taking measures to tighten monetary policy and help stabilize the exchange rate in the first three years of reform to minimize the large second round inflationary effects of gradual energy subsidy removal—at the cost of some increase in the REER and reduced growth—whereas the rapid pace of reforms in the authorities' scenario would make this unnecessary in that case.

- **Energy subsidy reform.** Staff recommended gradual removal of subsidies over the medium term. The authorities however preferred a significantly faster pace, with gasoline and diesel subsidies (about 80 percent of the total) eliminated in 2020 and the remainder soon thereafter. Given the enormous gap between domestic retail fuel process and international cost recovery prices, the rapid subsidy removal of the authorities implies much higher inflation in 2020–21 than in staff's scenario. As a result, nominal GDP in the authorities' scenario is also much higher than in staff's scenario.

- **Social safety net.** Staff recommenced expanding the SSN to cover 4 million families (about 60 percent of the population) at $20 per family per month, with a total annual cost of $960 million. The authorities however expressed a preference for a temporary (2½ year) QUBI covering 80 percent of the population at $5 per person, which would cost about $2 billion per year until removed. Once removed, they would transition to a traditional cash transfer scheme covering about 30 percent of the population.

- **Fiscal revenue measures.** The authorities immediate focus was on expanding the tax net to cover security sector owned companies, and notably on the $2 billion contribution expected from these companies in 2020. Beyond that, a comprehensive plan for further widening the tax base had not yet been developed. Staff's scenario envisages additional base-broadening measures over the medium term, including streamlining the tax exemptions embedded in the Investment Law.

- **Fiscal expenditure plans.** On public wages, staff recommendation was for public wages to keep up with inflation. The authorities however preferred a significantly higher increase in 2020 (123 percent), permanently raising the public wage bill by ¾ percent of GDP. With a higher revenue/GDP ratio in staff's scenario, transfers to states (30 percent of total revenues) are also higher. In addition, capital expenditure rises at a faster pace in staff's scenario.

- **External balance.** With a more appreciated REER path in staff's scenario, current account adjustment is also more gradual. International reserves paths in both scenarios are set at three months of imports.

- **Financing gap.** Although the authorities' fiscal deficit in 2020 is somewhat smaller than that of staff (in percent of GDP), and both scenarios target international reserves at three months of imports, the significant differences in nominal GDP and the exchange rate paths imply that the 2020 financing need under the authorities' scenario is substantially higher than that of staff, thus entailing a significantly higher risk that the required financing would not be forthcoming, with destabilizing effects.

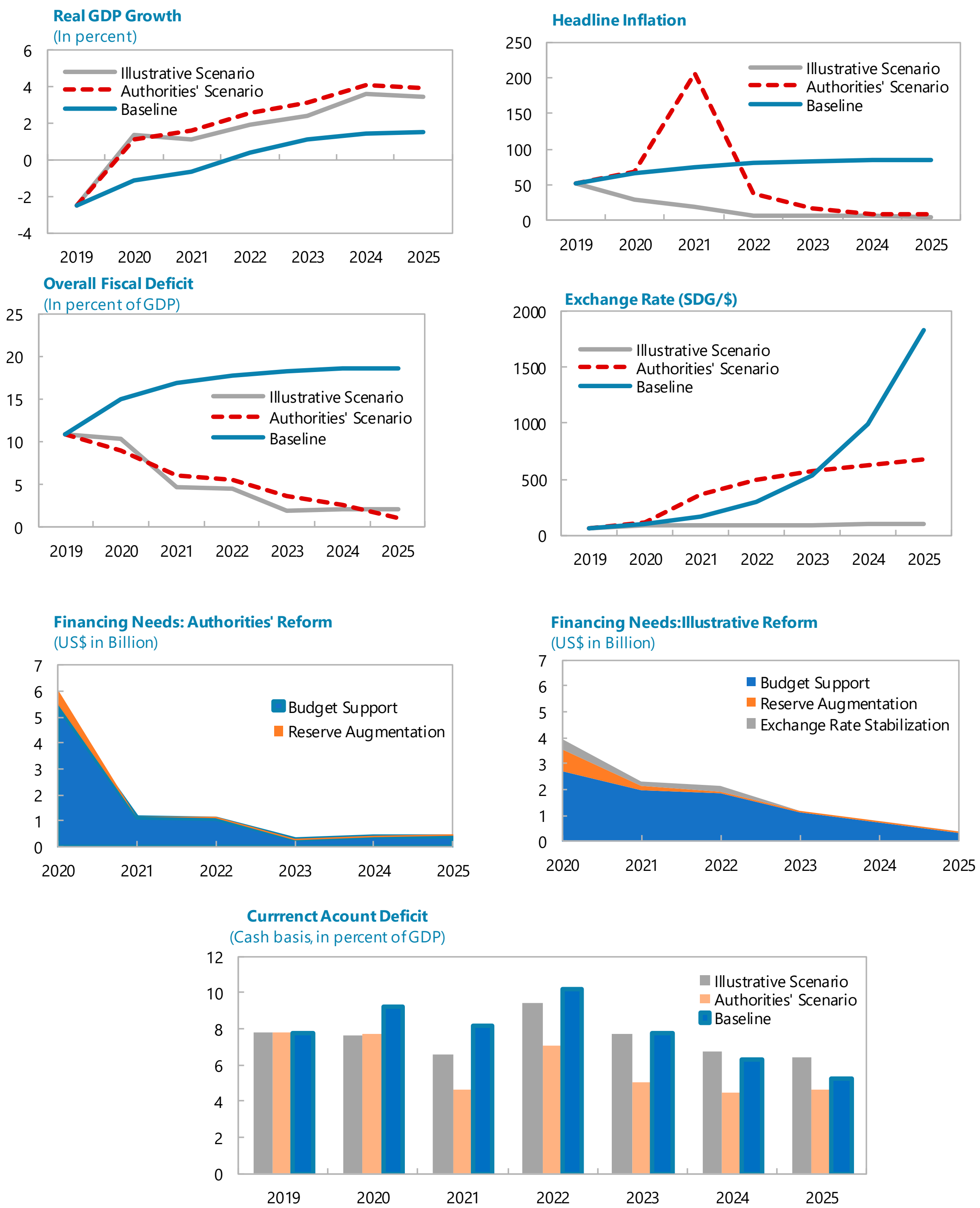
Table 1. Sudan: Reform Scenarios, 2019–25

	Authorities' Prefered Reform Scenario								Staff Illustrative Reform Scenario						
	2019	2020		2021	2022	2023	2024	2025	2019	2020	2021	2022	2023	2024	2025
	Est.	Budget	Proj.			Proj.			Est.			Proj.			
Output and prices								(Annual changes in percent)							
Real GDP (market prices)	-2.5	2.9	1.4	1.4	2.6	3.1	4.0	3.9	-2.5	1.4	1.1	1.9	2.4	3.6	3.4
Nominal GDP (Billions SDG)	2,033	2,080	3,500	10,913	15,332	18,366	20,826	23,412	2,033	2,702	3,244	3,511	3,813	4,175	4,523
Consumer prices (period average)	51.3	30.0	68.6	206.8	37.1	16.3	9.1	8.2	51.3	30.2	19.4	6.5	6.2	5.8	4.8
Central government								(Percent of GDP)							
Revenue and grants	**7.8**	**16.9**	**12.2**	**14.5**	**14.3**	**14.3**	**14.2**	**14.1**	**7.8**	**14.1**	**17.1**	**16.5**	**16.8**	**16.8**	**16.8**
Taxes	5.4	4.7	5.7	8.2	9.1	9.2	9.3	9.3	5.4	8.3	11.9	12.4	12.8	12.9	13.0
Goods and services	4.1	3.4	4.2	5.8	6.2	6.3	6.4	6.5	4.1	6.2	8.3	8.5	8.6	8.7	8.7
International trade and transactions	1.0	0.8	1.0	1.9	2.2	2.3	2.2	2.2	1.0	1.7	2.9	3.0	3.1	3.2	3.2
Others	0.4	0.5	0.4	0.5	0.6	0.6	0.6	0.6	0.4	0.4	0.7	0.9	1.1	1.1	1.1
Oil revenue	1.3	3.2	2.3	4.7	3.6	3.5	3.4	3.3	1.3	4.3	3.7	2.7	2.7	2.6	2.5
Other revenue	0.6	4.3	3.8	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6
Grants	0.5	4.6	0.5	1.0	1.0	0.9	0.9	0.9	0.5	0.9	0.8	0.7	0.7	0.7	0.7
Total expenditure 1/	**18.7**	**19.1**	**20.6**	**19.6**	**19.2**	**16.6**	**16.7**	**16.6**	**18.7**	**23.0**	**23.2**	**22.1**	**20.5**	**19.4**	**17.8**
Wages	2.9	3.9	3.7	3.7	3.7	3.7	3.7	3.7	2.9	2.9	2.9	2.9	2.9	2.9	2.9
Goods and services	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Interest	0.2	0.3	0.3	0.2	0.6	0.3	0.1	0.1	0.2	0.4	0.4	0.7	0.4	0.3	0.3
Subsidies	11.8	7.6	7.5	1.5	1.4	1.4	1.3	1.3	11.8	10.8	8.5	6.8	5.4	3.4	1.3
Of which: Fuel	10.6	...	5.8	0.0	0.0	0.0	0.0	0.0	10.6	9.5	6.9	5.3	4.0	2.1	0.0
Wheat	1.0	...	1.5	1.4	1.4	1.3	1.3	1.2	1.0	1.1	1.5	1.4	1.4	1.3	1.3
Electricity	0.3	...	0.2	0.1	0.0	0.0	0.0	0.0	0.3	0.2	0.1	0.0	0.0	0.0	0.0
Transfers	1.7	3.2	3.7	4.4	4.3	4.3	4.3	4.2	1.7	4.2	5.1	5.0	5.1	5.1	5.1
Social spending	0.7	1.3	2.5	7.6	5.4	3.1	3.1	3.1	0.7	2.5	3.1	3.1	3.1	3.1	3.1
Net acquisition of nonfinancial assets	0.1	1.7	1.7	1.0	2.5	2.5	3.0	3.0	0.1	1.0	2.0	2.5	2.5	3.5	4.0
Others	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Overall balance 1/	**-10.8**	**-2.2**	**-8.4**	**-5.1**	**-4.9**	**-2.3**	**-2.6**	**-2.5**	**-10.8**	**-9.0**	**-6.1**	**-5.6**	**-3.7**	**-2.6**	**-1.0**
Non Oil Balance	**-12.2**	**-5.4**	**-10.7**	**-9.8**	**-8.5**	**-5.8**	**-6.0**	**-5.8**	**-12.2**	**-13.3**	**-9.9**	**-8.3**	**-6.4**	**-5.2**	**-3.5**
Monetary sector								(Annual changes in percent)							
Broad money	66.8	50.0	73.5	64.9	31.2	18.2	16.1	14.5	66.8	35.9	23.1	11.8	26.2	14.7	14.8
Balance of payments								(In percent of GDP, unless otherwise indicated)							
Current account balance (cash basis)	-7.8	...	-7.7	-4.6	-7.1	-5.0	-4.4	-4.6	-7.8	-7.6	-6.6	-9.4	-7.8	-6.7	-6.5
External debt (in billions of US$)	54.6	...	61.1	58.2	57.9	57.6	58.9	60.2	54.6	59.7	59.2	58.7	58.3	59.1	60.0
Gross international reserves (in millions of US$	1203	...	1788	1829	1882	1934	1988	2044	1203	2061	2243	2302	2357	2411	2466
In months of imports	1.9	...	3.0	3.0	3.0	3.0	3.0	3.0	1.9	3.0	3.0	3.0	3.0	3.0	3.0
External Financing Gap (Millions US$)	...	...	**5,296**	**1,298**	**1,260**	**457**	**573**	**592**	**...**	**3,954**	**2,281**	**2,123**	**1,198**	**762**	**404**
Of which: Budget Support	...	...	4,711	1,256	1,208	404	518	537	**...**	2,719	1,941	1,879	1,144	708	349
Reserve Augmentation	...	...	585	42	53	52	54	56	**...**	858	183	59	54	54	55
Exchange Rate Satbilization	...	...								377	158	185	0	0	0
Exchange Rates (Period Averages)															
Parallel Exchange Rate	69.4		116.8	358.3	491.2	571.4	623.7	674.5	69.4	85.4	85.4	85.4	90.3	95.6	100.2
Budget Exchange Rate	18.0	55	55	358.3	491.2	571.4	623.7	674.5	18.0	79.1	85.4	85.4	90.3	95.6	100.2
Official Rate	45.6	…	106.2	358.3	491.2	571.4	623.7	674.5	45.6	75.3	85.4	85.4	90.3	95.6	100.2
Weighted Average	60.5	…	106.9875	358.3	491.2	571.4	623.7	674.5	60.5	83.9	85.4	85.4	90.3	95.6	100.2

Source: Ministry of Finance and IMF Staff estimates.

1/ Including implicit subsidies.

Figure 1. Sudan: Baseline and Reform Scenarios



Source: IMF staff estimates.

INTERNATIONAL MONETARY FUND

COMMUNICATIONS DEPARTMENT

Appendix I. Draft Press Release

Press Release No. 20/x
FOR IMMEDIATE RELEASE
February 20, 2020

International Monetary Fund
700 19th Street, NW
Washington, D. C. 20431 USA

IMF Executive Board Concludes Article IV Consultation with Sudan

On February 21, 2020, the Executive Board of the International Monetary Fund (IMF) concluded the Article IV consultation [1] with Sudan.

Regime change has created a window of opportunity for fundamental reforms for fundamental reforms to address major macro imbalances and lay the groundwork for inclusive growth. However, the challenges facing the new government are daunting. The economy is shrinking, macroeconomic imbalances are large, competitiveness is weak, and the humanitarian situation is dire. Concerns about governance and corruption persist. Sudan's listing as a state sponsor of terrorism also blocks progress toward HIPC debt relief and the clearance of large arrears to the IMF.

Reflecting weak competitiveness, the poor business environment, and social turmoil, GDP is estimated to have contracted by 2½ percent in 2019. Moreover, the fiscal deficit rose by almost three percentage points to 10.8 percent of GDP in 2019, reflecting ballooning energy subsidies and weak revenue mobilization. With limited external financing, the fiscal deficit has primarily been financed by monetization, fueling a vicious cycle of inflation, exchange rate depreciation, and deficit expansion. Inflation rose to 60 percent in November 2019, while the parallel market exchange rate continues to depreciate strongly. The exchange rate system remains highly distorted with multiple currency practices, and the real exchange rate is substantially overvalued.

The external position is weak, with the current account deficit standing at 7.8 percent of GDP in 2019 and low international reserves ($1.4 billion in October 2019, 2 months of imports). Limited forex for fuel imports has led to rationing, persistent shortages, and disruptions to electricity and

[1] Under Article IV of the IMF's Articles of Agreement, the IMF holds bilateral discussions with members, usually every year. A staff team visits the country, collects economic and financial information, and discusses with officials the country's economic developments and policies. On return to headquarters, the staff prepares a report, which forms the basis for discussion by the Executive Board.

food supplies. Public and external debt ratios remain high and unsustainable, and stood at 211.7 percent of GDP and 198.2 percent of GDP, respectively, in 2019

With large imbalances and loose policies, the outlook is alarming without policy reforms. Absent reforms, the weaknesses in competitiveness and in the business environment will persist. GDP growth would then likely remain negative in the near term, with minimal investment and subdued consumption, while bank fragility will rise. High inflation, continued exchange rate depreciation, and pervasive shortages will continue to aggravate social tensions. The fiscal imbalance would also intensify over the medium term, while the current account deficit would remain large, raising risks of disorderly adjustment. Downside risks to the outlook would dominate, albeit with large margins of uncertainty.

Executive Board Assessment[2]

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[2] At the conclusion of the discussion, the Managing Director, as Chairman of the Board, summarizes the views of Executive Directors, and this summary is transmitted to the country's authorities. An explanation of any qualifiers used in summings up can be found here: http://www.imf.org/external/np/sec/misc/qualifiers.htm.

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

	2017	2018	2019	2020	2021	2022	2023	2024	2025
		Est.				Proj.			
Output and prices				(Annual change in percent)					
Real GDP (market prices)	0.7	-2.3	-2.5	-1.2	-0.6	0.4	1.1	1.5	1.5
Nominal GDP (in millions of SDGs)	830,265	1,370,224	2,033,412	3,355,368	5,819,335	10,517,766	19,463,402	36,474,018	68,765,283
Nominal GDP (in $US million) 2/	45,812	35,891	33,609	34,543	35,042	35,609	36,245	36,878	37,521
Consumer prices (period average)	32.4	63.3	51.3	66.4	74.8	80.2	83.2	85.0	85.7
Central government				(In percent of GDP)					
Revenue and grants	7.2	8.9	7.8	6.4	5.6	5.1	4.8	4.7	4.6
Revenue	7.0	8.7	7.4	6.3	5.5	5.0	4.8	4.7	4.6
Tax revenue	5.5	6.7	5.4	4.9	4.5	4.2	4.1	4.0	4.0
Expenditure 3/	13.7	16.7	18.7	21.4	22.6	22.8	23.1	23.3	23.2
Current 3/	13.0	16.2	18.5	19.4	20.6	20.8	21.1	21.3	21.2
Wage bill	3.7	2.4	2.9	2.9	2.9	2.9	2.9	2.9	2.9
Goods and services	1.5	1.2	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Subsidies 3/	4.2	9.6	11.8	12.6	14.1	14.5	15.0	15.2	15.2
Transfers	2.3	2.1	1.7	1.8	1.6	1.4	1.4	1.3	1.3
Other current	0.8	0.8	0.9	0.9	0.9	0.9	0.9	0.9	0.9
Capital	0.6	0.5	0.1	2.0	2.0	2.0	2.0	2.0	2.0
Overall balance 3/	-6.5	-7.9	-10.8	-15.0	-16.9	-17.7	-18.3	-18.6	-18.6
Public debt 2/	159.6	185.6	211.7	227.6	242.5	251.4	254.7	256.0	256.7
Monetary sector				(Annual changes in percent)					
Broad money	68.8	111.8	66.8	97.2	120.5	79.5	79.3	86.0	87.7
Balance of payments				(In percent of GDP, unless otherwise indicated)					
Current account balance (cash basis)	-7.2	-8.7	-7.8	-9.2	-8.2	-10.2	-7.7	-6.3	-5.2
External debt	154.5	180.8	198.2	204.3	211.3	209.7	209.8	211.7	213.0
External debt (in billions of US$)	53.9	55.1	56.3	57.5	58.8	58.5	59.0	60.3	61.6
Gross international reserves (in millions of US$)	725.0	852.9	1,203.0	1,101	877	553	249	150	190
In months of next year's imports of G&S	1.1	1.3	2.5	1.5	1.2	0.8	0.3	0.2	0.2
Memorandum items:									
Exchange rate (SDG/US$, end of period)4/	24.0	45.2	71.92	...	...	...	...	...	...
Exchange rate (SDG/US$, period average) 4/	18.1	38.2	60.50	...	...	...	...	...	...
NEER (2007=100, percent change, period average)	-32.44	-52.22	...	...	...	...	...	...	...
REER (2007=100, percent change, period average)	-13.19	-24.45	...	...	...	...	...	...	...

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

1/ The 2020-2025 projection is based on a no-policy measures assumption.

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

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

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