

**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—Informational Annex**

Board Action:	Executive Directors' consideration (Formal)
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Questions:	Mr. Kanda, MCD (ext. 35414) Ms. Chen, MCD (ext. 37642) Mr. Chaudry, MCD (ext. 38464)
Document Transmittal in the Absence of an Objection and in accordance with Board policy:	After Board Consideration—African Development Bank, Arab Monetary Fund, Common Market for Eastern and Southern Africa, European Investment Bank, Food and Agriculture Organization, Islamic Development Bank, United Nations Development Programme, World Trade Organization

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



SUDAN

February 5, 2020

STAFF REPORT FOR THE 2019 ARTICLE IV CONSULTATION—INFORMATIONAL ANNEX

Prepared By

Middle East and Central Asia Department
(In consultation with other departments and the World
Bank)

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RELATIONS WITH THE FUND

(As of December,31 2019)

Membership Status

Joined September 5, 1957; Article VIII.

General Resources Account

	SDR Million	Percent Quota
Quota	169.70	100.00
Fund holdings of currency (Holdings Rate)	314.48	185.31
Reserve Tranche Position	0.01	0.01

SDR Department

	SDR Million	Percent Quota
Net cumulative allocation	177.99	100.00
Holdings	123.90	69.61

Outstanding Purchases and Loans

	SDR Million	Percent Quota
Stand-by Arrangements	94.96	55.66
Trust Fund	59.23	34.90
Extended Arrangements	50.30	29.64

Latest Financial Arrangements

Type	Date of Arrangement	Expiration Date	Amount Approved (SDR Million)	Amount Drawn (SDR Million)
Stand-By	6/25/1984	6/24/1985	90.00	20.00
Stand-By	2/23/1983	3/9/1984	170.00	170.00
Stand-By	2/22/1982	2/21/1983	198.00	70.00

Overdue Obligations and Projected Payments to Fund

(SDR million; based on existing use of resources and present holdings of SDRs)

The projection of charges and interest assumes that overdue principal as of December 31, 2019 will remain outstanding, but forthcoming obligations will be settled on time.

	Overdue		Forthcoming			
	<u>December 31,</u>					
	2019	2020	2021	2022	2023	2024
Principal	203.98					
Charges/Interest	<u>760.14</u>	<u>3.24</u>	<u>3.22</u>	<u>3.22</u>	<u>3.22</u>	<u>3.22</u>
Total	<u>964.12</u>	<u>3.24</u>	<u>3.22</u>	<u>3.22</u>	<u>3.22</u>	<u>3.22</u>

Exchange Rate Arrangement

The legal tender is the Sudanese pound, which replaced the Sudanese dinar in proportion SDG 1=SDD 100 in mid-2007. The de jure exchange rate arrangement is managed floating. Because the Sudanese pound has stabilized within a 2 percent band against the U.S. dollar since end-January 2018, with one realignment in October 2018, the de facto exchange rate arrangement was reclassified to stabilized from other managed, effective January 22, 2018. However, in 2019, the government of Sudan used SDG18/\$ for its transactions and SDG15/\$ for the calculation of customs import duty.

Sudan maintains the following measures subject to Fund jurisdiction under Article VIII, Sections 2 (a) and 3: (i) An exchange restriction arising from the government's limitations on the availability of foreign exchange and the allocation of foreign exchange to certain priority items; (ii) A multiple currency practice and exchange restriction arising from the establishment of an official exchange rate (the CBOS rate) for use in all government exchange transactions which in practice differs by more than 2 percent from the rate used by commercial banks; (iii) A multiple currency practice and exchange restriction arising from large spreads between the CBOS rate and the parallel market exchange rate due to the CBOS' limitation on the availability of foreign exchange which channels current international transactions to the parallel market; and (iv) An exchange restriction and a multiple currency practice arising from the imposition by the government of a cash margin requirement for most imports.

Sudan is on a 12-month consultation cycle. The last Article IV consultation was concluded by the Executive Board on November 29, 2017.

FSAP Participation

The Financial Sector Assessment Program (FSAP) mission took place in December 2004. The Financial System Stability Assessment report was discussed by the Executive Board on April 29, 2005.

Resident Representative

The Fund's Resident Representative in Khartoum is Mr. Abdikarim Farah since May 2017.

Technical Assistance

The following table provides a summary of the technical assistance provided since January 2018, both from headquarters and from the IMF's Middle East Technical Assistance Center (METAC).

Technical Assistance from the Fund, 2018–19		
Subject	Timing	Counterpart
Fiscal Affairs Department		
Strengthening identification, monitoring and management of fiscal risks related to SOEs (METAC)	April 2018 and February 2019	MOF
Comprehensive, credible, and policy-based budget preparation (METAC)	April and July 2018	MOF
Treasury Single Account and cash management (METAC)	April 2018, February 2019	MOF
Strengthen revenue administration management and governance arrangements (METAC)	April 2018, July, November 2019	MOF
Improve customs administration and core functions	December 2018 and November 2019	MOF
Support the introduction of medium-term fiscal framework (METAC)	Feb 2018	MOF
Monetary and Capital Markets Department		
Improve risk-based supervision (METAC)	August 2018	CBOS
Enhancing credit registry functioning (METAC)	June 2018 and October 2019	CBOS
Statistics Department		
National Accounts (METAC)	January 2018, February 2019	CBS
Consumer Price Index (METAC)	February 2019	CBS
Financial Soundness Indicators	May 2018	CBOS
Legal Department		
AML/CFT legal, supervisory and FIU Framework	October 2018, April and May 2019	CBOS

BANK-FUND COLLABORATION

Joint Management Action Plan, July 2019–June 2020 (As of January 24, 2020)			
Title	Products	Provisional schedule of missions	Expected delivery
A. Mutual Information on Relevant Work Program			
Bank work program for the next 12 months	Economic policy analysis and advice <ul style="list-style-type: none"> Sudan Water Sector Review Sudan Systematic Country Diagnostics Agriculture Value Chain Analysis Technical assistance <ul style="list-style-type: none"> Sudan Poverty Assessment Sudan Strengthening Social Safety Net Programs Strengthening Pandemic Preparedness in Sudan Financial Sector Capacity Building 2 Sudan Health Systems Strengthening Supporting Private Sector Development Agenda in Sudan for Youth Employment Financing Education in Sudan: Mobilizing Resources and Strengthening the Efficiency and Equity of Public Funding Sudan Energy Sector Recovery Technical Assistance Strengthening Sub-National Fiscal Policy Management 	Mar 2018 N/A N/A N/A N/A	May 2020 Jun 2020 Jun 2020 Feb 2020 Sep 2019 Aug 2021 Jun 2021 Jun 2020 Feb 2020 Jan 2021 Sep 2020
Fund work program for the next 12 months	Macroeconomic policy analysis and advice <ul style="list-style-type: none"> Article IV consultation Technical assistance <ul style="list-style-type: none"> Medium-term Fiscal Framework (follow up)- METAC Strengthen revenue administration Risk-based Supervision Enhancing credit registry Improving Compliance Risk Management 	Dec 2019 Q3 2019 Q3 2019 Q3 2018 Q3 2018 Q4 2019	Dec 2019 Q3 2019 Q3 2019 Q4 2019 Q1 2020
B. Requests for Work Program Inputs			
Fund requests to Bank	<ul style="list-style-type: none"> Periodic update on activities Reports, macroeconomic and financial data to be shared regularly Fund staff to participate in review of key analytical work Periodic update on technical assistance activities Macroeconomic and financial data to be shared regularly 	Ongoing	
Bank requests to Fund		Ongoing	
C. Agreement on Joint Products and Missions			
Joint products in the next 12 months	<ul style="list-style-type: none"> Debt sustainability analysis 	Jan 2020	Jan 2020

STATISTICAL ISSUES

Assessment of Data Adequacy for Surveillance

General: Sudan's data provision has some shortcomings but is broadly adequate for surveillance. Areas that need further improvements, include upgrading the base year, coverage, periodicity and timeliness of national accounts and balance of payment data; improving labor market and direct investment data; and providing more detailed and comprehensive fiscal accounting. The Central Bureau of Statistics (CBS) should be enhanced with the authority and resources to compile and disseminate official statistics and coordinate the national statistical work program. Retooling the CBS' computing infrastructure should also be accorded high priority.

National accounts: The CBS lacks a comprehensive data collection program and relies largely on administrative reporting. Economic surveys were last conducted in the 1970s and 1980s, and the benchmarks derived from these surveys inform current estimates of value added. Informal activities are not covered and are likely to be significant in areas such as retail trade and construction. Sudan's national accounts data are based on the System of National Accounts 1968 (*SNA 1968*), and the base year of the existing GDP constant price series (by activity and by expenditure) is very old, 1981/1982. National accounts statistics are compiled with a lag exceeding three years; and there are no national accounts or industrial production data at sub annual frequencies. On the expenditure side, data are lacking on final consumption by households, investment, and changes in stocks. A National Household Budget and Poverty Survey was conducted in 2014 and it could be used for the rebase of the national accounts.

Improving annual source data, both administrative and survey sources, is essential and the development work on regional GDP needs to be incorporated into the ongoing annual estimates. The adoption of updated statistical guidelines (*2008 SNA*), rebasing of the national accounts, and developing procedures to improve the timeliness of GDP estimates should be among core objectives. There is also an urgent need to increase funding to the CBS and to rebuild its capacity for conducting household, agricultural, and enterprise surveys.

Price statistics: The Consumer Price Index (CPI) is compiled using weights based on a household expenditure survey conducted over four months during 2007. Ideally, weights should be based on an annual household survey and should not be more than five years old so as to ensure that the index remains representative of current expenditure patterns. In 2014, the CBS published a Producer Price Index (PPI) for the manufacturing sector covering 2009-13, but this index seems to have been discontinued. An economic census would be needed to develop the PPI.

Government finance statistics: Data reported to MCD are broadly adequate, with the main revenue, expenditure, and financing items reported monthly using an economic classification with a lag of about one-and-a-half month. The data are for the central government only. While the allocation of resources by the finance ministry to the various ministries is reported, their actual expenditures are not. GFS data are compiled and disseminated by the chamber of accounts within the finance ministry. There is no comprehensive data reconciliation of government claims on and

liabilities to the banking system. There has been some progress in implementing GFS classifications at the level of state governments. Priority should be given to the compilation of consolidated GFS for the general government with the objective of producing a statement of government operations, compilation of PSDS, and timely dissemination of GFS and PSDS to STA.

Monetary and financial statistics (MFS): Sudan has received significant technical assistance to improve the collection, compilation, and dissemination of monetary and financial statistics, and all major recommendations have been implemented. The Central Bank of Sudan (CBS) reports the Standardized Report Forms 1SR for the central bank and 2SR for the other depository corporations for publication in *International Financial Statistics* on a monthly basis. Data quality could be further improved by minimizing the discrepancies in reporting inter-bank positions. There is a need to develop a work program to compile MFS for other financial corporations, particularly insurance corporations and pension funds.

Sudan reports some data and indicators to the Financial Access Survey (FAS), including the two indicators (commercial bank branches per 100,000 adults and ATMs per 100,000 adults) adopted by the UN to monitor Target 8.10 of the Sustainable Development Goals (SDGs).

Financial sector statistics: The authorities compile financial soundness indicators (FSIs) on a monthly basis and provide them to MCD staff. An FSI mission in May 2018 assisted in compiling a set of core and encouraged FSIs for deposit takers with quarterly frequency. Following the mission, a few pending compilation issues were addressed; as a result, FSI data and metadata are ready for posting on the IMF's FSI website upon the authorities' approval.

External sector statistics: Data quality has improved as a result of intense technical assistance (TA). Quarterly balance of payments (BOP) and annual international investment position (IIP) data are reported in the format of the sixth edition of the *Balance of Payments and International Investment Position Manual (BPM6)*, but there are several areas requiring improvement, particularly with regard to direct investment (DI) and estimation of informal trade. STA recommended a collaborative approach with regional offices of the Ministry of Investment, Central Bureau of Statistics (CBS), and CBOS branches focusing on key reporters, to keep costs to a minimum. For estimating informal trade, past TA advice was to coordinate with the Anti-Smuggling Unit (Ministry of Interior), Sudan Customs Authority, and the Directorate of Foreign Trade (of the CBS). Further improvements require strengthening inter-institutional cooperation and staff capacity, implementing past TA advice. The CBOS could consider compiling the data template on international reserves and foreign currency liquidity for better monitoring reserve assets.

Data Standards and Quality

Sudan participates in the Enhanced General Data Dissemination System (e-GDDS) but has not yet launched National Summary Data Page. E-GDDS metadata and plans for improvement need to be updated. No data ROSC is available.

Reporting to STA

The last annual data reported for the *Government Finance Statistics Yearbook* covers only budgetary central government up to 1999. No monthly and quarterly fiscal data are reported for the *International Financial Statistics (IFS)*. No data is reported to the IMF and World Bank Quarterly Public Sector Debt Statistics (QPSDS) database. The reporting of external trade statistics for inclusion in the *Direction of Trade Statistics (DOTS)* database is done with significant lags. National accounts data are not provided for publication in the *IFS*. The CBOS compiles and reports monetary statistics regularly to STA for publication in the *IFS*. The CBOS also reports to STA quarterly balance of payments and annual IIP data on the basis of the sixth edition of the *Balance of Payments and International Investment Position Manual (BPM6)*. The authorities should submit updated e-GDDS metadata for dissemination on the Dissemination Standards Bulletin Board.

Sudan: Table of Common Indicators Required for Surveillance

(As of January 24, 2020)

	Date of Latest Observation	Date Received	Frequency of Data ³	Frequency of Reporting ³	Frequency of Publication ³
Exchange Rates	Dec. 2019	Jan. 2020	D	M	D
International Reserve Assets and Reserve Liabilities of the Monetary Authorities ¹	Nov. 2019	Dec. 2019	M	BM	M
Reserve/Base Money	Nov. 2019	Dec. 2019	M	M	M/W
Broad Money	Nov. 2019	Dec.2019	M	M	M/W
Central Bank Balance Sheet	Nov.2019	Dec. 2019	M	M	M
Consolidated Balance Sheet of the Banking System	Nov. 2019	Dec. 2019	M	M	M
Consumer Price Index	Nov. 2019	Jan. 2020	M	M	M
Revenue, Expenditure, Balance and Composition of Financing ² –Central Government	Sept. 2019	Dec. 2019	M	I	I
External Current Account Balance	2019: Q3	Dec. 2019	Q	Q	Q
Exports and Imports of Goods and Services	2019: Q3	Dec. 2019	Q	Q	Q
GDP/GNP	2016	March 2019	A	A	A
Gross External Debt	2016	May 2019	I	I	A

¹Includes reserve assets pledged or otherwise encumbered as well as net derivative positions.

² Foreign, domestic bank, and domestic nonbank financing.

³ Daily (D); Weekly (W); Monthly (M); Monthly/Weekly (M/W); Bi-monthly (B); Quarterly (Q); Annually (A); Irregular (I); Not Available (NA).