

**EXECUTIVE
BOARD
MEETING**

SM/20/38
Correction 1

February 26, 2020

To: Members of the Executive Board

From: The Secretary

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

Board Action: The attached correction to SM/20/38 (2/7/20) has been provided by the staff:

Evident Ambiguity: Page 45

Questions: Mr. Kanda, MCD (ext. 35414)



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 consultation¹ 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 [by the United States](#) 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.