

**EXECUTIVE
BOARD
MEETING**

SM/20/38
Correction 2

March 3, 2020

To: Members of the Executive Board

From: The Secretary

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

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

**Factual Errors Not
Affecting the
Presentation of Staff's
Analysis or Views**

Pages 10 and 20

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

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- 2022	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

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	2.5-1.7	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 calculated as the weighted average of official and parallel exchange rate.