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September 21, 2020

**Statement by Mr. Rashkovan, Mr. Tsur, and Mr. Cools on Sudan
(Preliminary)
Executive Board Meeting
September 23, 2020**

We thank staff for the insightful report and Mr. Mahlinza and Mr. Ismail for the helpful Buff statement. We commend the authorities for planning a UCT-quality reform trajectory under the Staff Monitored Program. We commend staff for their close engagement with the authorities, which will continue to be warranted in light of the high risks to the SMP and the potential spillovers for the region. To ensure the success of the SMP, improving institutional governance, garnering public support for reforms and sustained international support will be three key prerequisites.

We agree with the thrust of the report and would like to offer the following points for emphasis:

Fiscal

It is particularly promising to see frontloaded fuel subsidy reforms in the SMP. As a result of higher international oil prices, exchange rate depreciation and increased fuel consumption, these subsidies have put significant pressure on Sudan's fiscal position. Addressing these subsidies will be a critical step in Sudan's sustainable development, both fiscally and environmentally.

We wholeheartedly support the need to free up scarce resources for essential social services. In that light, we have doubts whether the plan to increase public sector wages to "mitigate tensions in an important class of middle-class families" should be a key priority given limited fiscal resources. *Could staff elaborate on the rationale for this and compare recent wage developments in the public and the private sector, including the agricultural sector?*

Governance

We welcome the proposed Anti-Corruption Law and the establishment of the Anti-Corruption Commission, among others to address the issue of grey companies. We recognize the current efforts by the Minister of Finance and Economic Planning to bring these companies

under their surveillance. Creating opportunities and an equal playing field for the private sector will lay the foundations for Sudan's long-run economic growth. In that light, we commend the planned launch of the Investment and Private Sector Development Authority.

Donor Support

While substantial donor financing is crucial to help fill the gaps in Sudan's budget, we are nonetheless concerned about the sustained need for significant donor financing to support the implementation of reforms and mitigate adjustment pain. Looking for ways to reduce donor dependence in the medium term will be crucial. One way to do so is by gradually targeting the donor support towards productive capital expenditures (for example by matching the government's own resources).

Review of Overdue Financial Obligations

We agree with the proposed decision on the Review of Overdue Financial Obligations in light of the authorities' reform commitment and wish the authorities best of luck on their transition process.