

## **Sudan: Midyear Review of the 2004 Staff-Monitored Program**

This paper on the midyear review of the 2004 staff-monitored program for **Sudan** was prepared by a staff team of the International Monetary Fund as background documentation for the periodic consultation with the member country. It is based on the information available at the time it was completed on **November 17, 2004**. The views expressed in this document are those of the staff team and do not necessarily reflect the views of the government of the **Sudan** or the Executive Board of the IMF.

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INTERNATIONAL MONETARY FUND

SUDAN

**Midyear Review of the 2004 Staff-Monitored Program**

Prepared by the Middle East and Central Asia and  
Policy Development and Review Departments

(In consultation with Finance, Fiscal Affairs, Legal,  
Monetary and Financial Systems, and Statistics Departments)

Approved by Lorenzo L. Pérez and Matthew Fisher

November 17, 2004

- Discussions for the midyear review of the 2004 Staff-Monitored Program (SMP) took place in Khartoum from August 17 through 29, 2004. The staff team comprised Messrs. Shabsigh (head), Al-Ghelaiah and Ilahi (all MCD); Hussain (PDR); and Nallari (World Bank). Mr. Pérez participated in the concluding discussions.
- The mission met with Minister El-Zubeir Ahmed El-Hassan (finance and national economy), Bank of Sudan Governor Saber Mohammad Hassan, Abda Yahia El-Mahdi (state minister of finance for international cooperation), and other senior Sudanese officials.
- The principal author of this report is Mr. Shabsigh. Contributors included Messrs. Al-Ghelaiah, Hussain, Ilahi, and Nallari.
- The report is issued for the information of the Executive Board.

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### **List of Acronyms**

BOS	Bank of Sudan
CBS	Central Bureau of Statistics
CMU	Cash Management Unit
COMESA	Common Market for Eastern and Southern Africa
CRN	Country Re-engagement Note
DFID	Department for International Development
FDI	Foreign Direct Investment
FSAP	Financial Sector Assessment Program
GDDS	General Data Dissemination System
GFS	Government Finance Statistics
HIPC	Heavily Indebted Poor Countries
JAM	Joint Assessment Mission
MEM	Ministry of Energy and Mining
MOFNE	Ministry of Finance and National Economy
MOU	Monetary Operations Unit
NDA	Net Domestic Assets
OSA	Oil Savings Account
RAP	Rights Accumulation Program
SMP	Staff-Monitored Program
SPLM	Sudan People's Liberation Movement
TA	Technical Assistance
UNICEF	United Nations Children's Fund
VAT	Value-Added Tax
WTO	World Trade Organization

## EXECUTIVE SUMMARY

### PERFORMANCE UNDER THE 2004 STAFF-MONITORED PROGRAM

Policy performance in the first half of 2004 was broadly in line with the program. All quantitative benchmarks and most structural benchmarks were met.

Real GDP growth has been stronger than anticipated under the program but inflationary pressures are rising. The current account deficit (cash basis) was 1½ percent of GDP, better than programmed, owing to a broad-based rise in exports and high private transfers. An across-the-board increase in tax revenues and higher-than-projected oil prices improved the fiscal position—there was an overall surplus of 0.7 percent of GDP, compared to a programmed deficit of ½ percent of GDP. Broad money growth rose to 37 percent by midyear, well above the program target of 22 percent, but strong Bank of Sudan actions brought it back to 32 percent by end-August.

On the political front, a final peace agreement between the government and the southern Sudan People's Liberation Movement (SPLM) is expected in the coming months. The situation in Darfur remains critical. Negotiations between the government and Darfur rebels are taking place in Abuja, Nigeria.

#### **Macroeconomic outlook for the remainder of 2004**

The strong economic performance is likely to continue, although inflation is rising. The current account deficit (cash basis) will remain below program projections. On the fiscal front, the strong revenue performance will continue, though spending pressures will increase significantly—primarily for relief activities in Darfur—and will be covered by part of the revenues emanating from the higher-than-expected oil prices. Monetary policy will be tightened further this year, including by allowing an appreciation of the exchange rate to be made possible by increasing exchange rate flexibility.

#### **Staff appraisal**

Overall performance has, thus far, been satisfactory and the economic outcome was better than anticipated under the program. In implementing the program for the remainder of the year, it would be critical to maintain macroeconomic stability and sustain growth while preparing for the post-conflict challenges. The significant improvement in non-oil revenue and continued saving of more than half of the oil revenues windfall indicate the authorities' resolve to avoid excessive reliance on the rapidly increasing oil revenues. The use of additional oil revenues to cover emergency spending in Darfur is appropriate. Given the high current pace of monetary expansion and the expected increase in government spending, the authorities' readiness to tighten monetary policy is also welcome, as are the efforts to address foreign exchange market rigidities.

The costs associated with comprehensive peace with the south and with rehabilitation in Darfur could exceed Sudan's current financial capacity. It is important to identify in the 2005 budget, sources of additional revenues and expenditure savings to complement donor efforts to fill the potential financing gap.

## I. INTRODUCTION

1. A staff team visited Khartoum from August 17 through 29, 2004, to conduct the midyear review of the 2004 Staff-Monitored Program (SMP) and discuss the outlook for the remainder of 2004.

2. **On June 16, 2004, the Executive Board concluded the final review of the 2003 SMP and considered the SMP for 2004.** Directors commended the authorities for the sound macroeconomic policies and economic reforms under the 2003 SMP. Most Directors considered the quality of policies envisaged under the 2004 SMP equivalent to what would be required under a Rights Accumulation Program (RAP). Directors urged the authorities to moderate any future wage increases, and ensure continued progress in fiscal structural reforms. They welcomed the prudent use of oil revenue, and most Directors commended the use of additional oil revenues for social programs. Directors urged further monetary policy actions, if necessary, and welcomed the authorities' plan to increase exchange rate flexibility.

3. **The final peace agreement between the government and the southern SPLM is expected by end-2004, but the situation in Darfur remains critical.** The latest round of negotiations in Kenya between the government and the SPLM began on October 7, 2004, and will focus on reaching a permanent ceasefire agreement and agree on the implementation modalities of the peace protocols that were signed last May. The negotiating parties have announced their intention to conclude the comprehensive peace agreement by end-2004. Peace talks between the government and Darfur rebels have made intermittent progress but remain difficult on a number of key issues, including on security. According to the UN, the government has improved its assistance to the relief efforts but the overall humanitarian situation remains dire, militia attacks on civilians continue, and a lack of security continues to undermine relief efforts. To help improve security, the government has agreed to permit a substantial increase in the number of African Union troops monitoring the peace process.

## II. PERFORMANCE UNDER THE PROGRAM

4. Policy performance in the first half of 2004 was broadly in line with the program. All quantitative benchmarks were met (see Table 1). Two of the five structural benchmarks—(i) begin to transfer VAT collected by customs to the tax department on a daily basis and; (ii) adopt a universal taxpayer identification number—were not met (see Table 2). Payments to the Fund are on track.<sup>1</sup>

## III. RECENT ECONOMIC DEVELOPMENTS

5. **Economic developments in the first half of 2004 were in line with the program.** Economic growth is estimated at an annual rate of about 7 percent, above the program projection of 6.6 percent, owing to strong performance in non-oil sectors—particularly,

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<sup>1</sup> Sudan—Review of Overdue Financial Obligations to the Fund and Complaint with Respect to the Suspension of Voting Rights.

manufacturing and services—and despite the less-than-expected increase in oil production.<sup>2</sup> The 12-month inflation rate was 6.4 percent at end-August compared with the 6.5 percent program target (year-end). The exchange rate was largely unchanged, registering only small fluctuations. However, in the third quarter, the exchange rate appreciated by one percent.

6. **The balance of payments strengthened considerably in the first half of 2004.** The current account deficit (on cash basis) declined to 1.5 percent of GDP compared with 2.5 percent under the program. A significant increase in imports in the first half of 2004—reflecting a surge in machinery and transport-related imports—was more than offset by higher exports and private transfers. High international prices ensured higher-than-programmed oil exports, despite the less-than-expected oil production. Non-oil exports were about three-quarters more than in the same period in 2003, exceeding the program projection by a wide margin. Non-oil export performance was the outcome of substantial increase in the volume of traditional exports coupled with favorable prices.

7. **Large private inflows continued to finance the current account deficit in the first half of 2004, and helped in further building up international reserves.** Shortfalls in project loan disbursements and short-term capital flows were more than compensated by high levels of foreign direct investment (FDI) inflows—estimated at about \$662 million during the period. Consequently, the usable international reserves of the Bank of Sudan (BOS) rose to the equivalent of 2.2 months of imports, compared with 1.6 months at end-2003 and the program target of 1.8 months of imports.

Balance of Payments, First Half of 2003 and 2004  
Cash basis, in millions of U.S. dollars unless otherwise indicated

	<u>Actual</u> 2003	<u>Program</u> 2004	<u>Actual</u> 2004
Trade balance	26	-25	59
Exports (f.o.b.)	1,202	1,491	1,669
Oil	989	1,218	1,292
Non-oil	213	273	377
Imports (f.o.b.)	-1,176	-1,516	-1,610
Private transfers (net)	244	380	520
Current account	-616	-474	-295
(In percent of GDP, annualized)	-7.3	-5.0	-3.0
Capital and financial accounts	632	583	519
(In percent of GDP, annualized)	7.5	6.1	5.3
Change in official reserves (increase, -)	-149	-160	-278

Sources: Sudanese authorities and Fund staff estimates.

<sup>2</sup> The shortfall in oil production was due to delay in one new oil field coming on stream.

8. **The fiscal outcome in the first half of the year was better than programmed, largely because of a strong revenue performance.** There was an overall fiscal surplus of 0.7 percent of GDP, compared to a deficit of ½ percent under the program. Tax revenues overperformed relative to the program by 0.4 percentage points of GDP, and were significantly higher than in the same period last year, partly on account of the newly established large taxpayer unit. Higher-than-projected oil prices and telecommunication license fee receipts (the latter about 0.4 percent of GDP) significantly improved nontax revenues.<sup>3</sup> Current expenditures were kept in line with program, while a shortfall in disbursements for foreign-financed capital projects was made up by higher-than-programmed domestic capital expenditures (mostly on the Merowe Dam), leaving capital expenditures in line with the program. On a net basis, no domestic financing was provided to the budget compared with 0.8 percent of GDP under the program. The pace of social spending was higher than in the same period last year, but below the program level.

Government Operations, First Half, 2003 and 2004  
(In percent of GDP)

	Actual 2003	Program 2004	Actual 2004
Revenue	8.2	8.3	9.7
Tax	2.9	3.4	3.8
Nontax	5.3	5.0	5.9
<i>Of which crude oil</i>	4.5	4.2	4.8
Expenditures	6.9	9.0	9.0
Current	5.6	6.5	6.4
Capital	1.3	2.5	2.5
Overall balance	1.3	-0.6	0.7
<i>Of which: OSA accumulation</i>	0.7	0.6	0.7

Sources: Sudanese authorities and Fund staff estimates.

9. **The BOS took measures to rein in broad money growth, induced in part by external inflows.** By midyear, broad money growth reached 37 percent (annualized basis), well above the annual program target of 22 percent. Private sector credit underpinned the monetary expansion, rising by 63 percent (annualized basis) by end-June 2004. To slow down the monetary growth, the BOS raised, in early June, the reserve requirement on banks by 2 percentage points from 12 to 14 percent, substantially reduced lending to banks, and began mopping up liquidity through open market sales of government securities and foreign exchange. By end-August, annualized broad money growth had declined to 32 percent.

<sup>3</sup> The higher oil prices yielded a revenue gain to the government of about 0.4 percent of GDP, of which over one-half was saved in the Oil Savings Account (OSA).

Monetary Developments, June 2003–June 2004  
(In billions of Sudanese dinars)

	June 2003	Program June 2004	June 2004	Percent Change (from June 2003)
Reserve money	286.8	380.1	389.9	35.9
NFA (excluding valuation adjustment)	195.0	297.5	339.7	74.2
NDA	416.5	493.1	499.6	20.0
Broad money	611.5	790.6	839.3	37.3
<i>Of which</i>				
Credit to government	97.7	103.2	57.7	-41.0
Credit to nongovernment	233.7	316.9	381.6	63.3

Sources: Sudanese authorities; and Fund staff estimates.

10. **There was progress in implementing fiscal reforms;** most end-June structural benchmarks were met (see Table 2). Efforts to strengthen fiscal cash management, while at an early stage, have continued with Fund technical assistance. The authorities have begun preparing a monthly budget cash plan, getting it approved from a cash release committee, and presenting it to the BOS. On tax administration, the process of transferring collected VAT from customs to the tax department has improved considerably and the transfers are now taking place on a weekly basis; daily transfers are expected in the near future (the delay has been the result of capacity constraints). The large taxpayer unit is now fully operational and has begun yielding substantial revenue collection benefits. The adoption of a universal taxpayer identification number was not undertaken because of technical delays in harmonizing the customs and tax administration codes; the authorities, however, remain committed to moving ahead on this front. Lastly, to improve fiscal accounting and classification, the government has undertaken a technical exercise to classify the 2004 budget sectors into a 2001 government finance statistics (GFS) classification and prepared a program to fully adopt the GFS by 2006, as envisaged under the program.

11. **Oil sector governance has improved.** The Auditor General of Sudan has completed audit of the Sudan Petroleum Corporation's 2003 account and is currently conducting account audits of four other oil sector companies.<sup>4</sup>

12. **Customs reform has moved forward and there has been progress on Sudan's application for accession to World Trade Organization (WTO).** Tariffs and customs exemptions were reduced during the first half of 2004—the weighted average tariff rate declined from 10.9 percent in 2003 to 10.3 percent in the first seven months of 2004, while the proportion of imports exempted from customs declined from 50 percent to 35 percent over the same period.<sup>5</sup> Sudan has made significant progress in its application for WTO

<sup>4</sup> The Auditor General is expected to present a summary of these audits to parliament before year-end.

<sup>5</sup> Currently, Sudan applies a zero tariff rate on imports from 11 Common Market for Eastern and Southern Africa (COMESA) member countries, and provides 80 percent reduction in tariffs on imports from four COMESA members.

accession. The authorities submitted all documents required for WTO accession by August 2004, including initial tariff offers on goods and services.

13. **The BOS continues to strengthen its monetary operation capacity** with Fund technical assistance. There was significant progress in constituting and operationalizing the Monetary Operations Unit (MOU); the MOU will be responsible for carrying out monetary policy actions on market basis. BOS is also striving to improve its capacity to conduct short-term liquidity forecasts and improve its weekly flash reporting system.

14. **Debt policy and management continue to be strengthened.** A committee of high-level representatives of the Ministry of Finance and National Economy (MOFNE) and the BOS (established in April) has completed a draft of the new debt strategy and borrowing policy. Another high level committee has been established to oversee the implementation of the new borrowing policy.

#### IV. MACROECONOMIC OUTLOOK FOR THE REMAINDER OF 2004

15. **The strong economic performance is likely to continue, but there are indications that the economy might be overheating as reflected by rising inflation.** Real GDP will likely maintain its 7 percent growth, underpinned by the strong performance of the non-oil sectors, and notwithstanding the disruptions in Darfur. While rapid growth is expected in construction and manufacturing, a delay in rains could slow agricultural growth. The annual average CPI inflation could reach about 8 percent, higher than the 6.5 percent program target, reflecting the rapid monetary expansion in the first half of the year.

16. **The external current account deficit (on a cash basis) will be below the program projection** and is expected to be limited to 2.8 percent of GDP in 2004, compared with 4.9 percent in 2003 and 5.2 percent of GDP under the program (see Table 4). Exports will likely exceed program projections by about 20 percent on account of continued recovery of non-oil exports and high oil prices, while imports will exceed the program projection by 12 percent, partly from increased imports for the Darfur crisis and the Merowe power project. Private capital inflows (mainly FDI) are expected to be in line with program projections, but project loan disbursements will fall short relative to projected trends. Usable international reserves are expected to exceed \$1 billion, well above the program target of \$807 million. However, there is considerable uncertainty surrounding import volume, oil price projections, and private capital inflows.

17. **On the fiscal front, the good revenue performance for the rest of 2004 is expected to continue.** Tax revenues could amount to 2 percentage points of GDP higher than in 2003, and 0.8 percent of GDP above program target, because of increases in customs and excise revenue. Higher-than-expected oil export revenue could yield nontax revenues that are

also 2 percentage points of GDP higher than in 2003 (and more than 1½ percent of GDP above program).<sup>6</sup>

18. **However, spending pressures are expected to increase significantly in the last four months of the year.** First, as food relief, resettlement, and security operations in Darfur pick up, government expenditures could amount to more than 1.1 percent of GDP (\$212 million)—more than twice as budgeted. Second, the authorities plan to increase spending on social programs and accelerate the work on key development and infrastructure projects.<sup>7</sup> Finally, the authorities deem it difficult to continue with the expenditure restraint of the first half as pressures mount to meeting the wage increase obligations and bringing goods and services spending in line with program. The authorities intend to use the higher tax revenues to fund the additional spending on Darfur and social and development programs. The staff agreed with the authorities on the necessity to use more oil revenues this year (SDD 30 billion, or 0.6 percent of GDP) to finance these expenditures. The new appropriations have been presented in a supplementary budget to parliament.<sup>8</sup> Despite the pickup in spending, primary domestic non-oil balance is likely to be at about the program level, while the sizable overperformance in the first half will allow domestic financing of the fiscal deficit to be below the program.

19. **Additional measures will be implemented to further slow down broad money growth.** The authorities are reducing lending to banks and are mopping up liquidity through open market sales of securities and foreign exchange to mitigate the impact of rising government spending and continued foreign exchange inflows. Nevertheless, the 2004 broad money target has been revised upward from 22 percent to 25 percent, because this higher rate of growth would appear to be consistent with indications of an output growth-driven increase in money demand. However, given the projected fiscal expansion in the second half, the new money target could result in a decline in the growth of bank credit to the private sector.

20. **The authorities have begun a number of steps to eliminate rigidities in the foreign exchange market, which would facilitate further exchange rate flexibility.** The BOS is reforming the market structure to increase competition among banks and deepen the foreign exchange market. The role of the two dominant “market makers” group of banks is under review and the rules on foreign exchange transfers are being relaxed. These steps will increase the sensitivity of exchange rate to market pressures and likely lead to an appreciation by end of the year. The latter will also help reduce the monetary pressures.

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<sup>6</sup> The oil revenues windfall is projected at about 1.3 percent of GDP, of which, about 60 percent will be saved in the OSA.

<sup>7</sup> In all, social spending is expected to rise to 2 percent of GDP in 2004, compared with 1.7 percent envisaged under the program.

<sup>8</sup> Despite the lower accumulation, the OSA will still continue to provide adequate cushion against adverse shocks, including an oil price shock.

21. **Other structural reforms are on track** and most of the end-December structural benchmarks are likely to be met (see Table 2). A review of all regulations and agreements that grant exemptions is likely to be completed. The tax privileges of the four major oil distribution companies are set to expire at year-end, and no new ones are planned. Capacity issues will likely prevent the broadening of the definition of large taxpayers to include individuals, but the authorities plan to include mid-sized companies under this group by end-2004. To strengthen debt management, the authorities are finalizing a formal policy on contracting and guaranteeing external debt. A draft has been completed and cabinet approval is expected by end of the year.

22. **A high level committee is developing a three-year tariff reform program**, in the context of the various regional trading arrangements and the increased post-peace spending needs. The objective is to reduce the simple average tariff rate from the current 23 percent to under 15 percent by 2007, and aligning the tariff structure with that mandated by the COMESA customs union agreement.

23. **The authorities have indicated that the 2005 budget will be prepared assuming that the peace agreement in the south will be in place.** They are still in the early stages of assessing the fiscal impact of the agreement, awaiting the finalization of the implementation protocols. The fiscal costs will consist, for the most part, of the south's share in oil revenues (about half of net oil revenues generated in the south), the cost of the new post-conflict federal arrangements (civil service and institutions), and the resettlement and reconstruction expenses. In addition, the 2005 budget will include substantial allocations for the stabilization and rehabilitation of Darfur. Part of these costs will be covered by the improvement in non-oil revenues, rising oil production, and possible new revenue measures. The authorities are concerned, however, that without international support, a significant financing gap could emerge in 2005 with the potential for adverse impact on economic stability and growth.

24. **A joint poverty eradication strategy is expected after there is a comprehensive peace agreement.** At a World Bank-organized workshop in September 2004, the government and the SPLM jointly developed a concept note that will provide the basis for a poverty eradication strategy for the new government of national unity.

## V. STAFF APPRAISAL

25. **The staff welcomes the authorities' efforts to maintain economic policies on track.** Overall performance, thus far, has been satisfactory, and economic outcome has been stronger than anticipated under the program. The implementation of the program for the remainder of the year would be a challenging task, but it is necessary to ensure macroeconomic stability (particularly in light of signs of overheating), and prepare the ground for the post-conflict economic challenges.

26. **The strong fiscal performance in the first half is welcome.** In particular, the substantial improvement in non-oil revenue and continued saving of oil revenues in the OSA, despite higher prices and production, are important indications of the authorities'

commitment to avoiding excessive reliance on rapidly rising oil revenues. The staff welcomes the authorities' intention to spend the projected higher revenues on Darfur relief and security operations, reduction in domestic arrears, additional social programs and development projects. The use of additional oil revenues to support emergency spending in Darfur is appropriate, particularly in light of the higher than projected international oil prices.

27. **The staff welcomes the authorities' readiness to tighten monetary policy.** The measures implemented in June 2004 and those planned for the remainder of the year are appropriate and necessary to slow down the rapid monetary growth, to mitigate the impact of rising government spending in the second half of the year, and ease concerns about a possible deterioration in banks' loan quality.<sup>9</sup> The faster-than-expected economic growth has likely raised money demand and justifies a higher-than-programmed monetary growth. However, the current pace of monetary expansion remains high and it has been fueling a steady rise in inflation. The staff urges the authorities to take additional measures, as necessary, slow down broad money growth in order to contain inflationary pressures and maintain macroeconomic stability. The staff also emphasizes the importance, in the period ahead, of continued close coordination between fiscal and monetary policies to ensure that rising government spending does not undermine monetary actions.

28. **The steps taken by the authorities to address the rigidities in the foreign exchange market are appropriate and timely.** These steps should increase exchange rate flexibility and augment the efforts to reduce the pace of monetary growth. The staff agree with the authorities that the managed-float exchange rate regime in place at present remains appropriate given the current development and depth of the local foreign exchange market. The staff also agree with the authorities' assessment that in the near future, exchange rate adjustments should not have significant adverse impact on external competitiveness.

29. **The authorities' intention to develop a three-year tariff reform plan is an important signal of Sudan's commitment to open trade.** These efforts should strengthen Sudan's external sector, improve the efficiency of its economic system, and prepare it well to meet the anticipated mandates of the coming COMESA customs union agreement. The staff share the authorities' view that the approach to tariff reform should be cautious in light of the expected high demand on fiscal resources next year to support the mandates of the peace agreement. In this respect, coordinating the phasing in of the reforms with compensatory revenue measures will be important.

30. **The staff welcomes the continued progress on the structural reform front.** The staff emphasizes, in particular, the importance of moving faster on fully operationalizing the Monetary Operations and Cash Management Units at the BOS and the MOF, respectively, deepening the market for Government Investment Certificates, and further improving the transparency of the oil sector. These steps will be important to strengthen economic management capacity and further enhance Sudan's ability to meet the post-conflict challenges. Further technical assistance would be needed in the context of post-conflict

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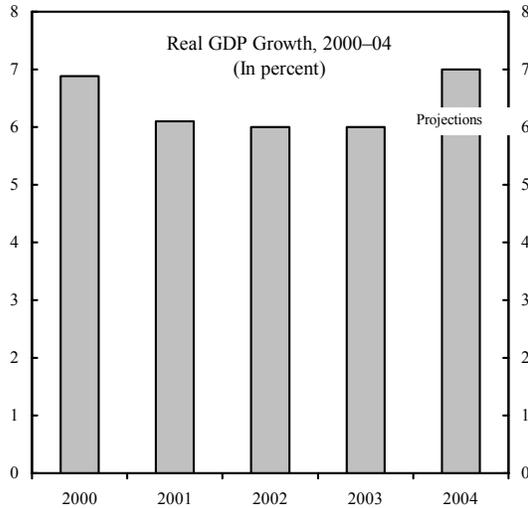
<sup>9</sup> The on-going FSAP will examine issues related to financial sector soundness and development.

capacity building, including in particular budget classification, fiscal federalism, and financial programming.

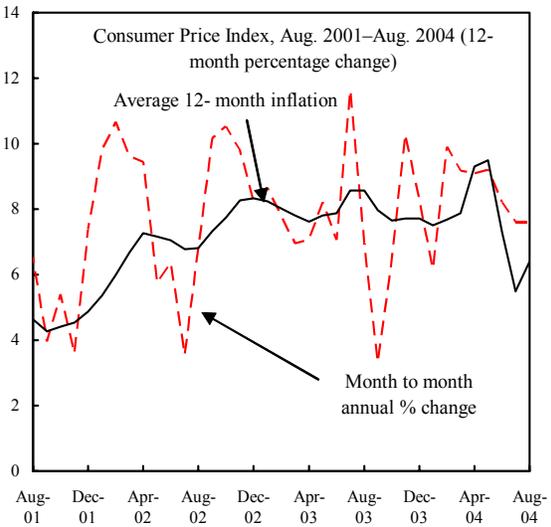
31. **The prospect of a peace agreement for next year is welcome, but the authorities will face a challenge at the onset to finance the peace-related costs while protecting the hard-earned macroeconomic stability.** The challenge will further be exacerbated by the need to stabilize and rehabilitate the Darfur region. The staff recognizes the difficulties in quantifying these costs at present, pending the finalization of the peace agreement in the south and the efforts to normalize the situation in Darfur. The staff also recognizes that the peace-related costs could exceed Sudan's capacity to finance them and could result in substantial financing gap next year. The ongoing work of the needs-assessment mission, led by the UN and World Bank with Fund participation, should help identify the financing gap and mobilize donor support to close it. In this context, developments in Darfur may have a bearing on the timing of donor participation, including eventually in the HIPC initiative. Nevertheless, the staff urges the authorities to identify, in the context of the 2005 budget, potential sources of additional revenues and expenditure savings. These could include, inter alia, further reductions in tax and customs exemptions and increase in the VAT rate, as well as containing the growth of the wage bill. Over the medium term, more revenue could be mobilized from the ongoing reforms of the tax system.

Figure 1. Sudan: GDP, Prices, External, and Fiscal Developments, 2000–04

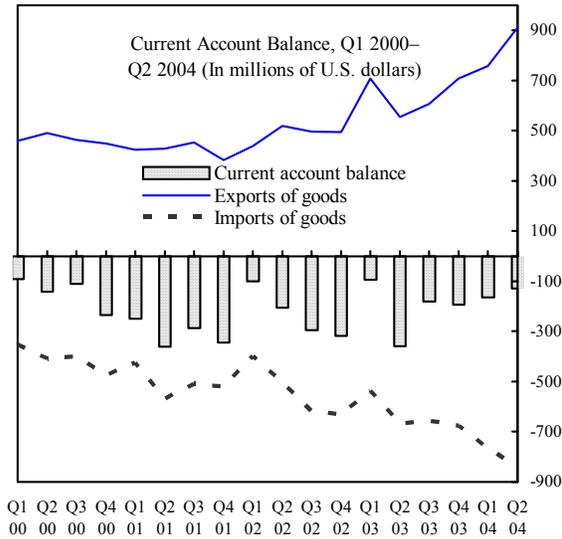
*Economic growth for 2004, is expected to perform better than projected (6.6 percent).*



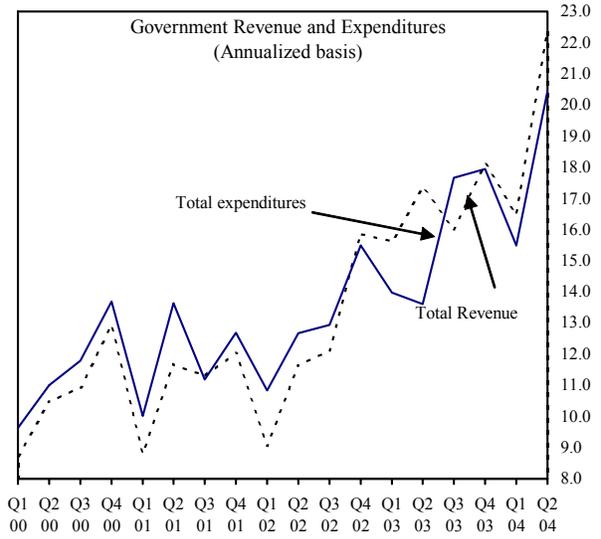
*Higher broad money growth in the first five months of 2004 led to an increase, on average, in inflation.*



*The current account deficit declined in first half of 2004 due to higher exports and private transfers.*



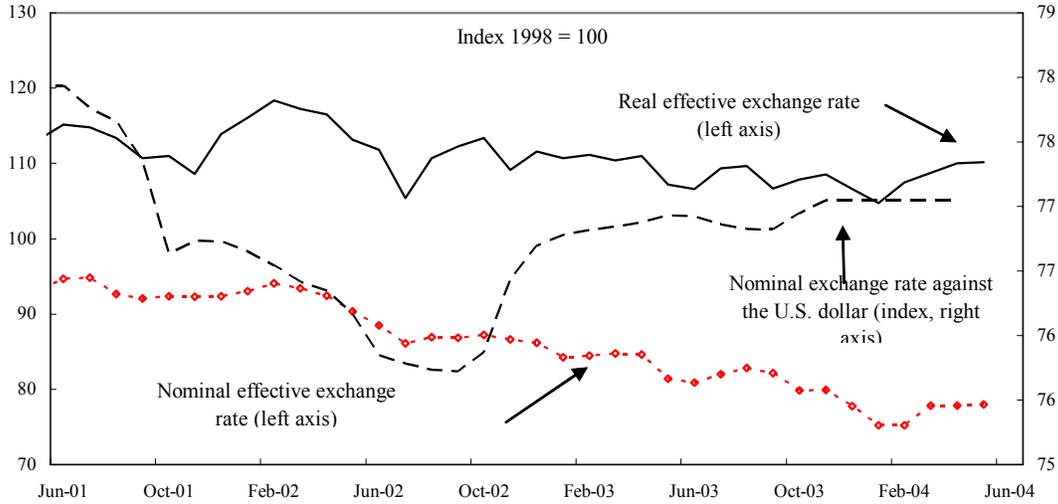
*The overall deficit was better than programmed in first half of 2004.*



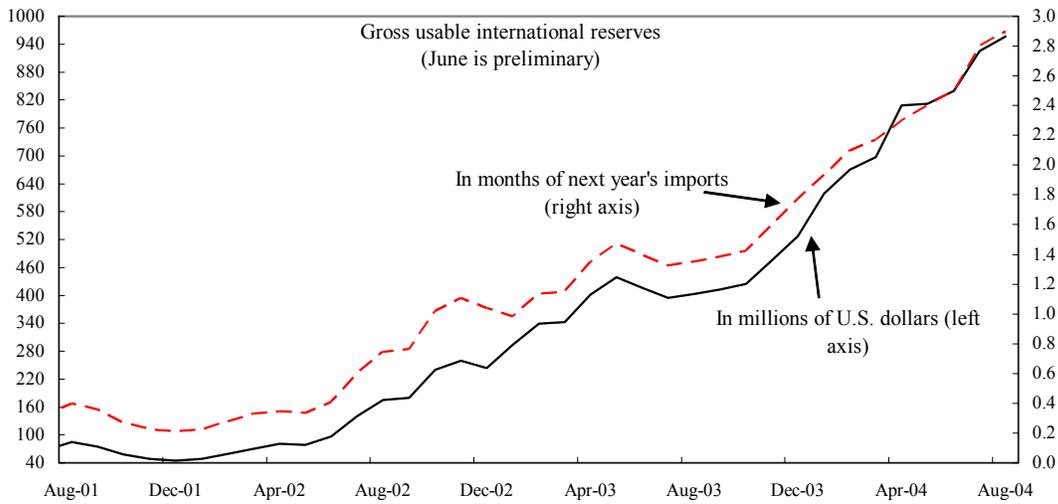
Sources: Sudanese authorities; and Fund staff estimates.

Figure 2. Sudan: Exchange Rate Indices and International Reserves, June 2001–August 2004

*The nominal and effective exchange rate against the U.S. dollar remained stable in first half of 2004.*

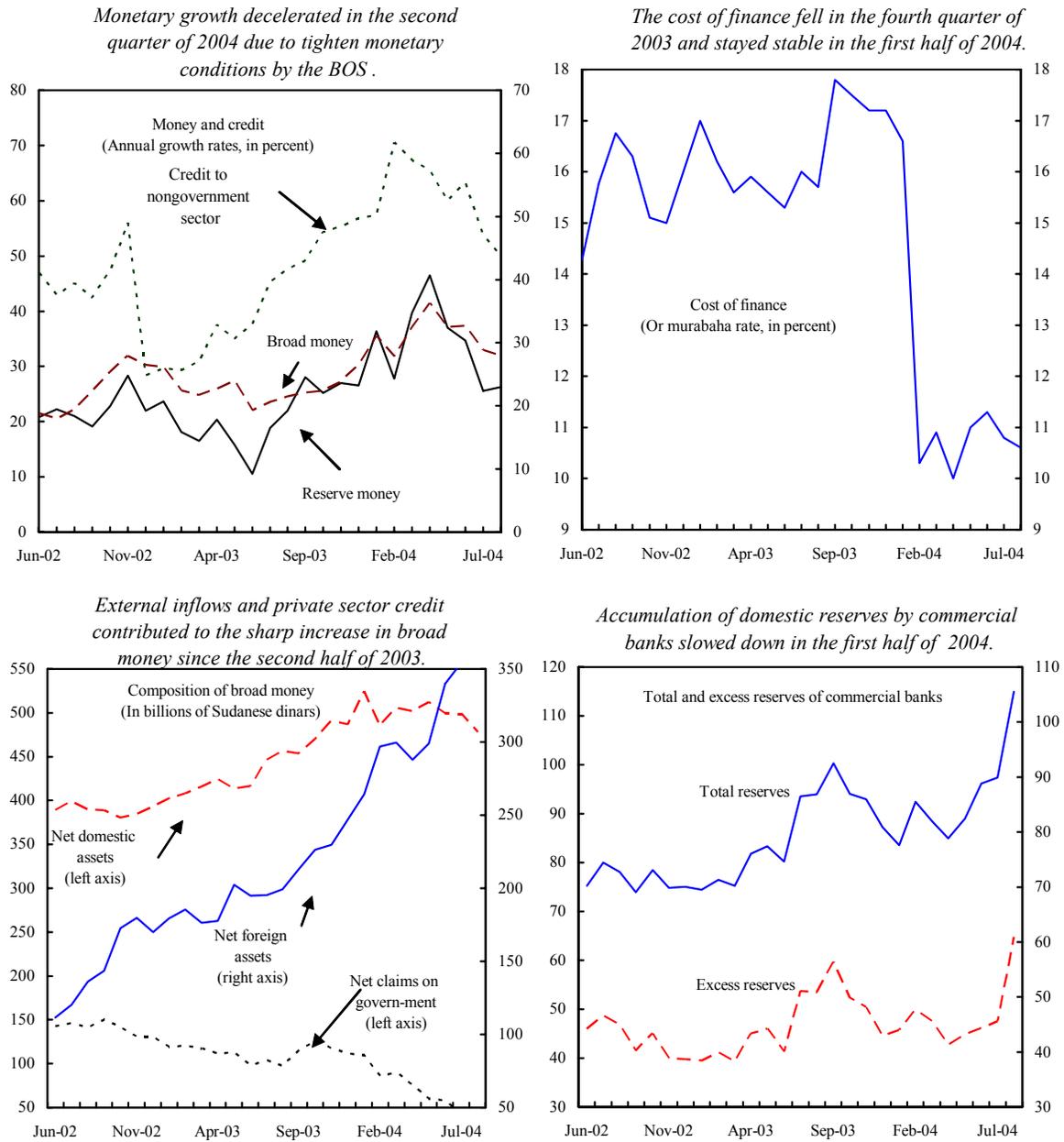


*The overall improvement in the BOP allowed a strong buildup in international reserves in first half of 2004.*



Sources: Bank of Sudan; and Information Notice System, IMF.

Figure 3. Sudan: Monetary Developments, June 2002–August 2004



Sources: Bank of Sudan; and Fund staff estimates.

Table 1. Sudan: Quantitative Indicative Targets, 2003–04

(In billions of Sudanese dinars; unless otherwise indicated)

	Dec. 2003	Cumulative Change During 2004 1/					
		1st	2nd	2nd	2nd	3rd	4th
		Quarter	Quarter	Quarter	Quarter	Quarter	Quarter
	Actual 2/	Actual	Midyear Program	Program w/Adjust	Midyear Actual	Indicative Target	End-year Program
BOS net domestic assets 3/	223.7	-16.1	8.3	-0.3	-50.0	16.5	35.5
Domestic financing of the fiscal deficit 4/	98.7	-27.4	6.9	-1.7	-64.9	8.5	-10.6
Contracting or guaranteeing of external nonconcessional debt by government and BOS 5/	147.0	0.0	0.0	0.0	0.0	0.0	0.0
BOS gross usable reserves (In millions of U.S. dollars) 6/	526.9	170.9	160.0	193.1	312.0	225.0	280.0
Payments to the Fund (in millions of U.S. dollars)	27.0	...	...	...	14.1	...	30.0
Memorandum items:							
Broad money 3/	734.1	72.2	56.5	...	105.3	105.0	161.5
Central government social expenditure 7/	53.0	...	...	...	34.0	...	86.4
Oil savings account (OSA)	45.2	9.1	32.2	...	40.8	44.1	54.6

Sources: Sudanese authorities; and Fund staff estimates and projections.

1/ Cumulative change from end of the previous year.

2/ Outstanding stock at end-of-year.

3/ Based on new presentation of the monetary data, consistent with Fund guidelines, adopted in January 2000. Net BOS financing is defined as borrowing by the government from the BOS (including GMCs) minus central government deposits at the BOS (excluding deposits accumulated in the OSA).

4/ Defined as total net borrowing by the government, including net borrowing from the BOS (including GMCs and change in deposits of the central government with the BOS but excluding the OSA), net sales of GMCs outside the BOS, revenues from privatization, and repayments of internal domestic debts.

5/ This indicative target applies not only to debt as defined in point No. 9 of the Guidelines on Performance Criteria with Respect to Foreign Debt (Decision No 12274-(00/85), August 24, 2000), but also to commitments contracted or guaranteed, for which value has not been received. Debt will be deemed to be concessional when the currency-specific discount rate (determined by the market-related "commercial interest reference rates (CIRR)" as published by the OECD) applied to the contractual schedule of charges and principal payments, indicates a grant element of at least 35 percent. The indicative target excludes the financing of the Merowe hydropower project.

6/ In the new presentation of the Monetary Authorities' Accounts, gross usable reserves include foreign banknotes in the vaults of the BOS.

7/ Central government expenditure on medical care; health services; poor students' support; supplement to poor consumer of electricity; social and health insurance; water, health, and education development.

Table 2. Sudan: Structural Benchmarks for 2004

Policy Area	Status of Implementation
<p>Prior Actions</p> <ol style="list-style-type: none"> <li>1. Enforce a ban, through a ministerial decree distributed to all line ministers, on all discretionary tax exemptions.</li> <li>2. Constitute the cash management unit (CMU), appoint a cash release committee, and draft an action plan to operationalize the CMU.</li> <li>3. Adopt a two-year program to align the budget classifications with the GFS.</li> <li>4. Develop an action plan to reform the fiscal reporting system.</li> <li>5. Establish a Debt Policy and Monitoring Committee to guide the formulation and implementation of a debt strategy and to evaluate all new loans.</li> <li>6. Prepare a time bound action plan to audit and consolidate the accounts of all subsidiaries of Sudan Petroleum Corporation, and launch a program to align their accounting system with international standards.</li> </ol>	<p>Done</p> <p>Done</p> <p>Done</p> <p>Done</p> <p>Done</p> <p>Done</p>
<p>By end-June 2004</p> <ol style="list-style-type: none"> <li>1. Prepare a fiscal budget cash plan on a monthly basis for the second half of 2004. The cash plan must be approved by the cash release committee, and presented to the Bank of Sudan (BOS).</li> <li>2. Begin to transfer VAT collected by customs to the taxation department on a daily basis.</li> <li>3. Activate the large tax payer unit.</li> <li>4. Classify, as a technical exercise, the 2004 budget sectors into the GFS functions.</li> <li>5. Adopt a universal taxpayer identification number.</li> </ol>	<p>Done</p> <p>Not Done (Currently on weekly basis)</p> <p>Done</p> <p>Done</p> <p>Not Done</p>
<p>By end-December 2004</p> <ol style="list-style-type: none"> <li>1. Complete a review of all regulations and agreements which grant tax exemptions and develop an action plan to streamline the regulations in the context of the 2005 budget.</li> <li>2. Broaden the definition of large taxpayers to include individuals.</li> <li>3. Eliminate all tax privileges of the four major oil distribution companies.</li> <li>4. Develop a new three-year tariff reform program that will be implemented in the context of the 2005 budget.</li> <li>5. Formulate an external debt policy of the public sector and have it approved by the Cabinet of Ministers.</li> </ol>	

Table 3. Sudan: Selected Economic and Financial Indicators, 2001–04

	Actual 1/			Projections
	2001	2002	2003	2004
(Annual changes in percent)				
National income, production, and prices				
Nominal GDP (in billions of Sudanese dinars)	3,376	3,876	4,425	5,090
Population (in millions) 2/	32	...	...	...
GDP per capita (in U.S. dollars)	412	...	...	...
Real GDP growth	6.1	6.0	6.0	7.0
Real non-oil GDP growth	4.8	5.0	5.5	5.8
Average CPI inflation	4.9	8.3	7.7	6.5
12-month CPI inflation (end of period)	7.4	8.3	8.3	6.5
(In percent of GDP)				
Investment and savings				
Gross domestic investment	18.3	19.1	19.1	21.2
Government sector	2.3	3.1	3.1	5.2
Nongovernment sector	16.0	16.0	16.0	16.0
Gross domestic savings	10.3	12.8	14.6	17.5
Government sector	2.2	3.5	5.7	7.4
Nongovernment sector	8.1	9.2	8.9	10.1
Net exports of goods and nonfactor services	-8.0	-6.3	-4.4	-3.7
Central government operations				
Total revenue	11.0	12.1	16.8	21.1
Total expenditure	11.9	13.0	15.8	20.0
Overall balance (cash) 3/	-0.9	-0.8	1.0	1.1
(Changes in percent of beginning broad money stock)				
Money and credit 4/				
Net foreign assets (excluding valuation changes)	-8.6	23.2	13.7	25.3
Net domestic assets	33.3	7.2	16.6	-0.3
Net domestic credit	25.9	8.7	16.7	-2.1
Net claims on central government	9.0	-1.5	-3.4	-10.5
Claims on nongovernment sectors	16.9	10.2	20.1	8.4
Other items (net)	7.4	-1.5	-0.1	1.9
Broad money	24.7	30.3	30.3	25.0
Reserve money (change in percent)	3.7	22.0	26.6	22.0
Velocity (average)	7.7	7.6	6.9	5.5
(In millions of U.S. dollars; unless otherwise indicated)				
External sector				
Exports, f.o.b.	1,699	1,949	2,577	3,615
<i>of which oil</i>	1,377	1,511	2,082	2,940
Imports, f.o.b	-2,031	-2,153	-2,536	-3,398
Volume growth (in percent)				
Exports	-27.1	41.7	-9.0	30.5
Imports	31.6	5.6	9.2	29.9
External current account balance 5/	-1,289	-918	-827	-555
In percent of GDP	-9.9	-6.2	-4.9	-2.8
Terms of trade (non-oil exports/non-oil imports)	-3.0	-3.6	13.7	1.0
Real effective exchange rate (end of period, change in percent)	8.0	-2.0	-4.5	...
Official exchange rate (end of period, SD/US\$)	261.4	261.7	260.4	254.0
Total external debt service (percent of current receipts)				
Commitment basis	38.4	24.1	24.2	19.1
Actual payments	5.1	3.9	6.1	5.5
External debt (in billions of U.S. dollars)	20.9	23.6	24.1	26.4
Bank of Sudan gross usable reserves (in millions of U.S. dollars)	44.9	243.6	526.9	1,142.4
In months of next year's imports	0.2	1.0	1.8	3.0
Crude oil export price (US\$ per barrel)	22.0	23.0	27.0	34.9

Sources: Fund staff estimates and projections based on information provided by the Sudanese authorities.

1/ National accounts data for 2001–03 are Fund staff estimates.

2/ Estimates for 2002 onwards are not available.

3/ Including the oil savings account (OSA).

4/ Definition of broad money in 2001 is based on the new presentation of monetary aggregates, adopted in Jan. 2000.

5/ On cash basis.

Table 4. Sudan: Summary Balance of Payments, 2002–04

	2002	2003	Prog. 2004	Proj. 2004
(In millions of U.S. dollars)				
Current account balance	-1,472	-1,457	-1,649	-1,199
Current account balance (on cash basis)	-918	-827	-1,000	-555
Trade balance	-204	40	-31.2	217
Exports, f.o.b.	1,949	2,577	3,001	3,615
Crude oil	1,397	1,968	2,339	2,811
Petroleum products	114	114	116	130
Non-oil products	438	494	546	674
Imports, f.o.b.	-2,153	-2,536	-3,032	-3,398
Foodstuffs	-388	-370	-412	-460
Petroleum products	-115	-131	-105	-82
Machinery and transport equipments	-771	-992	-1,234	-1,525
Manufactured goods	-488	-641	-823	-824
Other	-390	-402	-457	-507
Services (net)	-724	-794	-972	-933
Receipts	47	36	38	43
Payments	-771	-831	-1,011	-976
<i>Of which:</i> oil transportation costs	-414	-395	-471	-436
Income (net)	-1,210	-1,422	-1,466	-1,541
Receipts	19	10	18	13
Payments	-599	-691	-725	-716
<i>Of which:</i> public interest due 1/	-583	-690	-714	-714
<i>Of which:</i> interest cash payments	-29	-60	-65	-70
Oil related expenses 2/	-631	-740	-759	-838
Current transfers (net)	666	718	821	1,058
Private transfers	634	708	761	1,014
Public transfers	32	10	60	44
Capital account	2	0	0	0
Financial account (net)	556	1,072	1,219	1,141
Disbursements	30	85	370	255
Amortization	-166	-239	-280	-280
<i>Of which:</i> cash payments	-84	-161	-201	-200
Short-term capital flows (net) 3/	222	139	28	23
Commercial banks NFA (increase -)	-163	-5	-35	-56
FDI and portfolio (net)	633	1,092	1,136	1,199
Errors and omissions	481	89	0	7
Overall balance	-433	-296	-430	-51
Overall balance (on cash basis)	203	412	298	674
Change in official reserves (increase -)	-244	-434	-298	-674
IMF (net)	-8	-12	-18	-18
Total payments to the Fund	-24	-26	-30	-30
Change in arrears on charges	16	14	12	12
Usable foreign reserves (increase -)	-199	-283	-280	-616
Other foreign reserves (increase -) 4/	-37	-139	0	-40
Exceptional financing	677	730	728	724
Change in non-Fund arrears	636	708	728	724
Debt relief	0	0	0	0
Privatization receipts	41	22	0	0
Financing gap	0	0	0	0
(In percent of GDP)				
Memorandum items:				
Current account	-10.0	-8.6	-8.7	-6.1
Current account (on cash basis)	-6.2	-4.9	-5.2	-2.8
(on cash basis, net of official transfers)	-6.5	-4.9	-5.6	-3.1
Current transfers (net)	4.5	4.2	4.3	5.4
<i>Of which:</i> private transfers	4.3	4.2	4.0	5.2
Gross usable reserves (in millions of U.S. dollars)	244	527	807	1,142
(In months of next year's imports)	1.0	1.6	2.5	3.0
(Percent change)				
Exports (value)	14.7	32.2	16.5	40.3
Non-oil export (value)	36.0	12.8	10.4	36.4
Imports (value)	6.0	17.8	19.5	34.0
Terms of trade (non-oil exports/non-oil imports)	-3.6	13.7	-2.2	1.0
Nominal GDP (in millions of U.S. dollars)	14,720	16,957	19,059	19,546
Crude oil exports (volume, 000 barrels)	62,179	72,921	82,940	80,650
Crude oil price (US\$ per barrel)	23.0	27.0	28.2	34.9

Sources: Sudanese authorities; and Fund staff estimates and projections.

1/ Includes estimates of late interest accrued during the year and Fund special charges.

2/ Includes payments to oil companies related to profit-sharing arrangements.

3/ Net short-term trade and other credit facilities of the Bank of Sudan and commercial banks.

4/ Includes earmarked active reserve assets of the Bank of Sudan.

Table 5. Sudan: Central Government Operations, 2001–2004

	2001	2002	2003	2004			
				Jan-Jun		Proj.	Prog.
				Est.	Prog.		
(In billions of Sudanese dinars)							
<b>Total revenues</b>	<b>370</b>	<b>471</b>	<b>742</b>	<b>493</b>	<b>423</b>	<b>1,072</b>	<b>937</b>
Tax revenue	189	213	270	192	171	413	372
Direct taxes	41	41	52	34	35	71	69
Indirect taxes	147	172	218	158	136	341	304
Nontax revenue	181	257	472	301	252	659	565
Departmental fees	10	13	11	7	9	17	20
National revenues	171	244	461	294	243	642	545
Non-oil	21	34	39	48	30	84	55
Oil	150	211	423	246	214	558	490
Crude Oil	149	183	389	244	214	555	490
o/w export	64	84	296	190	170	450	372
o/w OSA	...	10	36	37	31	105	55
Profits from sales of petroleum products	1	28	34	3	0	3	0
<b>Total expenditure</b>	<b>401</b>	<b>503</b>	<b>699</b>	<b>456</b>	<b>455</b>	<b>1,016</b>	<b>999</b>
Current expenditure	322	385	564	327	330	751	718
Chapter one (Wages and Salaries)	132	165	191	107	122	267	264
Chapter two (Other current spending)	166	187	321	181	162	393	354
Debt service paid	26	51	73	40	32	75	65
Goods and services	49	50	55	32	41	77	83
General reserve	60	50	104	56	35	150	120
Other	31	35	90	53	38	91	86
Chapter three (Current transfers to states)	25	33	51	39	47	92	99
Capital expenditure	79	119	135	129	125	265	282
Domestically financed 1/	73	109	113	103	81	190	173
Foreign financed	5	10	22	26	44	54	109
<b>Overall balance (cash basis)</b>	<b>-31</b>	<b>-33</b>	<b>43</b>	<b>37</b>	<b>-32</b>	<b>56</b>	<b>-62</b>
<b>Financing</b>	<b>31</b>	<b>33</b>	<b>-43</b>	<b>-37</b>	<b>32</b>	<b>-56</b>	<b>62</b>
Foreign financing 1/	5	10	-15	2	26	20	74
Domestic financing	39	8	-18	-52	-3	-84	-11
BOS	29	-22	-32	-35	-26	-104	-45
GMCs (net)	20	-17	-1	13	3	3	5
Temporary advances	10	13	7	0	2	0	5
Deposits	-1	-18	-38	-48	-31	-108	-55
o/w OSA	0	-10	-36	-37	-31	-105	-55
DMBs	2	16	13	1	19	29	22
GMCs (net)	0	13	14	0	19	30	22
Advances	3	0	0	2	0	0	0
Deposits	-1	2	-1	0	0	-1	0
Non-banks	13	12	29	0	17	23	21
Domestic arrear repayments	-7	-8	-30	-17	-13	-32	-15
Privatization	3	11	2	0	0	0	6
Floats & discrepancies	-14	14	-9	13	9	8	0
<b>Memorandum items</b>							
Non-oil revenue 2/	221	288	353	249	209	516	447
Crude oil revenue (excl. the OSA)	149	173	353	207	183	450	435
Social spending	...	46	56	34	43	86	86
Primary domestic balance (non-oil)	-148	-155	-186	-98	-127	-284	-292
Domestic financing excl. OSA	39	18	18	-15	28	21	44
Domestic financing excl. OSA, arrears repayment and privatization	44	16	46	2	40	53	53
Nominal GDP (at factor cost)	3,376	3,876	4,425	5,072	5,072	5,090	5,072

Table 5. Sudan: Central Government Operations, 2001–2004 (concluded)

	2001	2002	2003	2004			
				Jan-Jun		Proj.	Prog.
				Est.	Prog.		
(In percent of GDP)							
<b>Total revenues</b>	<b>11.0</b>	<b>12.1</b>	<b>16.8</b>	<b>9.7</b>	<b>8.3</b>	<b>21.1</b>	<b>18.5</b>
Tax revenue	5.6	5.5	6.1	3.8	3.4	8.1	7.3
Direct taxes	1.2	1.1	1.2	0.7	0.7	1.4	1.4
Indirect taxes	4.4	4.4	4.9	3.1	2.7	6.7	6.0
Nontax revenue	5.4	6.6	10.7	5.9	5.0	12.9	11.1
Departmental fees	0.3	0.3	0.2	0.1	0.2	0.3	0.4
National revenues	5.1	6.3	10.4	5.8	4.8	12.6	10.7
Non-oil	0.6	0.9	0.9	0.9	0.6	1.6	1.1
Oil	4.4	5.4	9.5	4.9	4.2	11.0	9.7
Crude Oil	4.4	4.7	8.8	4.8	4.2	10.9	9.7
<i>Of which</i> : Export	...	2.2	6.7	3.8	3.4	8.8	7.3
<i>Of which</i> : OSA	...	0.3	0.8	0.7	0.6	2.1	1.1
<b>Total expenditure</b>	<b>11.9</b>	<b>13.0</b>	<b>15.8</b>	<b>9.0</b>	<b>9.0</b>	<b>20.0</b>	<b>19.7</b>
Current expenditure	9.6	9.9	12.7	6.4	6.5	14.8	14.1
Chapter one (Wages and Salaries)	3.9	4.3	4.3	2.1	2.4	5.2	5.2
Debt service paid 3/	0.8	1.3	1.6	0.8	0.6	1.5	1.3
Goods and services	1.4	1.3	1.2	0.6	0.8	1.5	1.6
General reserve	1.8	1.3	2.3	1.1	0.7	2.9	2.4
Chapter three (Current transfers to states)	0.7	0.8	1.2	0.8	0.9	1.8	2.0
Capital expenditure	2.3	3.1	3.1	2.5	2.5	5.2	5.6
Domestically financed 1/	2.2	2.8	2.5	2.0	1.6	3.7	3.4
Foreign financed	0.2	0.2	0.5	0.5	0.9	1.1	2.1
<b>Overall balance (cash basis)</b>	<b>-0.9</b>	<b>-0.8</b>	<b>1.0</b>	<b>0.7</b>	<b>-0.6</b>	<b>1.1</b>	<b>-1.2</b>
<b>Financing</b>	0.9	0.8	-1.0	-0.7	0.6	-1.1	1.2
Foreign financing 1/	0.2	0.2	-0.3	0.0	0.5	0.4	1.5
Domestic financing	1.2	0.2	-0.4	-1.0	-0.1	-1.6	-0.2
DMBs	0.1	0.4	0.3	0.0	0.4	0.6	0.4
Nonbanks	0.4	0.3	0.6	0.0	0.3	0.5	0.4
Domestic arrear repayments	-0.2	-0.2	-0.7	-0.3	-0.2	-0.6	-0.3
Privatization	0.1	0.3	0.0	0.0	0.0	0.0	0.1
Floats & discrepancies	-0.4	0.4	-0.2	0.3	0.2	0.2	0.0
<b>Memorandum items</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
Non-oil revenue 2/	6.5	7.4	8.0	4.9	4.1	10.1	8.8
Crude oil revenue (excl. OSA)	4.4	4.5	8.0	4.1	3.6	8.8	8.6
Social spending	...	1.2	1.3	0.7	0.9	1.7	1.7
Primary domestic balance (non-oil) 3/	-4.7	-4.3	-4.6	-2.2	-2.9	-6.4	-6.6
Domestic financing excl. OSA	...	0.5	0.4	-0.3	0.5	0.4	0.9
Domestic financing excl. OSA, arrears repayment and privatization	...	0.4	1.0	0.0	0.8	1.0	1.0

1/ Repayments for oil projects for 2003 and 2004 hitherto classified as capital participation in refinery have been reclassified as principal repayments.

2/ Total revenue less crude oil revenue.

3/ As percent of non-oil GDP.

Table 6. Sudan: Monetary Survey, 2002-04 1/  
(In billions of Sudanese dinars)

	Actual						Prog.				Proj.		
	Dec. 2002	Mar. 2003	Jun. 2003	Sep. 2003	Dec. 2003	Mar. 2004	Jun. 2004	Jul. 2004	Aug. 2004	Jun. 2004	Sep. 2004	Dec. 2004	Dec. 2004
Net foreign assets	-627.0	-620.2	-606.2	-594.8	-570.0	-512.5	-466.4	-452.4	-435.2	-526.5	-508.4	-496.2	-393.2
Bank of Sudan	-741.2	-722.8	-706.1	-710.2	-685.4	-639.8	-588.5	-572.2	-559.4	-643.3	-626.1	-611.6	-520.7
Commercial banks	114.2	102.6	100.0	115.3	115.5	126.2	122.1	119.9	124.3	116.8	117.8	115.5	127.5
Counterpart to valuation changes 2/	796.8	796.6	801.1	808.2	817.0	812.0	804.7	806.8	802.6	824.0	830.0	834.0	825.8
Net foreign assets (excluding valuation adjustment)	169.9	176.5	195.0	213.3	247.1	299.6	339.7	354.4	367.5	297.6	321.7	337.9	432.6
Net domestic assets	393.4	415.9	416.5	454.8	487.0	506.1	499.6	498.2	494.3	493.1	517.4	557.7	485.0
Net domestic credit	329.7	325.3	331.6	380.8	423.8	439.9	439.3	421.3	425.4	420.1	444.4	484.7	408.1
Net claims on central government	130.8	117.7	97.9	114.9	111.7	90.1	57.7	41.3	44.7	103.1	97.6	89.0	34.6
Bank of Sudan	115.0	103.6	77.7	95.3	83.1	63.9	31.9	15.3	13.8	55.8	47.0	38.4	-24.0
Claims	142.2	148.4	146.3	167.8	147.9	148.9	158.5	157.3	155.8	152.9	155.9	157.9	148.3
Deposits	27.3	44.8	68.6	72.5	64.8	85.0	126.6	142.0	142.0	97.0	108.9	119.4	172.3
Of which: OSA	10.1	18.9	42.3	50.1	45.2	54.3	86.0	93.1	98.5	77.4	89.3	99.8	150.3
Commercial banks	15.8	14.1	20.2	19.7	28.6	26.2	25.8	26.0	30.9	47.3	50.6	50.6	58.6
Claims on nongovernment sectors	198.9	207.6	233.7	265.9	312.1	349.8	381.6	380.0	380.7	316.9	346.8	395.7	373.5
Other items (net)	63.7	90.5	84.9	74.0	63.2	66.2	60.3	76.8	68.9	73.0	73.0	73.0	76.9
Broad money	563.3	592.3	611.5	667.2	734.1	818.7	839.3	853.4	863.9	790.6	839.1	895.6	917.6
Currency outside banks	193.6	198.2	193.8	207.3	240.2	268.5	254.2	262.6	260.4	253.0	268.5	286.6	293.6
Deposits	369.7	394.1	417.6	459.9	493.9	550.2	585.2	590.8	603.5	537.6	570.6	609.0	624.0
Memorandum items:													
Reserve money (in billions of Sudanese dinars)	280.3	289.9	286.8	332.1	354.8	399.6	389.9	401.7	407.6	380.1	399.6	426.5	432.8
Reserve money (annual percentage change)	22.0	16.5	10.5	28.1	26.6	39.7	35.9	25.8	26.3	32.4	20.3	20.2	22.0
Broad money (annual percentage change)	30.3	24.8	22.1	25.3	30.3	37.1	37.3	33.0	32.5	29.3	25.8	22.0	25.0
Credit to nongovernment (annual percentage change)	28.5	30.9	37.6	50.9	56.9	49.7	63.3	52.9	47.8	35.6	30.4	26.8	19.7
Currency to broad money (in percent)	34.4	33.5	31.7	31.1	32.7	32.8	30.3	30.8	30.1	32.0	32.0	32.0	32.0
Currency to dinar broad money (in percent)	46.4	45.1	43.5	42.1	43.6	44.50	41.8	42.4	43.1	...	...	...	...
Excess reserves to reserve money (in percent)	14.2	13.6	14.4	18.0	12.6	11.6	11.8	11.9	15.9	14.2	13.9	14.4	11.3
Excess reserves to broad money (in percent)	7.1	6.5	6.7	7.0	6.1	5.7	5.5	5.6	7.5	6.8	6.6	6.9	5.4
Foreign currency deposits to total deposits (in percent)	39.6	38.7	39.6	38.1	37.2	39	38.8	39.0	39.3	...	...	...	...
Broad money multiplier	2.0	2.0	2.1	2.0	2.1	2.0	2.2	2.1	2.1	2.1	2.1	2.1	2.1
Velocity (average)	7.6	...	...	...	6.9	...	...	...	...	...	...	...	5.6
Usable international reserves/broad money (in percent)	11.3	15.1	17.7	16.2	18.7	22.6	25.9	28.1	28.6	23.0	23.7	23.9	29.4
Usable international reserves (in millions of U.S. dollars)	244	342	416	413	527	697	839	925	955	687	752	807	1,062
Usable international reserves													

Sources: Sudanese authorities; and Fund staff estimates.

1/ Revised presentation, consistent with the Fund guidelines adopted in January 2000.

2/ In 2004, calculated using the exchange rate projected for end-December.

Table 7. Sudan: Monetary Authorities' Accounts, 2002-04 1/  
(In billions of Sudanese dinars)

	Actual												Proj.		
	Dec. 2002	Mar. 2003	Jun. 2003	Sep. 2003	Dec. 2003	Mar. 2004	Jun. 2004	Jul. 2004	Aug. 2004	Jun. 2004	Sep. 2004	Dec. 2004	Dec. 2004	Dec. 2004	
Net foreign assets	-741.2	-722.8	-706.1	-710.2	-685.4	-638.6	-588.5	-572.2	-559.4	-643.3	-626.1	-611.6	-520.7		
Foreign assets	119.8	134.7	157.6	167.7	229.7	256.6	302.2	312.6	318.6	271.9	289.0	303.5	376.2		
Foreign liabilities	861.0	857.5	863.8	877.9	915.2	896.2	890.7	884.8	878.1	915.2	915.2	915.2	896.9		
Counterpart to valuation changes 2/	796.1	795.6	799.9	808.0	816.6	810.6	804.7	805.2	801.0	823.6	829.6	833.6	825.8		
Net domestic assets	225.3	217.1	193.0	234.9	223.7	207.6	173.7	168.7	166.1	199.7	196.1	204.5	127.7		
Net domestic credit	137.1	130.4	109.5	150.6	131.2	115.9	88.7	71.3	166.1	94.7	91.1	99.5	28.2		
Net claims on central government	115.0	103.6	77.7	95.3	83.1	63.9	31.9	15.3	166.1	55.8	47.0	38.4	-23.9		
Claims	142.2	148.4	146.3	167.8	147.9	148.9	158.5	157.3	155.8	152.9	155.9	157.9	148.4		
Temporary advances	30.9	34.2	32.8	42.5	37.5	37.5	40.5	37.5	37.5	28.0	30.0	31.0	37.5		
Government securities	3.9	6.8	6.1	17.8	2.9	3.9	10.5	12.4	10.9	17.4	18.4	19.4	3.4		
Long-term claims	107.5	107.5	107.5	107.5	107.5	107.5	107.5	107.5	107.5	107.5	107.5	107.5	107.5		
Deposits	27.3	44.8	68.6	72.5	64.8	85.0	126.6	142.0	166.1	97.0	108.9	119.4	172.3		
OSA	10.1	18.9	42.3	50.1	45.2	54.3	86.0	93.1	98.5	77.4	89.3	99.8	150.3		
Other deposits	17.2	25.9	26.3	22.4	19.6	30.7	40.6	48.9	166.1	19.6	19.6	19.6	22.0		
BOS claims on public enterprises	5.7	5.7	8.6	17.6	17.3	18.0	21.1	20.7	19.4	13.3	13.3	13.3	17.7		
BOS claims on banks	17.1	23.7	30.1	38.7	33.5	34.4	34.8	34.4	37.6	26.1	31.3	49.2	34.4		
Money market instruments (CMCs)	-0.8	-2.7	-6.8	-0.9	-2.8	-0.4	0.8	0.8	0.8	-0.5	-0.5	-1.5	0.0		
Other items (net)	88.2	86.7	83.6	84.3	92.5	91.6	83.4	96.6	92.3	105.0	105.0	105.0	99.5		
Reserve money	280.3	289.9	286.8	332.1	354.8	380.1	389.9	401.7	407.6	380.1	399.6	426.5	432.8		
Currency outside banks	193.6	198.2	193.8	207.3	240.2	256.1	254.2	262.6	260.4	253.0	268.5	286.6	293.6		
Reserves of commercial banks	75.0	75.3	80.2	100.3	87.2	88.5	96.2	97.4	115.0	93.1	97.1	105.9	104.2		
Required reserves 1/	35.2	36.0	38.9	40.7	42.5	40.8	50.0	49.8	50.3	39.2	41.7	44.5	55.1		
Excess reserves	39.8	39.3	41.4	59.7	44.7	47.6	46.2	47.6	64.7	53.9	55.4	61.5	49.1		
Deposits at BOS included in broad money	11.7	16.4	12.7	24.4	27.4	35.5	39.4	41.7	32.2	34.0	34.0	34.0	35.0		

Sources: Sudanese authorities; and Fund staff estimates.

1/ Revised presentation, consistent with Fund guidelines, adopted in January 2000.

2/ In 2004, calculated using the program exchange rate.

Table 8. Sudan: Indicators of Debt Service Capacity, 2001–04

(In millions of U.S. dollars; unless otherwise indicated)

	2001	2002	2003	Proj. 2004
<b>Total debt service paid</b>	<b>160</b>	<b>137</b>	<b>247</b>	<b>300</b>
Payments to the Fund	55	26	28	30
Charges and interest falling due	27	17	14	17
Charges settled	3	3	1	2
Reduction in overdue obligations	52	23	26	28
Overdue obligations to the Fund	1,371	1,475	1,595	1,577
Overdue obligations to the Fund (in millions of SDRs)	1,091	1,085	1,074	1,065
Total debt service paid, in percent of:				
Exports of goods and nonfactor services	9.3	6.8	9.5	8.2
Net current receipts 1/	13.0	11.7	15.6	13.6
Gross official reserves	357	56	47	26
GDP	1.2	0.9	1.5	1.5
Payments to the Fund, in percent of:				
Exports of goods and nonfactor services	3.2	1.3	1.1	0.8
Net current receipts 1/	4.4	2.2	1.7	1.4
Gross official reserves	122.4	10.5	5.3	2.6
GDP	0.4	0.2	0.2	0.2
Quota 2/	25.8	11.1	11.0	11.9
External debt service	34.3	18.8	11.2	10.0
Overdue obligations to the Fund, in percent of:				
Exports of goods and nonfactor services	80	74	61	43
Net current receipts 1/	111	126	100	72
Gross official reserves	3,056	606	303	138
GDP	10.5	10.0	9.4	8.0
Quota 2/	643	639	633	628
External debt	6.5	6.2	6.2	6.0
Memorandum items:				
Exports of goods and services	1,713	1,996	2,613	3,658
Net current receipts 1/	1,235	1,167	1,590	2,204
Gross official reserves	45	244	527	1,142
In months of imports of next year's imports	0.2	1.0	1.6	3.0
GDP (in millions of U.S. dollars)	13,049	14,720	16,957	19,730
Quota (in millions of SDRs) 2/	169.7	169.7	169.7	169.7
External debt (including arrears)	20,948	23,609	25,709	26,380
Exchange rate (US\$/ SDR, end of period)	1.26	1.36	1.49	1.48

Source: Fund staff estimates.

1/ Current receipts adjusted for oil related payments for services and transfers to foreign investors, and net of change in reserves.

2/ As percent of Eighth Review Quota.

Table 9. Sudan: External Financing Requirements and Sources, 2001–04

(In millions of U.S. dollars)

	Actual			Proj.
	2001	2002	2003	2004
Gross financing requirements	2,213	1,877	2,001	2,196
External current account deficit (excluding official transfers)	2,122	1,504	1,467	1,243
Debt amortization	157	166	239	280
Medium- and long-term debt	157	166	239	280
Public sector	106	166	239	280
Multilateral 1/	55	57	70	54
Bilateral	51	109	168	226
Commercial banks	0	0	0	0
Private sector	51	0	0	0
Short-term debt 2/	0	0	0	0
Repayment of arrears	0	0	0	0
Gross reserves accumulation	-90	199	283	656
IMF repurchases and repayments (net)	24	8	12	18
Expected financing	2,213	1,877	2,001	2,196
Official transfers and grants	8	34	10	44
Debt financing	22	30	85	255
Official creditors	22	30	85	255
Multilateral	22	17	37	115
Bilateral	0	13	48	140
Foreign direct investment, and errors and omissions	1,286	1,155	1,203	1,206
IMF purchases and disbursements	0	0	0	0
Accumulation of arrears (exceptional)	881	636	708	724
Debt relief	0	0	0	0
Other flows 3/	16	22	-5	-33
Financing gap	0	0	0	0

Source: Fund staff estimates.

1/ Excluding the IMF.

2/ Original maturity of less than one year. Stock at the end of the previous period.

3/ Includes all other net financial flows.

**SUDAN: FUND RELATIONS**

As of September 30, 2004

**I. Membership Status:** Joined 09/05/57; Article VIII<sup>10</sup>

<b>II. General Resources Account:</b>	<u>SDR Million</u>	<u>% Quota</u>
Quota	169.70	100.00
Fund holdings of currency	498.81	293.94
Reserve position in Fund	0.01	0.01

<b>III. SDR Department:</b>	<u>SDR Million</u>	<u>% Allocation</u>
Net cumulative allocation	52.19	100.00
Holdings	0.28	0.54

<b>IV. Outstanding Purchases and Loans:</b>	<u>SDR Million</u>	<u>% Quota</u>
Stand-by Arrangements	191.63	112.92
Extended Arrangements	113.02	66.60
Contingency and Compensatory Financing Facility	24.44	14.40
Trust fund	59.23	34.90

**V. Financial Arrangements:**

<u>Type</u>	<u>Approval Date</u>	<u>Expiration Date</u>	<u>Amount Approved (SDR million)</u>	<u>Amount Drawn (SDR million)</u>
Stand-by	06/25/1984	06/24/1985	90.00	20.00
Stand-by	02/23/1983	03/09/1984	170.00	170.00
Stand-by	02/22/1982	02/21/1983	198.00	70.00

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<sup>10</sup> The staff are in the process of assessing Sudan's compliance with Article VIII.

**VI. Projected Obligations to the Fund:** (SDR million; based on existing use of resources and present holdings of SDRs):

	Overdue <sup>11</sup> 09/30/04	Forthcoming				
		2004	2005	2006	2007	2008
Principal	388.32					
Charges/Interest	<u>677.68</u>	<u>3.01</u>	<u>11.87</u>	<u>11.88</u>	<u>11.88</u>	<u>11.89</u>
Total	1,066.01	3.01	11.87	11.88	11.88	11.89

**VII. Exchange Rate Arrangements**

The legal tender is the Sudanese dinar, which replaced the Sudanese pound in proportion SDD 1=LSd 10 in 1999. Since October 1998, the exchange rate system has been unified—market participants determine the exchange rate and trade freely within a unified regulatory framework. In 2001, the foreign exchange market came under pressure and Bank of Sudan (BOS), in an effort to increase the flexibility of the system, introduced a formal band of  $\pm 1.5$  percent (later broadened to 2 percent) around the official rate and began auctioning its foreign exchange within the band. In May 2003, BOS adopted formally a managed-float exchange rate regime. The formal exchange rate band was abandoned and the auction system was replaced with direct transactions in the interbank market. BOS established an internal limit of  $\pm 2$  percent intraday fluctuations around the average daily market rate that will trigger its intervention. In 2004, BOS changes the permissible intraday exchange rate fluctuation from  $\pm 2$  percentage points to  $\pm 3$  percentage points. Sudan maintains one inoperative bilateral payments agreement with Egypt and an inoperative payment clearing account with the former Soviet Union.

**VIII. Article IV Consultation**

Sudan is on a 12-month consultation cycle. The last Article IV consultation discussion was held from August 16-28, 2003. The Staff Report (IMF Country Report No. 03/390, December 19, 2003) was discussed by the Executive Board on October 31, 2003.

<sup>11</sup> The projection of charges and interest assumes that overdue principal at the report date (if any) will remain outstanding, but forthcoming obligations will be settled on time.

## **IX. FSAP Participation**

An FSAP mission took place in October 9–14, 2004 and a follow up mission is expected in November–December 2004.

## **X. Technical Assistance**

In January 1995, the Executive Board decided to resume Fund selective technical assistance (TA) to Sudan. Since then, there have been the following TA missions: (i) reform of indirect taxation (August 1995; March, May, and October 1997; May, October, and November 1998; October 1999; and November 2000); (ii) multi-sector technical assistance in statistics (September/October 1995); (iii) exchange system reform (April and November 1997; May and September 1998); (iv) monetary management and banking supervision (June and November 1997; May, September, and December 1998; May and October 1999; November 2000; and November 2002); (v) government finance statistics (June 1997 and May 1998); (vi) monetary statistics (July 1997; February 2000; May 2000; February 2001; April 2001; and July 2003); (vii) balance of payments and monetary statistics (April 1999; and July 2003); (viii) expenditure control and management (September 1997; May 1998; May 2000; and November 2002); (ix) oil sector taxation (October 1999); (x) introduction of the VAT since October 1999; (xi) reform of direct taxation and revenue administration (November 2002, December 2003); (xii) training course on financial programming and policies (April 2000); (xiii) GDP and CPI statistics (March and September 2002; and February 2003); (xiv) General Data Dissemination System (GDSS) technical assistance (July 2003); (xv) Reform of Direct Taxes and Investment Incentives (March 2003); (xvi) Medium-Term Budgetary Framework (April 2003); and (xvii) monetary policy operations and introduction of a commodities futures/forward market in the agricultural sector (December 2003); (xviii) Islamic Compliant Monetary Instruments (October 2002). An MFD long-term banking supervision resident advisor was also assigned to the BOS from May 2001 to May 2003; (xix) Fiscal Cash Management and budget classification (February 2004); (xx) Fiscal cash management (May and September, 2004); and (xxi) Monetary policy operations (September 2004).

## **XI. Resident Representative**

The Fund's resident representative in Khartoum was withdrawn in June 1990.

## **SUDAN: RELATIONS WITH THE WORLD BANK<sup>12</sup>**

(As of October 2004)

The World Bank has no active lending portfolio in Sudan because of Sudan's default on its financial obligations to the Bank, which led to the suspension of disbursements in April 1993. As a result of discussions between the Bank and the Sudanese authorities on the need for Sudan to take steps towards normalizing its relations and establishing a track record with the Bank, the authorities started making "good faith" payments of \$1 million per month to the Bank starting in July 1999. Monthly payments of an equivalent of \$500,000 have been made since October 2002. The amount of payments has not been sufficient to prevent a continued accumulation of arrears, which stood at about \$315 million in September 2004 (from \$145 million at the end of 1999). Sudan's outstanding Bank debt, including arrears, is approximately \$1.3 billion.

The Bank was mostly absent from Sudan between 1992 and 2002. In the 1970s and 1980s, the Bank was a major player in the reconstruction of Sudan, following the Addis Ababa peace agreement of 1972. In the past years, the Bank has occasionally supported small initiatives, on a grant basis, such as the UNICEF's data-collection effort. As the prospects for peace rose, the Bank formulated a strategy for re-engaging with Sudan in the event of peace. This strategy, described in the Sudan Country Re-engagement Note (CRN), was discussed by the Executive Board of Directors on July 10, 2003. Main areas of emphasis in the CRN are: knowledge generation and sharing; capacity building to support policy reform; demonstration projects to improve delivery of social services; and resolution of the debt overhang.

To rebuild its knowledge base, the Bank completed the first economic report on Sudan in a decade, the Country Economic Memorandum (CEM), which focuses on the social and economic developments in Sudan from the early 1990s to present, and the status of macroeconomic, governance, and institutional reforms. The Bank has also engaged the government in policy dialogue on a variety of areas and, together with the Fund, is providing technical resource persons for the discussions around wealth sharing in the peace process.

Based on increased prospects for peace sometime in 2004, the Bank is co-leading (together with UNDP on behalf of the UN system) a Joint Assessment Mission (JAM), covering 8 thematic sectors (institutional development; rule of law; economic policy; productive sectors; basic social services; infrastructure; livelihoods and social protection; and information and media), and several cross-cutting issues, including: gender, environment and conflict. IMF staff are contributing to the economic policy cluster. Upon completion, the JAM will produce a "Framework for Transition, Reconstruction and Poverty Eradication", outlining the reconstruction needs for Sudan over the next six years. This Report will be presented at a

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<sup>12</sup>Prepared by World Bank staff.

Donors' Pledging Conference to be held in Oslo shortly after the signing of the Comprehensive Peace Agreement.

The Bank also recently organized a workshop with the Government and the Sudanese Peoples Liberation Movement (SPLM) to initiate work on a joint strategy for poverty eradication. IMF staff also participated. During this workshop, the parties reached an agreement on a shared vision for poverty eradication, with an articulation of strategic objectives and associated operational implications. A joint concept note was developed that provides the foundation for a Poverty Eradication Strategy for the new Government of National Unity that will be formed after the Comprehensive Peace Agreement.

To support capacity building and policy reform, a \$4.5 million LICUS Trust Fund grant for Sudan was approved by the LICUS Steering Committee in September 2004. This grant will focus on capacity building and institutional development of fiduciary and aid management systems both in the North and in the South. The trust fund complements two ongoing Post Conflict Fund grants totaling \$3.0 million.

In addition to the above, World Bank staff are working at a technical level with the IMF and other multilateral creditors to explore options for clearance of arrears and debt relief.

Once a peace agreement is signed and a comprehensive arrears clearance plan is agreed, the Bank is prepared to support Sudan with activities consistent with its framework for post conflict countries.

*Contact: Ms. Jill Armstrong, Country Program Coordinator for Sudan, tel. (202) 473-8471*

## **SUDAN: STATISTICAL ISSUES**

Available economic data are sufficient for program monitoring purposes in Sudan. However, there are many areas where further improvements are needed, particularly in compiling national accounts, state budgetary data, and external trade and financial statistics. This appendix discusses outstanding statistical issues by sector.

As a participant in the Department for International Development (DFID) project for Anglophone African countries, Sudan has been receiving technical assistance in various areas related to statistical issues. DFID financed three Statistics Department (STA) missions in June-July 2003 (monetary and financial statistics, balance of payments statistics, and GDDS metadata completion), contributing to Sudan's participation in the General Data Dissemination System (GDDS) starting in August 2003. In early 2004, Sudan also received assistance for the initial stages of preparation of a strategic plan for the Central Bureau of Statistics (CBS).

### **VI. Real Sector**

Though the compilation and dissemination of the monthly consumer price index (CPI) has been commendable in recent years, the compilation of the national accounts data lags behind. Monthly CPI data for the Khartoum area are provided shortly after the end of each month while the CPI including other states is provided with a three-month lag. A peripatetic real sector expert is assisting the authorities in compiling and updating the national accounts.

The national accounts statistics suffer from a lack of basic information for many sectors, including oil, livestock, horticulture, and most services. On the expenditure side, data are lacking on final consumption by households, investment, and changes in stocks. There are no national accounts or industrial production data at subannual frequencies. Furthermore, the annual data are being reported with a lag of over three years. There is an urgent need to rebuild the institutional capacity of the CBS, introduce the 1993 System of National Accounts, conduct a census of agricultural production, and improve coordination among the MOFNE, the MEM, the ministry of agriculture and livestock, and the CBS.

### **VII. Fiscal Sector**

Government finance statistics (GFS) reported to MCD are adequate, with the main revenue, expenditure, and financing items reported on a monthly basis with a lag of about one to two months. Financing items are consistent with the monetary accounts. The reported statistics are for the central government only, and do not include consolidated data on state budgets, which are often not available. Data are submitted using economic classification and, while the allocation of resources by MOFNE to the various ministries is reported, their actual expenditures are not. There is a strong need to improve accounting and reporting procedures at MOFNE, introduce the GFS classification, and fully implement the 1997 GFS TA mission

recommendations. Data reported for *Government Finance Statistics Yearbook* are weak and cover only budgetary central government up to 1999.

### **VIII. Monetary Sector**

Sudan has received significant technical assistance resources to improve progressively the collection, compilation and dissemination of monetary and financial statistics. Following a joint MCD and STA mission in monetary and financial statistics in October 1992, six STA missions were undertaken between 1993 and 2003 to further the development and implementation of the long-term plan of action initiated by the 1992 mission. Consequently, the monetary accounts are broadly acceptable for monitoring purposes; however, STA is concerned that, in the absence of prompt, remedial action as suggested by the July 2003 monetary and financial statistics mission, there may be a reemergence of the problems of overestimation of international reserves and errors and omissions in the determination of net credit to government. This concern is based on findings that there has been only partial implementation of some of the most important recommendations and that some useful measures that had earlier been fully implemented, are now discontinued. For example, balance sheet data of the central bank and commercial banks are reported on a monthly basis and are generally on time. But other items (net) are often large and variable, owing to the grouping of a large volume of transactions into unclassified assets and unclassified liabilities. Moreover, there are frequent classification errors in the reports made by the commercial banks, particularly for consortium financing, which prevents a meaningful analysis of net domestic assets.

The weekly flash reports of the authorities are particularly commendable, with key monetary indicators being reported usually with a one-week lag. Starting January 2003, estimates of the BOS' usable reserves were added. However, there is some divergence between reserve money in the balance sheets and the end-of-month flash reports.

To address these weaknesses, STA agreed to provide a program of peripatetic assistance. The first of these missions (July 2003) noted limited progress in the BOS's implementation of recommendations of past missions and suggested that significant efforts be made by the authorities to follow up on the highest priority measures, including a revision of the guidelines related to consortium financing and compliance, and the establishment of a working group to review the BOS's foreign assets. The second mission was postponed in view of the lack of progress in the implementation of some of these recommendations.

### **IX. External Sector**

Daily exchange rate data are reported to the Fund with minimal lags, but there are several areas for improvement in the external accounts, particularly with regard to foreign direct investment, trade, and oil statistics. The BOS's active balances include unusable reserves earmarked for particular purposes such as medicine, oil, and spare part imports, but the composition of these earmarked reserves and their potential usability in the event of a

balance of payment need is not clear. The authorities need to provide clarification on items that qualify as international reserves in general, and those earmarked reserves in particular, and should also begin to implement the reserves template.

Regarding import statistics, there are significant discrepancies between the reports of the customs authorities and the BOS. The July 2003 STA mission identified some possible causes of such discrepancies and, in collaboration with authorities, attempted to reconcile the data. The mission reported some progress on implementing the recommendations of the 1999 TA report on balance of payments statistics. However, the lack of survey data continues to affect the compilation of important balance of payments items such as foreign direct investment.

Medium-term oil production projections and amortization of private sector investment need substantial improvement. The authorities have made some progress in improving oil projections, but appear reluctant to provide more detailed information on the phasing-in and expected production levels of new blocks and on amortization of investment in the oil sector. Total oil reserves available are estimated between 10 to 15 billion barrels, which, at a production rate of 350 thousand barrels a day, would last about 100 years.

Sudan: Data Quality

Type of Data	Scope and Timeliness of Reporting	Adequacy for Monitoring	Areas of Concern	Steps to Improve Integrity
Real sector: national accounts	Historical data reported on time by the Central Statistics Office.	Broadly acceptable: real and nominal GDP by sector available with a 3-year lag.	1968 System of National Accounts (SNA) still in use; oil sector value-added calculation not completed; no real GDP by expenditure; 4-year delay in nominal GDP by expenditure; private consumption derived as a residual; estimations rather than surveys are used for most GDP components.	Rebuild the Central Bureau of Statistics' (CBS) institutional capacity; introduce the 1993 SNA; conduct census of agricultural production. Implement the project prepared by the STA's peripatetic real sector expert.
Prices	Last and current year estimates reported to missions by the ministry of finance and national economy (MOFNE). Monthly CPI reported on time, with a minimal lag.	Acceptable.	Estimates are based on incomplete data, in particular for oil value added, livestock, and fruit and vegetable production.	Improve coordination between MOFNE, CBS, and the ministry of agriculture.
Government finance	Monthly reporting of main budgetary items, generally on time; 1.5-month lag.	Acceptable; only CPI for Khartoum area available promptly; weekly CPI published in the flash report.	CPI for Sudan as a whole is not available.	Conduct new household income and expenditure survey; reduce timing discrepancies and other reporting inefficiencies by individual states.
Monetary accounts	Monthly reporting of balance sheets. Generally on time; 1.5-month lag.	Good; main revenue and expenditure items reported; financing consistent with monetary accounts.	Only partial data on state budgets available; incomplete functional classification; MOFNE allocations to ministries are reported, but not their actual expenditure; slow progress on the introduction of the government finance statistics (GFS) classification.	Introduce the GFS classification; improve accounting and reporting procedures at MOFNE. Implement in full GFS (1997) technical assistance (TA) mission recommendations.
		Acceptable following recent STA missions to improve transparency and reliability of the monetary statistics.	Large and variable other items (net); frequent misclassification errors by commercial banks, in particular for consortium financing, which prevents meaningful analysis of the composition of net domestic assets (NDA).	Establish a working group to review the Bank of Sudan's (BOS) foreign assets; review and revise the guidelines related to consortium financing and ensure compliance. Implement the 2001 TA mission on monetary statistics recommendations, including improvement of commercial banks' other items net.

Type of Data	Scope and Timeliness of Reporting	Adequacy for Monitoring	Areas of Concern	Steps to Improve Integrity
<b>External</b> <b>sector:</b> foreign exchange reserves	Weekly flash reports of key monetary aggregates; 1-week lag.	Good; estimates of usable reserves of BOS added in January 2003.	Some divergence between reserve money in balance sheets and end-of-month flash reports.	Include data on returns on investment deposits. Aim at full reporting of the BOS balance sheet.
	Monthly reporting of BOS active balances. Generally on time; 0.5-month lag.	Acceptable, but needs improvement; frequency of monitoring should increase to weekly; quality of data needs to be strengthened.	Gross usable reserves are part of BOS active balances, which also include unusable reserves earmarked for particular purposes (such as oil, medicine, and spare parts imports). The composition of the earmarked reserves and their potential usability in the case of a balance of payment need are not clear.	Clarify the items that qualify as international reserves in general, and those included in earmarked reserves in particular.
Exchange rate	Upon request; minimal lag.	Good; daily exchange rate available.		
Balance of payments	Quarterly full BOP data provided on time and during missions; 3-month lag.	Acceptable, but needs improvement.	Incompleteness of data on some services (oil transportation costs), investment income (oil-related expenses and interest payments due on external public debt), transfers (workers' remittances), financial account (amortization due on external public debt), and FDI; large positive errors and omissions.	Introduce the revised reports form for commercial banks; improve data collection procedures; enforce the use of residency criterion; enhance institutional capacity of the BOS BOP compilation unit. Implement in full the recommendations of the 1999 and 2003 TA in BOP statistics.
External debt	Monthly trade data; upon request provided with a 2-3 month lag.	Acceptable, but needs improvement.	Discrepancies between BOS data and customs data.	
	Monthly payments to creditors. On time; 1.5-month lag.	Good; BOS cash flow table is not available.	BOS cash flow table does not reflect exactly actual payments made by the MOFNE.	Eliminate timing and recording discrepancies between the BOS and the MOFNE.
	Other debt data; 10-month lag.	Good; coverage is comprehensive, although weaknesses in some areas persist.	BOS records are not reconciled with those of some creditors; data on Official Development Assistance not available; charges on interest in arrears not calculated; for some creditors, interest on arrears not separated from delayed interest.	Reconcile the data with creditors; further disaggregate the data according to standard definitions; Debt Management Unit to send monthly statements on external debt to the BOS's Statistics Department.

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	Exchange Rates	International Reserves	Central Bank Balance Sheet	Reserve/ Base Money	Broad Money	Interest Rates (Rates of Charge)	Consumer Price Index	Exports/ Imports	Current Account Balance	Overall Government Balance	GDP/ GNP	External Debt/ Debt Service
Date of latest Observation	09/30/04	08/31/04	08/31/04	08/31/04	08/31/04	09/30/04	09/2004	Q2/2004	Q2/2004	08/2004	2000	Q2/2004
Date received	10/15/04	10/15/04	10/15/04	10/15/04	10/15/04	10/15/04	10/15/04	08/2004	08/2004	09/2004	08/2004	08/2004
Frequency of data	D	M	M	M	W	W	M/W	M	Q	M	A	A
Frequency of reporting	D	M	M	W	W	M	M	M	Q	M	A	A
Source of update	A (BOS)	A (BOS)	A (BOS)	A (BOS)	A (BOS)	A (BOS)	A (MOFNE)	A (BOS)	A (BOS)	A (MOFNE)	A (MOFNE)	A (BOS)
Mode of reporting	C and BOS Website	C	C/email	C/email	C/email	C	C	C	C/V	C	C/V	C/V
Confidentiality	B	B	B	B	B	B	B	B	B	B	B	B
Frequency of publication	D	M	M	M	M	M/W	M	M	Q	M	A	A

Abbreviations: Frequency: D-daily, W-weekly, M-monthly, Q-quarterly, A-annual. Mode of reporting: A-direct reporting by authorities; C-reporting by fax; V-staff visits. Confidentiality: B-for use by the staff and the Executive Board. BOS-Bank of Sudan, MOFNE-Ministry of Finance and National Economy.

1/ (M) published monthly and (Q) quarterly in IFS; (W) weekly in BOS fact sheets. All data published annually in the BOS's Annual Report.

