



The Republic of the Sudan

Sudan Economic Policies, Challenges and Constraints

**International Conference Sudan & Europe: Prospects of
Cooperation for Regional Peace and Development**

AUSTRIA 10 – 11 OCTOBER 2012

Presentation Synopsis

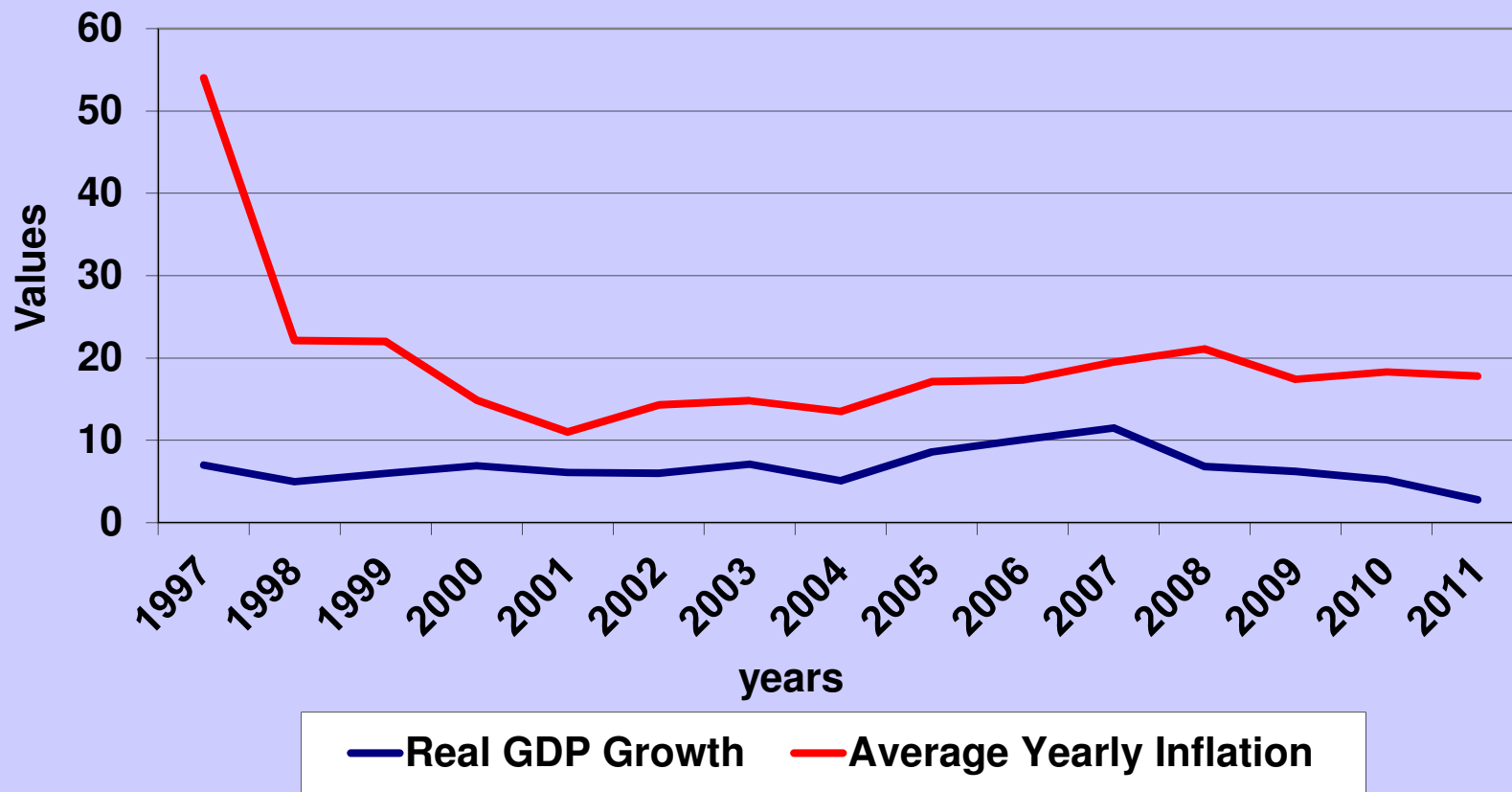
- **Performance**
- **Challenges**
- **Government Efforts to Address Challenges**
 - Framework
 - Policies
- **Constraints**
 - Debts
 - Sanctions
- **Conclusion**

PERFORMANCE

- Sudan has maintained highest stable economic growth during the last decade
- “Sudan is in the 10th year of its longest and strongest growth episode since independence “as observed by WB.
- Sudan has met all its political and financial obligation for the comprehensive peace agreement 2005-2011

PERFORMANCE

Economic Growth Maintained for Two Decades



PERFORMANCE

Gross International Reserves in US\$ m



— Gross International Reserves in US\$ m

CHALLENGES: Oil Shock

- 75% of the oil is lost.
- 20% loss of GDP, induced negative growth of GDP, presumably -2% in the shock year 2012
- 36% loss of total government revenues, this will inevitably lead to unsustainable fiscal deficit
- 90% loss of exports,
- Fiscal deficit expected to exceed 6% of the GDP
- High inflationary Pressures, Reduction in Foreign Exchange Reserves.
- Gap of oil loss estimated at 10.4 billion dollars for the years 2012-2016

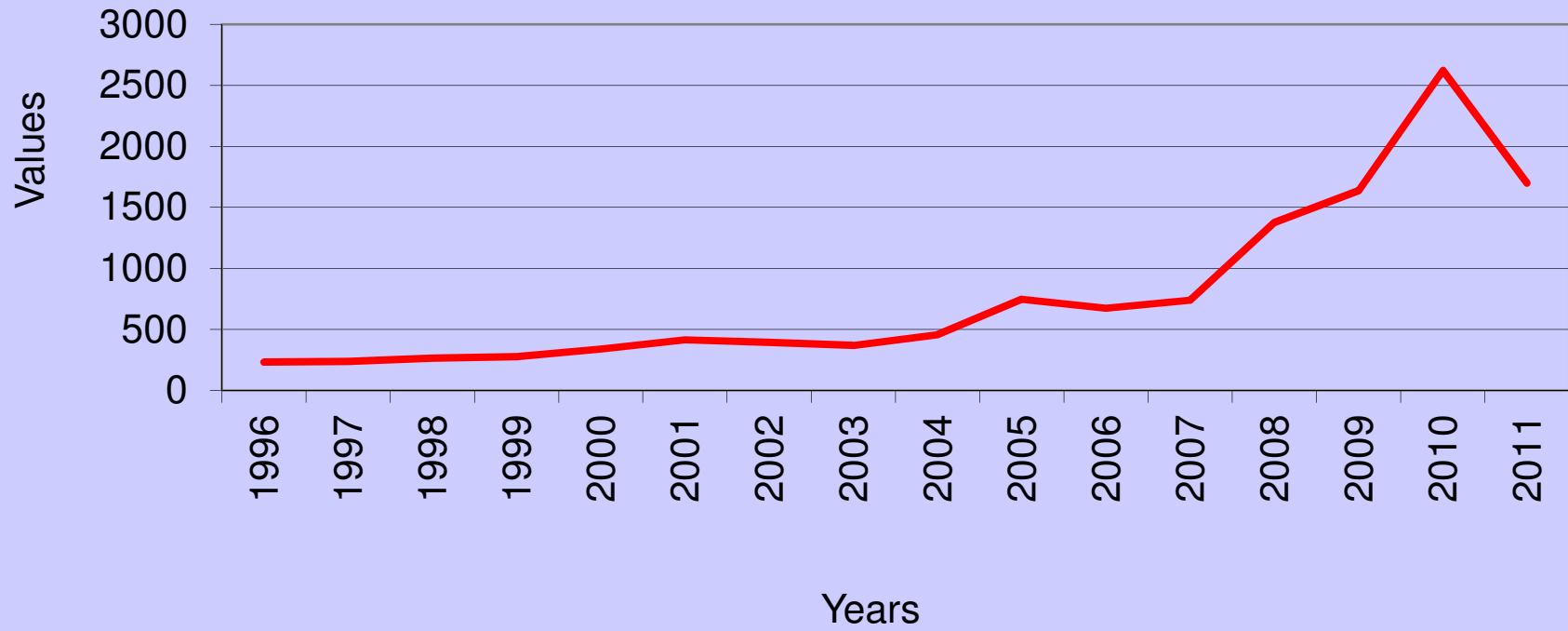
CHALLENGES

Some Indicators of Oil Dependency



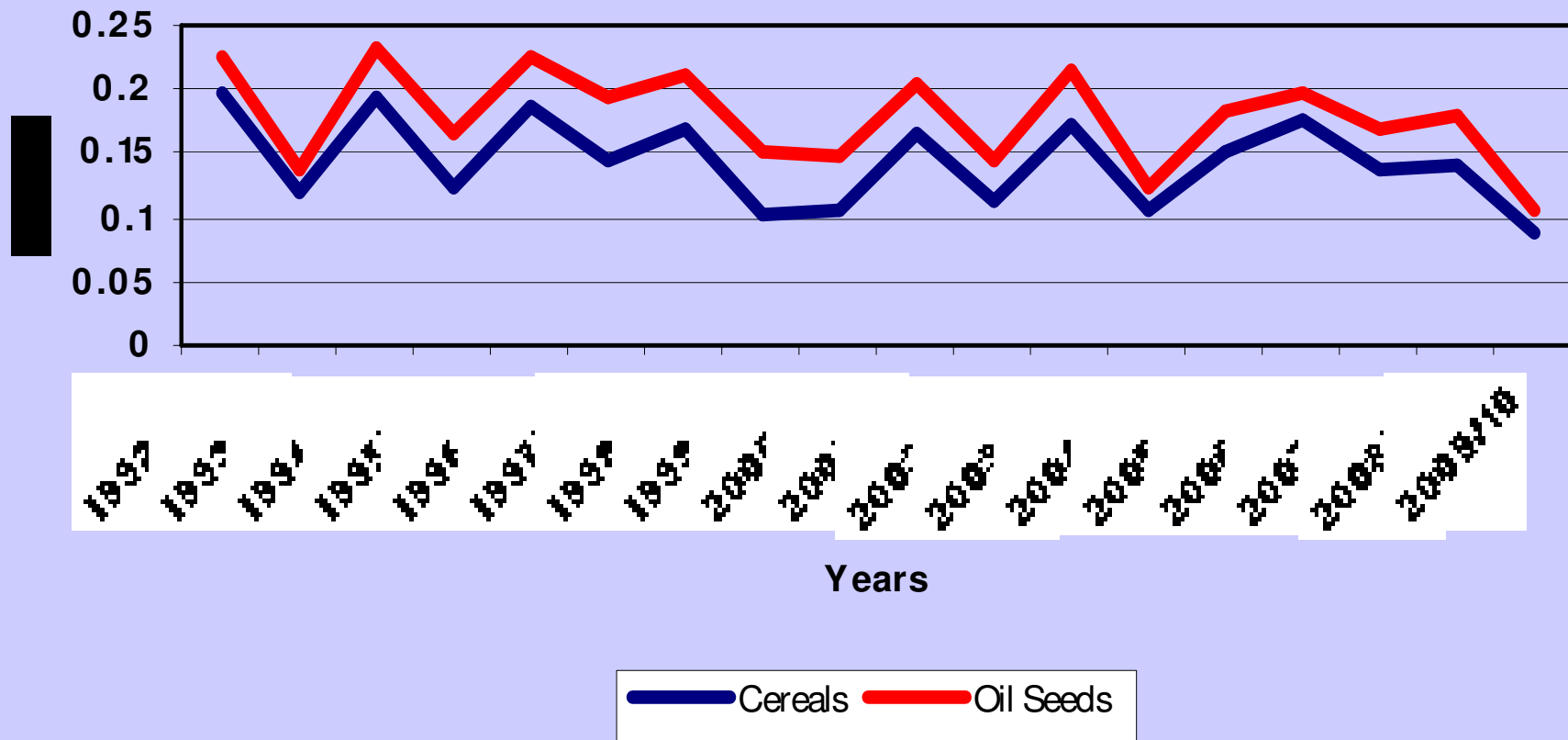
CHALLENGES

Food Imports



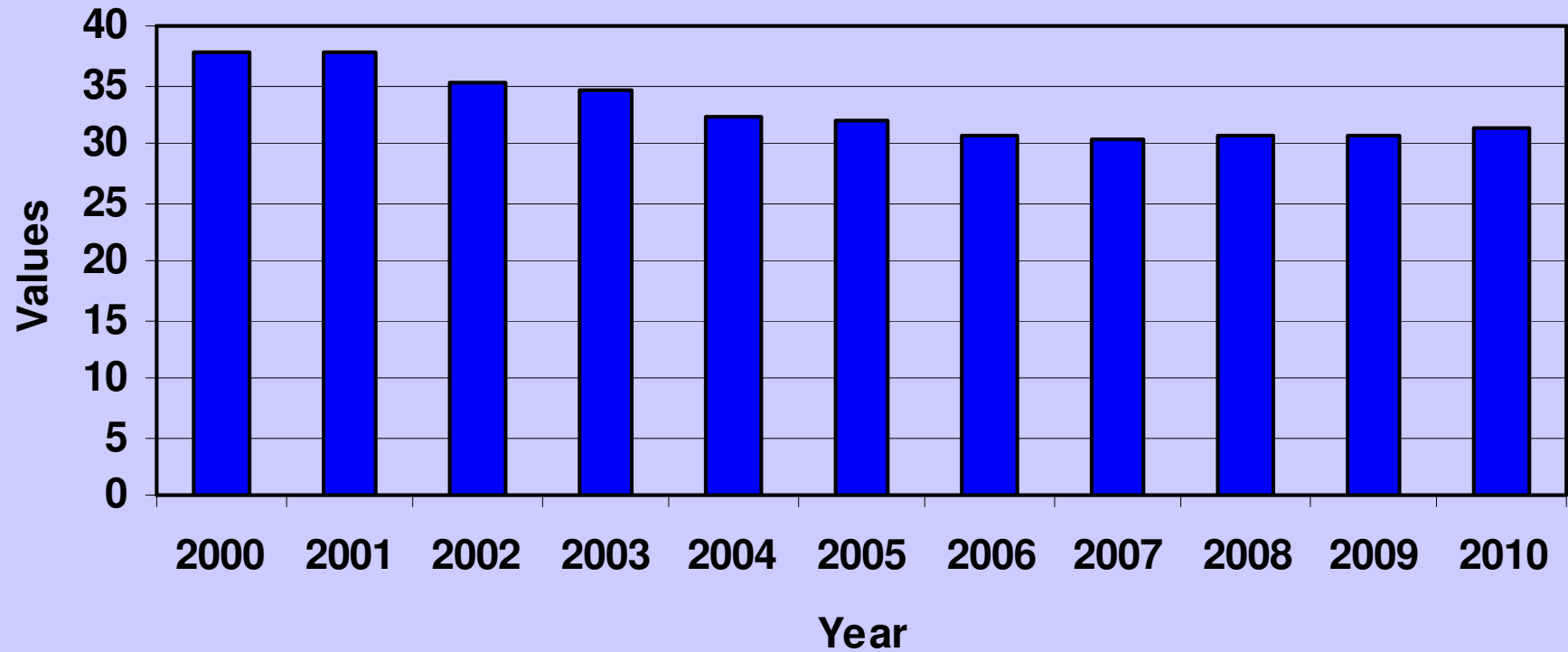
CHALLENGES

Per Capita Production of Agricultural Crops



CHALLENGES

Agriculture Sector Contribution to GDP



■ Agriculture Sector Contribution to GDP

GOVERNMENT EFFORTS TO ADDRESS THE CHALLENGES

Broad based growth policies

- Maintaining macroeconomic stability.
- Encourage foreign investment
- Encourage private sector to lead the sector's growth
- Investing in human development .
- Allocate more resource to infrastructure (rural roads , irrigation, slaughter houses,).
- Enforce institutional reforms (taxes, administrative and regulatory procedures)
- Marketing Councils (private sector membership).
- Encourage Microfinance .

GOVERNMENT EFFORTS TO ADDRESS THE CHALLENGES

Social Policies

- Balanced development, poverty alleviation and unemployment.
 - Investing in social services delivery to expedite progress towards MDGs with priority to least performing states.
 - Increasing coverage of social security and medical insurance
 - Expediting programs of DDR and IDPs to accommodate ex combatants and IDPs in sustainable livelihood.
 - Particular attention to women empowerment and gender.
- The social safety nets initiative.

ACHIEVEMENT

- Good track record with IMF.
- IMF Staff-monitored programs (SMPs) were in place since 1997.
- Policy performance under the IMF Staff Monitored Programs was satisfactory
- The staff report recommends that these programs be part of the track record for Sudan.
- Implementation of the Interim Poverty Reduction Strategy Paper (IPRSP)
- Sudan has agreed for a zero option; shouldering all the debt burden after South Sudan secession
- Debt Reconciliation (over 92%)

CONSTRAINTS: Debt

- Sudan is one of the most highly indebted developing country.
- The total debt position as of June 2012 amounted to US\$ **40 billion**.
- Arrears to be paid represents 86% of the total debt
- The IMF debt sustainability analysis for 2010 confirms that Sudan **has unsustainable debt**.

This deprives Sudan from getting concessional loans which are essential for development needs, and negatively affects the flow of FDIs.

CONSTRAINTS: Sanctions

- US sanctions continued for about two decades.
- The complex web of U.S. sanctions makes it impossible to distinguish between the Government and the people.
- Sanctions are harming ordinary people as it affects most sectors:
 - Agricultural sector, which employ 80 percent of Sudan's work force and comprises 1/3 of its GDP was severely affected.
 - Rail and air equipment's spare parts, health equipment, banking (remittances),
 - *IT sector access to software : Presidential Executive Order 13067 prohibits software sales, all Microsoft product deployed in about 80% of PCs, Apple, Java etc -pervasive impact on students)*

CONCLUSION

- Sudan had achieved macroeconomic stability, however post secession period poses serious challenges to the country.
- The government is currently implementing the required reform policies to address these challenges.
- Continuation of external debt burden, sanctions and the financing gap undermines the government reform efforts.
- The international community is required to assist in minimizing the cost of the reform, enhancing indigenous peace, regional stability , through debt relief, removal of the sanctions and provide economic assistance and support.

THANK YOU