COUNTRY PROFILE 2015

SUDAN

United Nations
Economic Commission for Africa

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CONTENTS

Boxes

Figures

Tables

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The Sudan country profile was prepared by the Data Centre of the Subregional Office for North Africa and the Special Initiatives Division, under the coordination of Zoubir Benhamouche. The following persons contributed to the country profile: Omar Abdourahman, Ochozias Gbaguidi, Houda Mejri, Salem Sebar, Isidore Kahoui, Marieme Bekaye, Aziz Jaid and Mohammed Mosseddek.

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SUDAN AT A GLANCE

General Information	
Region	North Africa
Official language(s)	Arabic
Currency	Sudanese pound
Capital city	Khartoum
REC membership(s)	COMESA, CEN-SAD, IGAD

Rankings	
Human development index (United Nations Development Programme)	167/188 (2014)
Gender Inequality index (United Nations Development Programme)	135/155 (2014)
Ibrahim index of African governance (Mo Ibrahim)	51/54 (2014)
Ease of doing business index (World Bank)	158/189 (2015)
Corruption perceptions index (Transparency International)	165/168 (2015)

ECONOMIC GROWTH

The Sudan was dealt a severe blow following the secession. This led to a sharp decline in the gross domestic product (GDP) growth rate, which dropped from 6.5 per cent in 2010 to 0.5 per cent in 2012. The share of hydrocarbons as a proportion of GDP fell sharply from 11.4 per cent in 2009 to 3.1 per cent in 2013.

FISCAL POLICY

From 2012 to 2014, the Sudanese Government rolled out a consolidation plan designed to streamline public finances by reducing current spending for the benefit of national development projects; and improve public finance management and increase fiscal capacities. Under the consolidation plan, the deficit was reduced from -3.5 per cent of GDP in 2012 to -0.9 per cent in 2014.

MONETARY POLICY

While consumer price inflation was still relatively high, in 2014, it stabilized at 37 per cent, up from 36.4 per cent in 2013. The real exchange rate was devalued by 22 per cent in 2012 and 34 per cent in November 2013. Indeed, it is still overvalued by nearly 40 per cent, according to the International Monetary Fund (IMF).

CURRENT ACCOUNT

In 2014, the trade deficit dropped to 5 per cent of GDP from 6 per cent the previous year, making it possible to improve the coverage of imports by exports, which stood at 53.6 per cent, compared to 54.8 per cent in 2013. The current account deficit also reduced from 8.7 per cent of GDP in 2013 to 8.4 per cent in 2014.

CAPITAL AND FINANCIAL ACCOUNTS

The share of foreign direct investment (FDI) reduced from 19.6 per cent in 2012 to 16.1 per cent in 2014 owing to the upheavals in the subregion and a drop in hydrocarbon production. An unattractive business climate (the Sudan is ranked 159th out of 189 countries in the ease of doing business index) discourages domestic and foreign investment, especially in the non-extractive sectors.

DEMOGRAPHY

The population of the Sudan is estimated at just over 40 million, 41 per cent of whom are under 15 years of age, 56 per cent between 15 and 64 years, and 3 per cent over 65.

POVERTY

The level of poverty in the Sudan remains alarming, despite a downward trend, with 46.5 per cent of the population living in poverty.

EMPLOYMENT

The unemployment rate in 2014 was estimated at 19.5 per cent, with major variations as to gender, age and geographical location. The unemployment rate was 13.3 per cent for men, 32.1 per cent for women and 33 per cent for young people aged 15 to 24. The agricultural sector employs 42 per cent of the population, while the public sector and trade employ 19 per cent and 11 per cent respectively.

HEALTH

There are currently less than two hospitals per 100,000 people and nearly three doctors per 10,000 people. Despite the efforts and investments made, maternal and reproductive health is still a cause for concern. The maternal and neonatal mortality rate is high at 216 deaths per 100,000 live births, although the decline has been quite sharp since the 1990s when the rate exceeded 700.

EDUCATION

The country has made significant efforts to improve the education system by instituting free compulsory education until age 13, and improving the adult literacy rate, which is estimated at 62 per cent. The literacy rate is higher (87.3 per cent) for young people aged 15 to 24.

GENDER SCORECARD OF THE AFRICAN UNION COMMISSION

Gross secondary enrolment ratios stand at 38.9 per cent for girls and 42.6 per cent for boys. The labour force participation rate for women is 33.2 per cent, against 93.1 per cent for men. The number of women in politics is fairly low, with women accounting for 24.3 per cent of members of the lower house of parliament.

1 OVERVIEW

The secession of South Sudan in 2011 led to a sharp fall in hydrocarbon proceeds (-75 per cent) and a drop in budget income (-50 per cent). The situation continues to affect economic growth as tax proceeds from oil transiting from the South to the North have reduced. Compounding the problem is the fall in oil prices, which is impeding Government's ability to sustain growth. Investment spending dropped more sharply (-38 per cent) than current expenditure (-25 per cent). The deterioration of government finances led to a debt estimated at 78 per cent of GDP in 2013. The volatility of government finances and the difficulties in collecting taxes is seriously hindering debt repayment and sustainability.

To deal with the situation, the authorities introduced a set of emergency measures in 2012 to control the deepening budget deficit. The resurgence of the conflict in 2013 triggered a halt in the deployment of austerity measures, thereby reducing the impact of the measures taken until then. Faced with the urgency to contain the mounting debt (85 per cent made up of arrears), the authorities pursued measures to streamline public spending. A budget consolidation plan was introduced for the period 2012-2014 to control deteriorating government finances and reduce the deficit from 3.8 per cent of GDP in 2012 to 0.9 per cent in 2014. In the short term, the plan expects to achieve 10 per cent in statutory levies in the GDP.

The 2012 and 2014 budget consolidation plans led to a reduction of the deficit from -3.5 per cent of GDP in 2012 to -0.9 per cent in 2014. The budget consolidation is expected to continue in 2015 with new measures to increase the tax base, by reducing tax exemptions, reforming the tax system and the gold sector and improving the capacities of the tax administration.

In terms of economic performance, the expected GDP growth for 2015 was 3.5 per cent, down from 3.6 per cent in 2014. In 2014, growth was driven by industry and services, which contributed 3 points and 2 points respectively to growth. The agriculture value added declined by 4.1 per cent and negatively impacted growth (-1 point).

The country's growth is slightly below that of North Africa (3.9 per cent, up from 1.5 per cent in 2014). This rebound was observed in most of the countries of the subregion, except for Algeria, whose growth was estimated at 2.6 per cent in 2015, owing to the fall in oil prices, and Tunisia (estimated at under 1 per cent), which is still facing security issues.

In terms of human development, significant progress has been made, the human development index (HDI) rose from 0.331 to 0.473 from 1990 to 2013. The HDI sectors that had the most dynamic developments were health (evaluated according to life expectancy at birth) and education. However, major challenges do remain. Life expectancy, which was 62.1 years in 2013, was still lower than the subregional average for North Africa, and was estimated at 68.3 years. The poverty level is still a cause for concern, despite a downward trend of its incidence at 46.5 per cent of the population. Inequalities are very acute, especially in terms of access to the opportunities offered by economic development and the redistribution of resources and growth outputs.

The Sudan is facing several short and medium-term challenges. In the short term, the shock from the secession by the South has drawn attention to the poor level of diversification of the economy. The country lost half of its resources in the aftermath of the shock, and is facing an external debt situation that is hampering its ability to invest in the future. In the short term, stabilizing public finance and streamlining expenditure has become a must. While the reforms embarked on by the country in 2012 and 2013 are in the right direction, it must make significant efforts to reduce inefficient public spending. Lastly, structural transformation is a real challenge for the country, which is struggling to diversify its economy. Agricultural production has remained steady, accounting for 28 per cent of GDP in 2014, down from 32 per cent in 2006. The share of agriculture in the GDP hovers above 30 per cent. Although the share of industry was 21.5 per cent of GDP in 2014, it is dominated by the cottage industry and activities with low value added (processing of primary commodities).

2

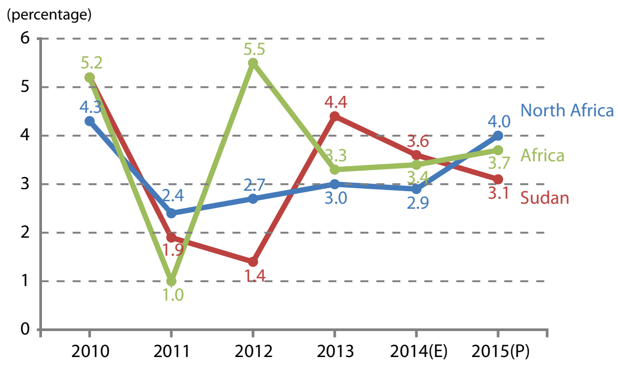
SUBREGIONAL CONTEXT

For 2015, growth was estimated to rise to 3.5 per cent (see figure 1) following a rebound of the agricultural sector and an increase in gold production, below the North African average of 3.9 per cent. In 2015, growth in North Africa was driven by Mauritania (6 per cent), Morocco (4.4 per cent) and Egypt (4.2 per cent). Growth on the African continent is expected to fall slightly to 3.7 per cent, compared to 3.9 per cent in 2014.

The subregion is facing political, economic and social challenges. Many North African countries experienced mass social upheavals, which led to political instability and had major repercussions on economic activity. Economic growth in the subregion dropped from 4.3 per cent in 2010 to 2.4 per cent in 2011 (see figure 1).

The 2011 political and social events plunged Egypt, Libya and Tunisia into total chaos. Even with a fragile situation, Egypt and Tunisia still managed to undertake political reforms that led to presidential elections, heralding a return to a measure of political stability. In Egypt, this relative stability led to growth. Libya is still plagued by political wrangling, which is hampering its development prospects. In 2009, Mauritania succeeded in restoring political stability that led to a mean growth of 5.5 per cent for the period 2010-2015.

Figure 1: Real GDP growth



Sources: National data; Department of Economic and Social Affairs; ECA calculations.

Morocco and Algeria have been spared the major political upheavals that hit the other North African countries. All those countries, however, lack good governance. Political instability is a direct consequence of poor governance, indeed, economic governance, which is stifling the subregion's development. According to the Ibrahim index of African governance, only Tunisia (eighth) is ranked among Africa's top 15 countries. The Sudan and Mauritania are in fifty-first and fiftieth place respectively. Morocco is in sixteenth position while Algeria is twentieth.

In terms of efficiency of public regulation, (on an index of 1 to 100, with 100 being the best performance), according to the World Bank good governance index, no definite progress has been made since 2010. Only Morocco obtained a score higher than 50 in 2014. In terms of efficiency of the State, very little progress was made, with Egypt and Tunisia even underperforming. None of the countries had an index exceeding 50, with Tunisia scoring the highest at 49, followed by Morocco with 48. Lastly, corruption continues to be a major challenge for the economies of the subregion. According to Transparency International, all the countries scored below 4 (on a scale of 0 to 10, with 0 being bottom of the scale). In terms of fighting corruption, the strides made are not enough, as none of the countries scored above 50.

Exports from the subregion are not very diversified. Their growth stems from the primary or natural resource sectors. Exports from Algeria, the Sudan, Mauritania and, to a lesser extent, Egypt are all made up of items with low added value: for the Sudan, oil, gold and livestock farming, accounting for 77 per cent of exports; Algeria, hydrocarbons, accounting for 95 per cent; Mauritania, gold, fishing and iron, 78 per cent of exports; and Egypt, fuel oil, oil and by-products, 48 per cent of exports. On the other hand, Morocco and Tunisia have been able to diversify their exports. Capital goods account for over 16 per cent of exports in the two countries, while consumer goods account for over 32 per cent.

Development of the private sector is still a huge challenge for the economies of North Africa, while the business climate is one of the prime targets of the governments of that subregion.

The lack of diversification stretches government resources earmarked for economic and social development. For most of the countries in the subregion, the State budget depends on a limited number of sectors and volatile resources. While strides have been made to improve public finance management and diversify resources, in terms of tax earnings, much still remains to be done. The tax receipts burden in GDP is about 19 per cent in all countries, except for the Sudan (7.3 per cent).

Lastly, unemployment is an endemic problem in these countries, with the employment rate exceeding 10 per cent in most. More and more young people are unemployed, with the unemployment rate among the youth exceeding 25 per cent in all the countries except for Morocco (19.3 per cent in 2013).

In terms of regional integration, the country's trade with the economies of North Africa is not very well integrated, accounting for less than 1 per cent (2014) of its total exports, and 6.5 per cent of its imports. Consequently, the impact of economic shocks from other countries in the subregion on the Sudan's economy is limited.

The Sudan ranks eighteenth in Africa for trade integration and only thirty-eighth for productive integration, according to the ECA Africa regional integration index (see box 1). The country's membership to the Common Market for Eastern and Southern Africa (COMESA), the Intergovernmental Authority on Development (IGAD) and the Community of Sahel-Sahara States (CEN-SAD), was not exactly favourable in intensifying trade with neighbouring countries and the rest of the continent. Hopefully, the opportunity to be a member of the new tripartite Southern Africa Development Committee-Eastern African Community-COMESA (SADC-EAC-COMESA) agreement will broaden the country's market base and remedy the problem. This would be possible if the Sudan could clearly identify the factors impeding its economic efforts at diversification which separation with the South had compelled it to pursue since 2012.

Box 1: Africa regional integration index

The Africa regional integration index is designed to measure the extent to which each country in Africa is meeting its commitments under the various pan-African integration frameworks such as Agenda 2063 and the Abuja Treaty. The index, which is a joint project of the African Development Bank, the African Union Commission and the Economic Commission for Africa, covers the following dimensions: free movement of persons, trade integration, productive integration (development of regional value chains), regional interconnections and infrastructure, and macroeconomic policy convergence. The following section gives highlights on selected indicators.

Overall rank: Twenty-sixth in CEN-SAD (score – 0.23), eighteenth in COMESA (score – 0.275). Best-performing country in COMESA is Kenya (score – 0.57). Sixth in IGAD (score – 0.27).				
Free movement of persons: Twenty-fifth in CEN-SAD (score – 0.15), eighteenth in COMESA (score – 0.06). Best-performing country in COMESA is Seychelles (score – 0.70). Eighth in IGAD (score – 0.06).	Trade integration: Fifth in CEN-SAD (score – 0.58), eighth in COMESA (score – 0.64). Best-performing country in COMESA is Zambia (score – 1). Third in IGAD (score – 0.67).	Productive integration: Twenty-fourth in CEN-SAD (score – 0.04), eighteenth in COMESA (score – 0.115). Best-performing country in COMESA is Egypt (0.76). Sixth in IGAD (score 0.04).	Infrastructure: Fourth in CEN-SAD (score – 0.39), eighth in COMESA (score – 0.48). Best-performing country in COMESA is Seychelles (0.71). Fifth in IGAD (score – 0.58).	Financial integration and macroeconomic policy convergence: Joint twenty-seventh in CEN-SAD (score – 0.00), eighteenth in COMESA (score – 0.08). Best-performing country in COMESA is Seychelles (score – 0.50). Joint-seventh in IGAD (score – 0.00).

Free movement of persons: The Sudan allows nationals of only two other African countries to enter visa-free or with a visa on arrival. The Sudan has ratified the CEN-SAD protocol on free movement of persons, but not the COMESA protocol on the same subject. The Intergovernmental Authority for Development (IGAD) does not yet have a protocol on free movement of persons.

Trade integration: The Sudan has low tariffs on imports from IGAD, with an average applied tariff of just 0.2 per cent based on the latest available data (2013). The country's average applied tariff on imports from COMESA is slightly higher at 0.6 per cent; however, since COMESA members generally place low tariffs on imports on one another, this means that the Sudan has the seventh-highest tariff on intra-COMESA imports out of the 17 COMESA members for which data was available.

Trade between the Sudan and the other regional economic communities of which it is a member, is also low (based on the average levels of trade during the period 2010 to 2013). The country's imports from CEN-SAD amounted to only 1.1 per cent of its GDP in 2013, placing it eighth from last on this measure among the 23 CEN-SAD member States for which data was available. Furthermore, with imports of merely 1.7 per cent of GDP from COMESA, the country ranks fourteenth on this measure among the 19 COMESA members for which data was available.

Imports by the Sudan from IGAD amount to 0.5 per cent of GDP, placing the country third from last among the seven IGAD members for which data were available (above only Ethiopia and Kenya).

In terms of intraregional exports, the country again did not perform particularly strongly during the period under review. Only 0.1per cent of the country's GDP was exported to CEN-SAD in 2013, comparing unfavourably with Togo (20 per cent), Côte d'Ivoire (14 per cent) and the Niger (14 per cent), and placing the country last but one (ahead only of the Comoros) out of the 23 CEN-SAD members for which data was available on this measure. Only 0.4 per cent of the GDP of the Sudan was accounted for by exports to COMESA in 2013, meaning that it ranks fifteenth among the 18 COMESA members for which data was available, ahead only of the Comoros, Eritrea and Libya. Only 0.4 per cent of its GDP is accounted for by exports to IGAD, meaning that it ranks fifth on this measure among the seven IGAD members for which data was available, ahead only of Eritrea and Somalia.

In spite of these seemingly low values for intra-African trade, the Sudan is among the highest ranking countries in terms of its overall trade integration with the regional economic communities of which it is a member. This may be due to its import integration and relatively low tariffs on imports from other African countries, and also to the fact that it performs relatively well when compared with members of the other regional economic communities of which it is a member (CEN-SAD, COMESA and IGAD).

Productive integration: The Sudan falls within the group of lowest ranking countries in terms of its integration into regional value chains within the regional economic communities of which it is a member. It scored moderately (twenty-fifth out of all countries in Africa) on the UNCTAD merchandise trade complementarity index in 2012, which measures the extent to which a country's trade is complementary with that of its partners. The index also measures productive integration, looking at intra-regional trade in intermediate goods. Although trade between the Sudan and other members of the same regional economic community is relatively low, the proportion of intermediate and capital goods is not so low. Thus, in 2013, 68 per cent of its imports from CEN-SAD were intermediate and capital goods, placing the country twelfth out of the 19 countries for which this measure was available. In terms of its integration with COMESA, 63 per cent of imports by the Sudan from the bloc were intermediate or capital goods, which places it eighth on this measure out of the 19 COMESA members for which data was available. Where IGAD is concerned, in that same year 43 per cent of imports by the Sudan from this regional economic community were intermediate or capital goods, placing the country in fifth position on this measure among the seven IGAD members for which data was available.

Regarding exports of intermediate and capital goods, the Sudan also performs moderately: 73 per cent of its exports to CEN-SAD members in 2013 were of intermediate and capital goods, which places the country eighth out of the nineteen CEN-SAD members for which data was available; 83 per cent of the exports from the Sudan to COMESA were of intermediate and capital goods in 2013, placing it second among the 19 members of that bloc for which data was available. Lastly, in 2013, 90 per cent of the exports from the Sudan to IGAD were intermediate and capital goods, placing it in second position among the seven members of this bloc for which data was available on that measure.

Infrastructure: In terms of its infrastructural integration with the rest of the regional economic communities of which it is a member, the Sudan performs reasonably well when compared with other members of those regional economic communities. Based on the latest available data (2013), the country's Internet bandwidth per capita of around 1.8 megabits per second per person is the eleventh highest on the continent. Internet bandwidth is important for international communication both within Africa and beyond, including to support trade in services.

Overall, the Sudan appears to perform poorly in productive integration, free movement of persons and financial integration and macroeconomic policy convergence, although its performance in trade integration is relatively strong and its performance in regional infrastructure is moderate.

3

ECONOMIC PERFORMANCE

3.1 Economic growth

The severe impact of the secession led to a sharp decline in the GDP growth rate in 2012 (from 6.5 per cent in 2010 to 0.5 per cent in 2012) and a sharp drop in the share of hydrocarbons in the GDP, from 11.4 per cent in 2009 to 3.1 per cent in 2013.

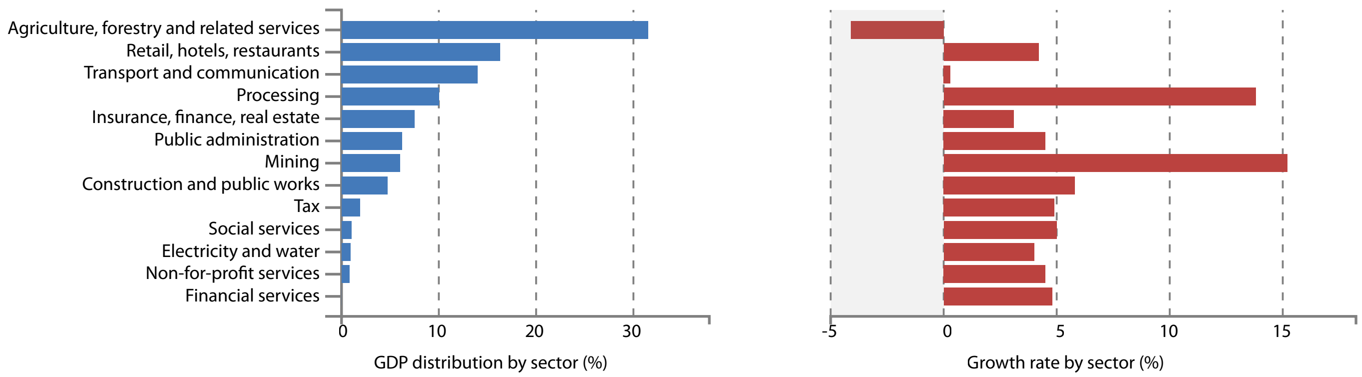
The combination of the emergency plan[1] introduced by the Government in 2012 and the resumption of hydrocarbon production led to renewed growth in 2013. Growth was however limited by inadequate harvests and lower gold production.

GDP growth was estimated at 3.6 per cent in 2014, down from 4.4 per cent in 2013. From 2013 to 2014, growth fell as result of poor performance by the agriculture sector (-4.1 per cent in 2014 down from 4 per cent in 2013) following a reduction in cultivated areas (see figure 2). The industrial sector experienced a growth of 15.2 per cent in 2014, up from 10.4 per cent in 2013, and was driven by the hydrocarbons sector (36.5 per cent in 2014, compared to 23.2 per cent in 2013), as well as the cottage industry and processing activities (13.8 per cent in 2014, up from 8.9 per cent in 2013). The mining and quarrying sector also experienced slow growth, dropping from 36 per cent in 2013 to 11.4 per cent in 2014. Growth in the services sector rose from 2.1 per cent to 3.2 per cent in 2014, and was driven by the construction industry (5.8 per cent in 2014, up from 2.8 per cent in 2013) and financial services (4.8 per cent in 2014, up from 1.1 per cent in 2013).

The economy of the Sudan is dominated by agriculture (see figure 2). In 2014, the share of agriculture in the GDP dropped by three points, following an increase in the share of the mining sector, mainly oil. Agriculture remains a vital sector for the Sudanese economy, with a share of 28 per cent of GDP in 2014 (30.5 per cent in 2013), and employing 70 per cent of the population. While the share of agriculture fluctuates from year to year, it has steadily stayed above 30 per cent. Throughout the period 2006-2012, the total value added increased at a mean rate of 4.4 per cent, with agriculture and industry being the major contributors to growth, by 1.1 per cent each.

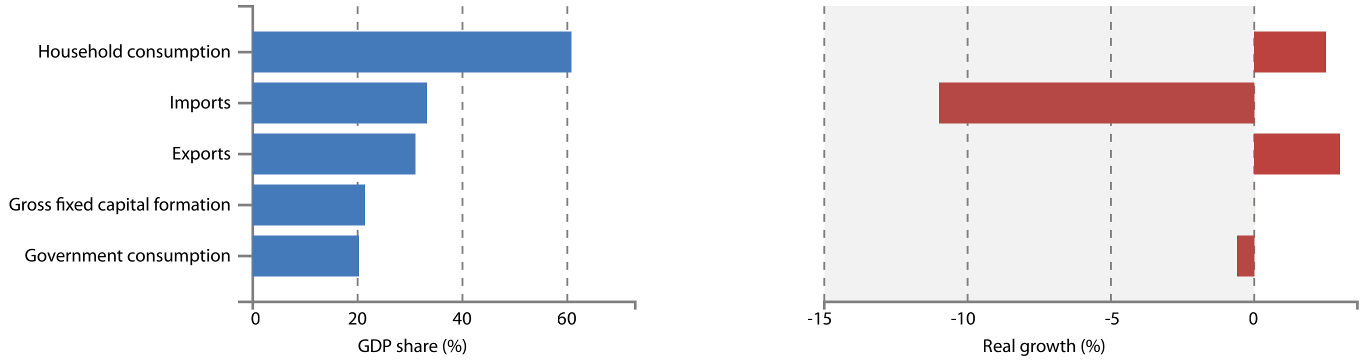
[1] Reduction in energy grants, unification of three exchange rates prevailing previously, and then 22 per cent devaluation of unified rate.

Figure 2: GDP distribution by sector and real growth (2014)



Source: Central Bank of Sudan, 2014.

Figure 3: Demand shares (2013) and real growth (2014)



Source: Central Bank of Sudan, 2014.

Gold production of some 70 tons in 2014 rose to 73.3 tons in 2014 (Central Bank of Sudan, 2014). Oil production, estimated at 130,000 barrels per day on average, increased by about 8 per cent in 2014 as a result of improved oil recovery in the oil fields. Production will only increase if the conflicts in Darfur and South Kordofan ceased and the oil companies paid up their arrears.

3.2 Monetary policy

The accommodative monetary policy adopted for financing the budget deficit, and the gold purchases made by the Central Bank of Sudan to replenish foreign exchange reserves had already fostered growth of the monetary mass, which was the source of increased inflation in 2013. In order to bring down inflation, the Central Bank of Sudan will continue to tighten credit granted to the State by streamlining gold purchases, while ensuring inter-bank market fluidity for efficient liquidity management. Budget consolidation contributes to reducing the rate of money creation.

Box 2: Forecasts for the economy of the Sudan

The quality of economic forecasts has been assessed to inform decision-makers about the relevance of projections and macroeconomic aggregates carried out by national and international institutions, so as to provide them with better guidance on the formulation and implementation of development strategies. The present analysis on the Sudan was carried out based on three macroeconomic variables, namely economic growth, inflation and the current account balance, based on data from the African Development Bank (AfDB), the Economist Intelligence Unit (EIU) and IMF. Data on GDP growth (2001-2012) and inflation (2005-2012) from the United Nations Department of Economic and Social Affairs were also used.

A number of institutions produce forecasts of economic growth for the Sudan, including AfDB, EIU and IMF. The most optimistic forecasts for 2014 were those produced by IMF (2.7 per cent) and EIU (2.6 per cent) (see figure 4).

How accurate are these forecasts? The root mean squared error and the mean absolute error are common measures used to evaluate forecasts. Generally, the higher the value of these errors, the less accurate the forecasts. ECA analysis suggests that the most accurate forecasts produced over the period 2008-2014 were those made by AfDB followed by EIU (see figure 5). However, the variance in the error estimates is small, suggesting that the three organizations have produced forecasts of similar accuracy.

Figure 4: Forecast real GDP growth rates, by institution

Figure 5: Forecast accuracy

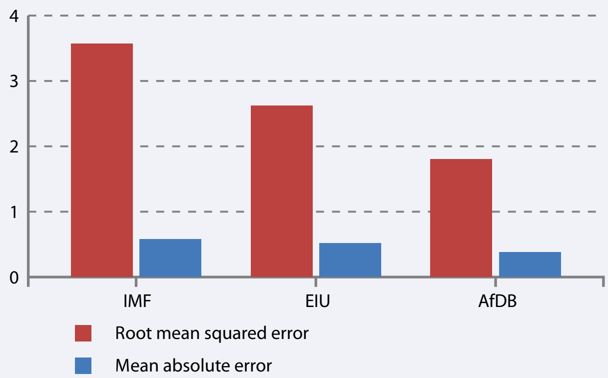
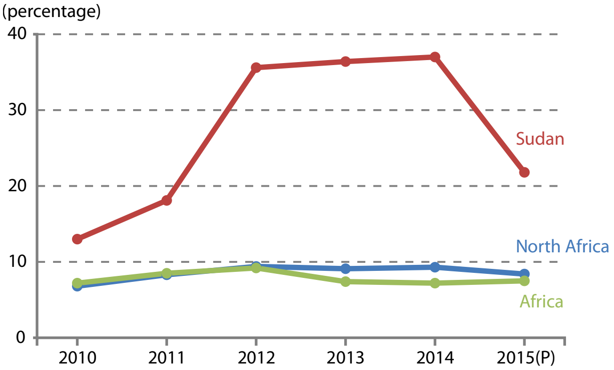


Figure 6: Annual inflation



Sources: National data; Department of Economic and Social Affairs, 2015; IMF, 2014; EIU, 2015.

While consumer price inflation was 36.4 per cent in 2013 (see figure 6), it reached and stabilized at 37 per cent in 2014, whereupon it started a downward trend, and should reach 21.8 per cent in 2015.

The real exchange rate has been devalued several times, from 22 per cent in 2012 and 34 per cent in November 2013 (Central Bank of Sudan). It is still overvalued, however, by nearly 40 per cent according to IMF estimates.

Although the Sudan has 37 banks, the level of monetization and financial intermediation is low: the currency accounts for only 21 per cent of GDP, while credit to the private sector is only about 10 per cent (Central Bank of Sudan, Annual Report 2014). The authorities adopted measures in 2013 to stimulate development of the financial sector by simplifying the regulatory framework to open bank branches. The Central Bank also prepared the institutional framework for the introduction of mobile banking. While the Sudan's banking and financial system totally complies with Islamic finance and accounts for two-thirds of the transactions of this nature on the continent, its financing sector accounts for only 1 per cent of global transactions complying with Islamic finance (Central Bank of Sudan, annual reports). The Sudan is therefore very active in the institutions of the Middle East (the Economic and Social Commission for Western Asia, among others) and the Gulf, in order to increase its capacity for financing the economy using the stakeholders in these regions.

3.3 Public finances

From 2012 to 2014, the Sudan Government introduced a consolidation plan to streamline public finances by reducing current expenditure and increasing national development projects, and improve public finance management and increase fiscal capacity, with a view to achieving public levies of nearly 10 per cent of GDP. In 2014, only 69 per cent of State revenue came from taxes, affording the authorities ample latitude to broaden the tax base.

Under current expenditure, personnel spending dropped from 38 per cent in 2013 to 31 per cent in 2014 (Central Bank, 2014). Also, goods subsidies fell from 27 per cent in 2013 to 21 per cent in 2014. The resources earmarked for national development (sectoral expenses and infrastructures) increased by 22.9 per cent from 2013 to 2014. Its share in the State budget, however, dropped from 9.8 per cent to 8.8 per cent.

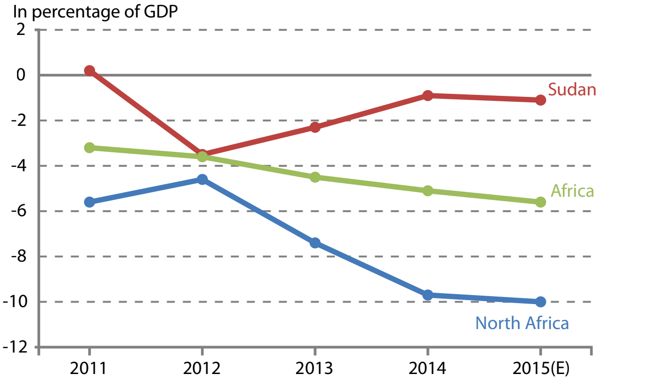
Under the consolidation plan, the deficit dropped from -3.5 per cent of GDP in 2012 to -0.9 per cent in 2014 (see figure 7). Budget consolidation should continue in 2015 with new measures to boost the tax base (by reducing tax exemptions, reforming the gold taxation system and improving tax administration capacities).

These efforts notwithstanding, the external debt is still quite high, nearly 54 per cent of GDP. The Sudan is therefore very vulnerable to external shocks.

3.4 Investment

Investment increased only slightly in value to $13.6 billion in 2014, from $13.3 billion in 2013. The fall in oil earnings, and more broadly, the stagnation of the economy, led to slow infrastructure development

Figure 7: Overall treasury balance as a percentage of GDP



Sources: National data; African Statistical Yearbook, 2015; AfDB-AEO estimates, 2015.

from the 2000s. However, several projects are ongoing, which contribute somewhat to maintaining the rate of investment at a reasonable level. China is a major actor in the development of infrastructures, in addition to its strong involvement in the oil sector.

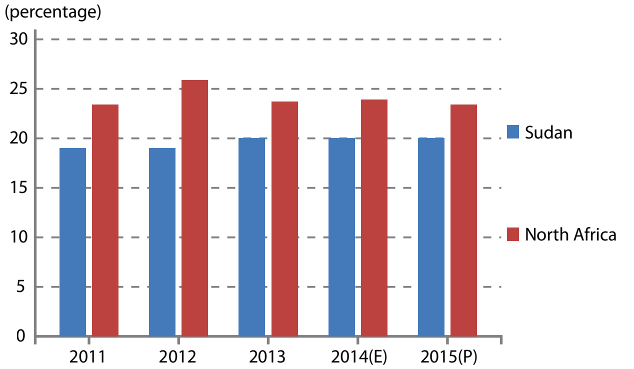
The share of investment in the GDP (20 per cent in 2013 and 2014) (see figure 8) remains below the average for North Africa (nearly 24 per cent).

The share of FDI in investment reduced from 19.6 per cent in 2012 to 16.1 per cent owing to regional upheavals and a drop in production in the hydrocarbons sector (see figure 9). An unattractive business climate (the Sudan is ranked 159th out of 189 countries in the ease of doing business index 2016) hinders domestic and foreign investment in the non-extractive sectors.

3.5 External trade and balance of payments

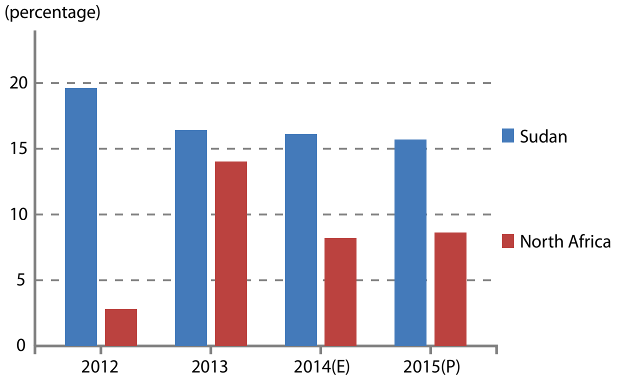
In 2014, the trade deficit reached $-3.8 billion, accounting for 5 per cent of GDP, compared to 6 per cent the previous year, making it possible to improve the coverage of imports by exports, which stood at 53.6 per cent, compared to 54.8 per cent in 2013. The current account deficit improved from 8.7 per cent of GDP in 2013 to 8.4 per cent in 2014

Figure 8: Share of gross fixed capital formation in GDP



Sources: National data; EIU, 2015; IMF, 2014.

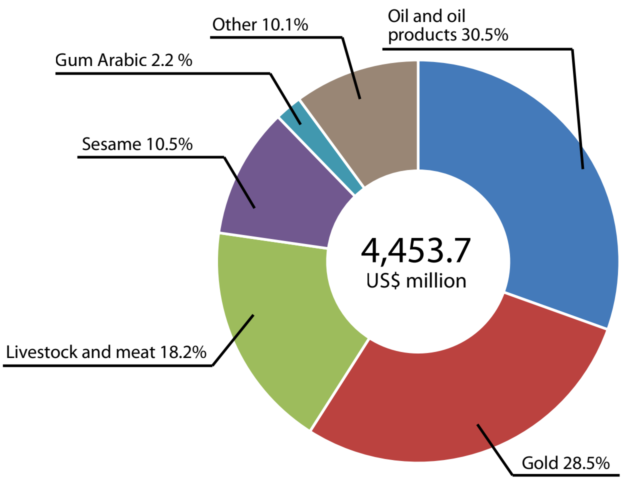
Figure 9: FDI as percentage of gross fixed investment



Sources: National data; EIU, 2015; IMF 2014.

The fall in oil prices strongly impacted the volume of exports, which dropped by 9 per cent, compared to 2013 figures, while the country's gold production continues to rise. Gold accounted for nearly 29 per cent of the country's exports in 2014 (see figure 10), reaching for the first time, the same share as that of petroleum products. The country recently announced that gold production had reached 65 tons in late August 2015. The Government hopes to produce 80 tons by the end of that year and up to100 tons by 2016.

Figure 10: Exports structure (2014)



Source: Annual Report 2014, Central Bank of Sudan.

The United Arab Emirates, China and Saudi Arabia are the country's major clients, while its leading suppliers are China, India and Malaysia.

At the end of March 2015, the balance of trade recorded a deficit of $826 million, up by 37 per cent, from the first quarter 2014. The coverage rate of imports by exports declined from 63.8 per cent to 55.4 per cent for that quarter.

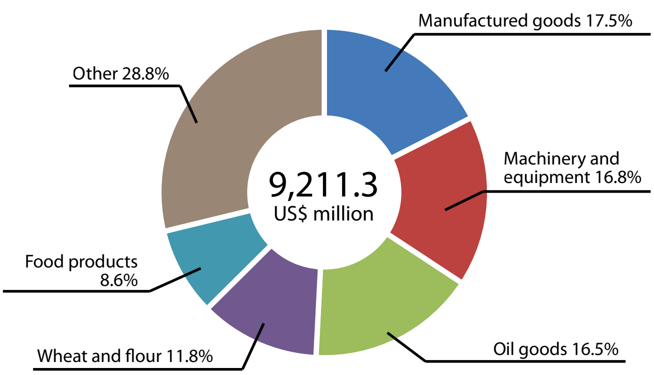
Exports reached $1.025 billion, having declined sharply by 3.7 per cent from the first quarter of 2014, while imports reached $1.852 billion, an increase of 11 per cent. The adverse impact on the Sudan's exports by the fall in world oil prices could not be compensated for by gold exports as gold price had also dropped during that quarter.

Financial support from the Gulf countries and China has been helping the country to sustain its imports as well as finance part of its trade deficit. Earnings from South Sudan export transit also provide supplementary income.

In late March 2015, the services account, income and transfers posted a deficit of $323 million, five times higher than the previous year. This was partly due to the drop in workers' remittances from $97.3 million to $39.8 million (a difference of $57.5 million).

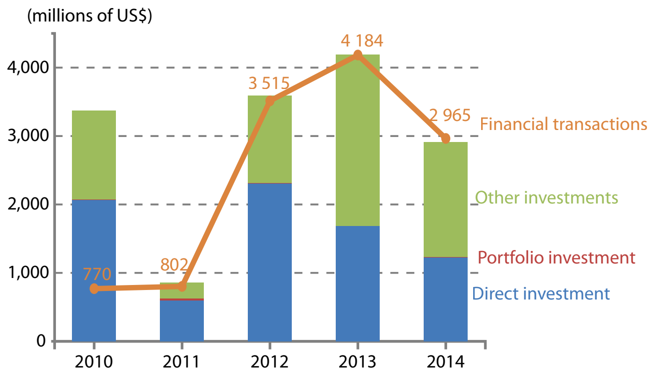
The current account deficit amounted to $1.15 billion at the end of March 2015, having increased by 76 per cent from the first quarter 2014. All in all, 2015 forecasts show a current account balance deficit of $5.8 billion, accounting for 7.3 per cent of GDP, an annual increase of 22 per cent (see figure 13).

Figure 11: Imports structure (2014)



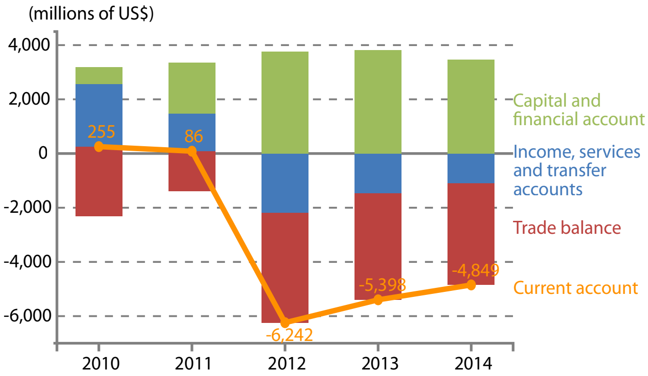
Source: Annual Report 2014, Central Bank of Sudan.

Figure 12: Capital account and financial operations



Source: Central Bank of Sudan, 2015.

Figure 13: Balance of payments



Source: Central Bank of Sudan, 2015.

According to the Central Bank, developments in the first quarter of 2015 led to a $2.5 million drop in foreign exchange reserves, leaving the Bank little room for maneouvre to sustain the exchange rate of the weakened Sudanese pound. The ensuing development of a black market, in effect, led to an exchange rate that was double that of the official rate.

The country's external debt was $43.8 billion in 2013, accounting for 71 per cent of the GDP, and six times its exports. The Paris Club alone takes one-third, while non-Club member countries hold another third. The problem of distribution of the external debt with South Sudan is still very relevant and depends mainly on debt relief. The country is a candidate for this debt relief, with both the World Bank and the International Monetary Fund, as well as at the bilateral level.

4

SOCIAL DEVELOPMENT

4.1 Population and human development

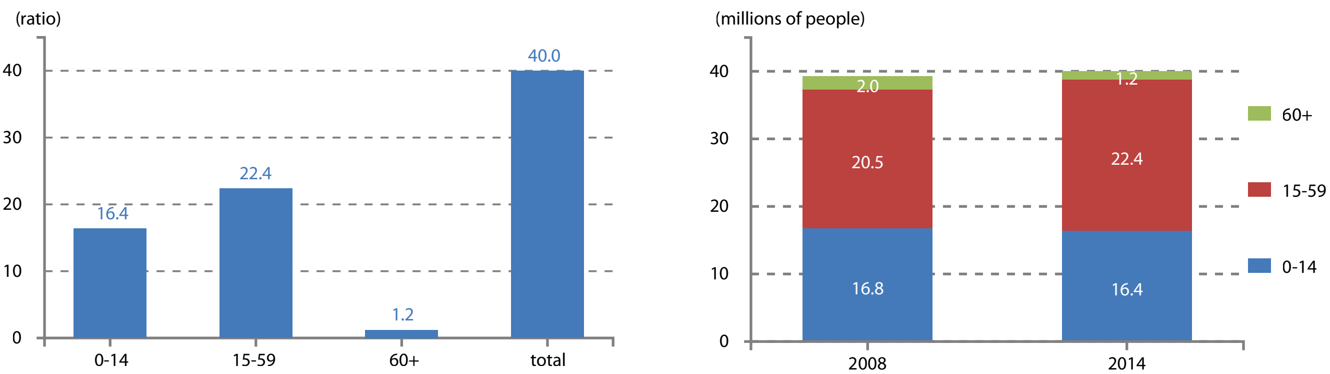
The population of the Sudan is estimated at a little over 40 million, 41 per cent of whom are under 15 years of age, 56 per cent between 15 and 64 years, and 3 per cent over 65 (see figure 14). The demographic dependency ratio is 0.78 per cent because of the number of children under 15, which is relatively high compared to the total population.

According to the Human Development Report (2014), the Sudan is ranked 166th in the world, with an index of 0.479 (see figure 15), well below other countries in the subregion such as Tunisia (ninetieth) Algeria (ninety-third), Egypt (110th), Morocco (129th) and Mauritania (161st).

The country has made strides over the past 30 years. From 1980 to 2013, the HDI rose from 0.331 to 0.473 (see table 1). The two areas that posted the most dramatic changes were in health (assessed according to life expectancy at birth), and education (measured by mean years of schooling for adults aged 25 and above and the expected years of schooling for school age children).

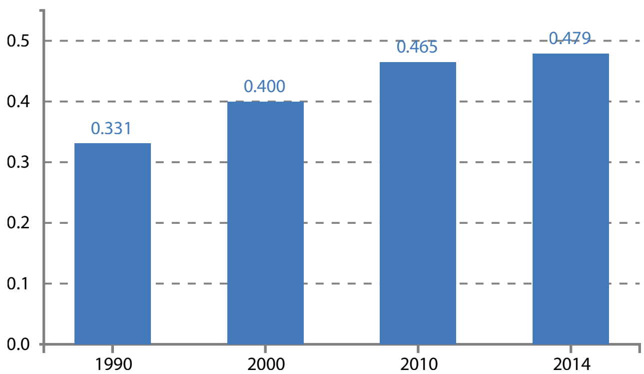
Life expectancy in the Sudan increased from an average 48.19 years in 1960 to 62.1 years in 2013 (see table 1), but remains lower than the mean for

Figure 14: Demographic dependency ratio and population growth



Source: United Nations Population Division.

Figure 15: Human development index



Source: Human Development Report, 2014

Table 1: Human development index components

	Life expectancy at birth	Mean years of schooling for adults aged 25 and above	Expected years of schooling for children of school- going age	Per capita gross national income	Human development index
1980	54.2	3.7	0.9	3,089	0.331
1990	55.5	3.9	1.5	2,116	0.342
2000	58.0	4.5	2.4	2,327	0.385
2010	61.5	7.3	3.1	2,905	0.463
2013	62.1	7.3	3.1	3,428	0.473

Source: Human Development Report 2014.

North Africa, which is estimated at 68.3 years. Within 30 years, the mean number of schooling years for adults aged 25 and above doubled and the duration of schooling for children of school going age more than tripled.

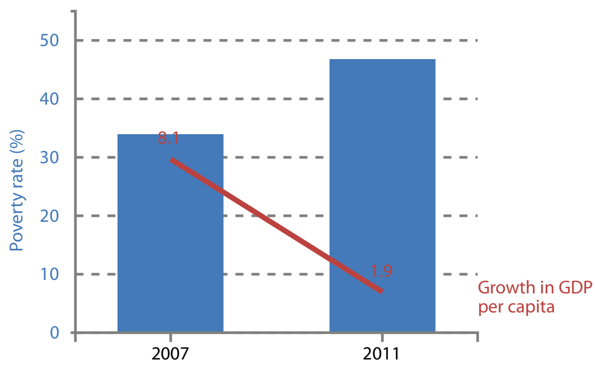
Clearly, public investment in the capacity building of people, especially in terms of health (optimum health coverage, widespread immunization, better access to water and clean toilets), education (better schooling for children, reduction in illiteracy) and food, has led to a marked improvement in livelihoods. However, the HDI, which grew sharply from 1990 to 2010, started stalling from 2010, showing signs of weakening in the country's development model.

4.2 Employment

The level of poverty in the Sudan remains disturbing, despite the downward trend observed, at 46.5 per cent of the population (see figure 16). Social progress at the national level belies the inequalities between the various regions. There is a real problem with the equitable distribution of the benefits of growth and oil resources. The disparities in the development of, for instance, the capital Khartoum (where one-quarter of whose population is considered poor) and the north of Darfur (where two-thirds of whose inhabitants are considered poor) reveal the failings of the development model. The regions of Kordofan and Darfur make up 34 per cent of the population, while 45 per cent of their population is considered poor.

While there are no recent data on the job market, the unemployment rate in 2014 is estimated at 19.5 per cent, with major variations depending on gender, age and geographical location. The unemployment rate is 13.3 per cent for men, 32.1 per cent for women and 33 per cent for young people aged 15 to 24. The agricultural sector employs 42 per cent of the working population, while the public and trade sectors employ 19 per cent and 11 per cent respectively. The issue of unemployment, especially among the youth, is one of the biggest challenges facing the country. Job

Figure 16: Poverty and economic growth



Source: Human Development Report, 2014 prospects are limited by the structural weaknesses of the national economy, which is dominated by a largely artisanal agricultural sector and a poorly developed private sector.

During the past decades, the cities underwent spectacular population growth as a result of conflicts that triggered a mass exodus as well as economic migration. The rate of urbanization is estimated at 33.8 per cent. Khartoum is by far the largest city, whose population grew from 850,000 in 1980 to 7 million in 2015. This rapid urbanization poses major problems in terms of governance and management of infrastructure and basic services such as housing, transport, education, health and sanitation. According to 2010 household survey, 66.6 per cent of households have access to water in the urban areas, compared to 57.7 per cent in the rural areas. The survey also shows that 46.9 per cent of households have access to an efficient sanitation system of sorts in the urban areas, compared to 17.9 per cent in the rural areas.

4.3 Health

In an effort to accelerate the health-related Millennium Development Goals, in 2012, the Sudan adopted a strategic health sector plan (2012-2016), with the following strategic goals: enhancing primary health care and services, especially in rural areas; enhancing referral care by improving the quality and efficiency of hospital services; and ensuring social protection by increasing health insurance coverage for the entire population.

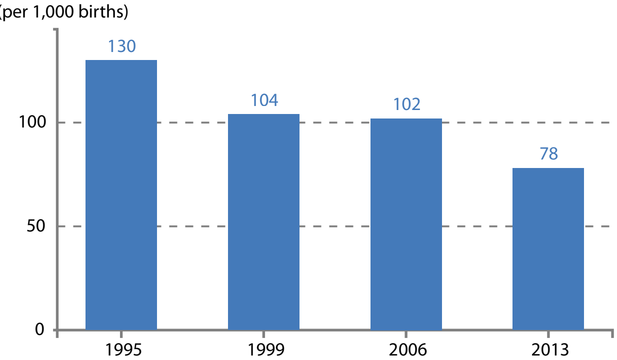
Government primarily delivers health services, although in recent years, the private sector has come in to complement the inadequate supply, mostly in the larger cities. According to available statistics, State spending on health makes up 11 per cent of the national budget, which seems rather high. There are currently less than two hospitals per 100,000 people and nearly three doctors per 10,000 inhabitants.

The maternal and reproductive health situation is concerning, despite efforts and investments made for this health sector component. The maternal and neonatal mortality rate is high at 216 deaths per 100,000 live births, despite a significant drop in the rate since the 1990s, when it was above 700. There is, however, a clear difference between the rural (225) and urban (194) areas. Hospital management of childbirth also improved from 57 per cent in 2006 to 72 per cent in 2010. It is crucial to step up efforts to improve antenatal and assisted delivery services in rural and remote areas, to forestall pregnancy-related risks and complications.

Significant progress was also made in the reduction of infant and child mortality, as shown by the findings of the 2010 household survey: the mortality rate for under-five children fell from 130/1000 on average in the 1990s to 78/1000 in 2010 (see figure 17). These efforts notwithstanding, MDG goal 4[2] to reduce by two-thirds the mortality rate of under-five children, from 1990 to 2015 was not achieved.

Figure 17: Infant mortality

(per 1,000 births)



Source: National Millennium Development Goal Report, 2010; UNICEF estimates, 2014

[2] Goal 5 of the Millennium Development Goals: Reduce by three-quarters the maternal mortality rate between 1990 and 2015 and achieve, by 2015, universal access to reproductive health.

4.4 Education

The country has gone to great lengths to improve the education system by introducing free compulsory education up to age 13, and boosting the adult literacy rate, which is estimated at 62 per cent. Primary education takes eight years, followed by three years of secondary. Youngsters aged 15-24 have the highest literacy rate (87.3 per cent). The net primary enrolment rate, despite a slight improvement in the 1990s (58 per cent), is only 67 per cent (see figure18). There are also significant gender differences, with the enrolment rate, 69 per cent for boys and 64 per cent for girls and geographical location, 82 per cent for urban areas and 60 per cent for rural areas. The capital posted the highest enrolment rate, with 85 per cent.

The secondary enrolment rate rose from 34 per cent in 2008 to 67 per cent in 2013 (see figure 18), with a clear gender disparity. The rate for boys was 73 per cent, compared to 52 per cent for girls. The failure rate for secondary schools is higher than for primary.

4.5 Social development policy

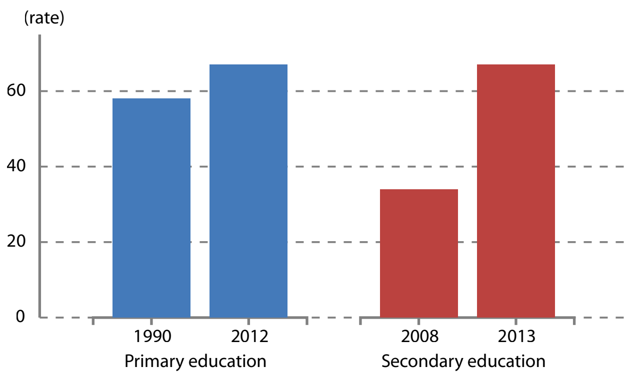
The country has made firm commitments to develop human capital both in the long-term strategic development plan (2007-2031), and the five-year development plan (2012-2016) currently underway. It recorded tangible outcomes in several areas such as poverty reduction, primary school enrolment, infant mortality reduction and access to potable water and energy. However, persistent gender and geographical disparities continue to undermine the impact of the strides made. Under the five-year development plan, the Sudan has, for some years now, been implementing a development programme to modernize infrastructures to accelerate development in the poorest regions. This programme, which also hopes to promote large-scale employment, comprises activities such as construction and rehabilitation of primary health-care centres, schools, roads, bridges and community infrastructures.

Since the independence of South Sudan in 2012, the Sudan has seen its annual oil earnings drop by nearly 75 per cent, compelling it to adjust its government spending, including social spending. The austerity plan introduced reduced subsidies on basic food items and petroleum products drastically, causing the prices of petroleum products to double. This situation, which was viewed by the population as social injustice, triggered violent social tensions in 2013 and 2014.

The efforts made by the Sudan in recent years to develop basic services such as water and sanitation, education and health, as well as to reduce poverty, have been seriously called into question, as they were based on petroleum earnings, which is no longer available. Adjustments in public spending and inflationary pressures over the past two years are likely to undermine social policies, and lead to a new wave of social tensions.

To forestall situations such as this, public spending in the 2015 budget amounting to 59.8 billion Sudanese pounds, shows that wheat and petrol subsidies will be maintained, while taxes will not be increased.

Figure 18: Primary and secondary enrolment



Source: UNICEF, 2013

4.6 African gender scorecard*

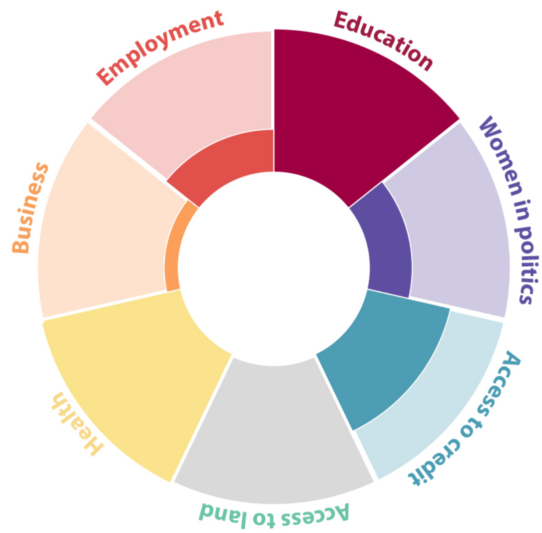
The African Union declared 2015 as the Year of Women's Empowerment and Development towards Africa's Agenda 2063, with a view to building momentum for gender equality and women's empowerment on the continent. Based on this commitment, the African Union developed the African Gender Scorecard. The scorecard is designed to measure the status of gender equality and women's empowerment in seven core sectors that have a transformative impact on women's lives through their contribution to broad-based, sustainable and inclusive growth. These core sectors are: employment, the business sector, access to credit, access to land, women in politics and decision-making, health, and education at the secondary and tertiary levels.

*Interpretation of the pie chart: The scoring is between 0–10, with 0 being the worst level of inequality, 5 suggesting middle parity, and 10 indicating perfect parity. Perfect parity connotes a situation where the proportion of men and women is equal, irrespective of the developmental level of the variable or indicator being assessed. Some countries go beyond the score of 10, thus showing that women may be more highly empowered in that subsector than men for that country. However, caution is needed when drawing conclusions based only on the scores, particularly when there are large variations in levels of developmental achievements between countries.***

Employment	Score
Employment in non-agricultural sector	3
Labour force participation rate	4

Business	Score
Top management in firms	0
Ownership in firms	1

Health	Score
Under-five survival rate	10
Children under age five who are not stunted	11
Life expectancy at birth	11
Share of population without HIV	10



Education	Score
Youth literacy rate	9
Enrolment ratio in secondary education	9
Enrolment ratio in tertiary education	11

Women in politics	Score
Representation in parliament	3
Ministerial positions - cabinet	2

Access to credit	Score
Account at a financial institution	5
Borrowed from financial institution	7

Access to land	Score
Access to land	No data

* The data used in the calculation of the scorecard are drawn from several international databases and sources, including: United Nations, Statistical Division; World Development Indicators, Global Financial Inclusion Database and Enterprise Surveys of the World Bank; the Gender and Land Rights Database of the Food and Agriculture Organization of the United Nations; International Labour Organization; United Nations Children's Fund; Joint United Nations Programme on HIV/AIDs; World Health Organization; International Food Policy Research Institute; United Nations Educational, Scientific and Cultural Organization; United Nations Population Division; United Nations Population Fund; Inter-Parliamentary Union; and some national data sources. Data on access to land were drawn from several sources, with the scoring and harmonization of legislative frameworks done in-house by the African Centre for Statistics and the African Centre for Gender.

** The pie chart is based on the African Gender Scorecard, which was presented to the Heads of State and Government at the twenty-fifth ordinary session of the Assembly of the African Union in June 2015.

5

MAJOR POLICY CHALLENGES

5.1 Structural transformation

The Sudan faces many short and medium-term challenges. In the short term, the shock stemming from the secession of South Sudan highlights a flawed diversification process. The country lost half of its resources following the secession. It also faces an external debt situation which is hindering its capacity to invest in the future. In the short term, it will be crucial to consolidate public finances and streamline expenditure. While the reforms introduced in 2012 and 2013 are a step in the right direction, the country must strive to reduce inefficient public spending.

It is only by rapidly reducing public deficits that the country can redirect its expenditure to engage in more public investments so as to sustain diversification of the economy to finance development. Debt sustainability is also a major challenge for the structural transformation of the country's economy.

This sustainability cannot be achieved by merely streamlining public finances; the country must hasten to implement deep reforms.

In the first place, the financial system is not well developed, making it a burden to finance the private sector and create new businesses. Financing the budget deficit replaces private investment.

Public governance remains a major challenge for the country, which is ranked fifty-first out of 54 countries on the Ibrahim index of African governance. Institutional inefficiency is an obstacle to formulating and implementing effective public policies that would deal with the country's numerous challenges in a security environment and this does not augur well for investment. Indeed, the business environment is far from favourable. The Sudan was ranked 159th out of 189 countries in the ease of doing business index 2016.

In the short term, the country must streamline public expenditure so as to limit the rising debt. In terms of structural transformation, much remains to be done; the economy still relies on agriculture and the extractive and mining industries. The 2015-2019 strategic development plan mainly targets the extractive and mining industries, agriculture and infrastructure.

With regard to industry, the Sudan plans to increase production from 142 billion Sudanese pounds in 2015 to 302 billion Sudanese pounds in 2019.

For the extractive industries, the objectives are to increase oil production from 55 million barrels per annum in 2015 to 65 million barrels in 2019; refine 34.3 million tons of oil per annum; increase the production of oil by-products; and reduce oil imports to 5.8 million barrels in 2019. There are also plans to increase prospection and development operations; increase storage and transport capacity; upgrade basic infrastructure to support the development of the petroleum industry; develop the petrochemical industry; and introduce investment incentives to attract the private sector.

With regard to mining, the plan's objectives are to increase the amount of gold mined from 76 tons to 103 tons per annum; chromium from 60,000 tons to 80,000 tons; and iron from 350,000 tons to 500,000 tons. In addition, FDI will be increased and production plants will be modernized.

In the agro-industry, the aim is to increase sugar production from 984,000 tons to 1.5 million tons per annum; increase vegetable oil production from 280,000 tons to 360,000 tons; increase flour production from 1.7 million tons to 2 million tons; and increase the production of mechanical industries (agricultural machinery, vehicles, etc.).

The plan intends to improve the value of annual agricultural production from 206 billion Sudanese pounds to 425 billion Sudanese pounds by 2019 (mainly maize, cotton and barley). Livestock production is set to increase from 106 million in 2015 to 109 million in 2019 (mainly cattle, goats, camels).

In terms of infrastructure, the plan will focus on power generation, rail transport, irrigation and completion of road and road infrastructure projects. For electricity, the goal is to increase hydro, thermal, solar and wind generation. Generation should reach 4,190 megawatts by 2019 to cope with the growing demand. Also under the plan, the power network will be extended to all states of the Sudan, increasing the power lines to 6,500 km, to connect mining, industrial and agricultural areas. Lastly, the plan will increase the percentage of beneficiaries of electricity from 34.2 per cent in 2015, to 49 per cent in 2019.

For rail transport, the current 1,213 km rail network will be extended to 1919 km, while the transport capacities will be increased (goods wagons, trains, etc.). Lastly, with regard to road infrastructure, close to 3,000 km of new roads will be constructed under the plan.

By prioritizing public finance consolidation, the authorities hope to achieve macroeconomic stability, which is crucial for growth. However, the strategic development plan relies largely on public investments in a limited number of sectors. While investment in public infrastructure may be crucial to sustaining development, there has not been enough focus on private sector development and diversification of the economy. With the unfavourable business climate (159th out of 189 countries in the ease of doing business index), the authorities should focus more on reforming the business environment.

5.2 Sustainability of public finances

The secession of South Sudan was a major shock for the Sudan, which lost three-quarters of its oil production, and half its budget earnings. From 2010 to 2012, oil production declined from 168 million barrels to 38 million barrels. Government revenue reflected in the GDP fell from 17.8 per cent of GDP in 2010 to 9.5 per cent in 2012. Budget revenue from oil fell from 11.3 per cent to 2.7 per cent of GDP, and oil exports from \$11 billion to \$2 billion.

Following the shock, GDP fell by 50 billion Sudanese pounds, accounting for 26 per cent of GDP in 2012. The loss for public finances is estimated at 12 billion Sudanese pounds. Public finances fell from a surplus of 0.3 per cent of GDP in 2010 (see table 2) to a deficit of -3.8 per cent in 2012. In addition, public expenditure fell from 19 per cent of GDP in 2009 to less than 14 per cent in 2012. Investment spending dropped further (-38 per cent) than that of the current account (-25 per cent), undermining prospects for future growth.

Table 2; Budget balance (per cent)

	2008	2009	2010	2011	2012	2013	2014	2015
							E	P
Income (less grants) including:	24	16.5	19	18	9.5	9.2	11.2	11
Hydrocarbons	16	8.7	11	11	2.7	1.5	1	1.2
Taxes less hydrocarbons	6.8	7.1	6.7	6.4	6.2	6.1	6.1	6.6
Expenditure	24	20.7	19	18	13.8	12	12.4	13
Current expenditure	21	17.8	17	16	12.3	11	11	12
Salaries	5.3	5.6	5	5.5	4.8	4.3	3.7	3.5
Subsidies	1.4	0.2	0.6	1.5	2	2	1.8	2.3
Transfers	10	8.1	7.7	6.2	2.5	2.2	2.7	2.8
Investment	3.4	2.9	2.6	1.7	1.6	1	1.3	1.7
Balance	-0	-4.2	0.3	0.2	-3.8	-1	0.3	0.4
Primary balance less hydrocarbons/GDP less hydrocarbons	-7	-6.4	-4.5	-5	-5	-3	-1.6	-1.9

Source: IMF, Article IV, 2011 – 2014.

The secession increased the external debt burden further, from 59.4 per cent of GDP in 2011 to 81.4 per cent in 2012. The agreement signed between the Sudan and South Sudan in 2012 stipulated that the Sudan would cover the entire public debt.

In 2012, the debt service burden increased considerably, accounting for 37.7 per cent of exports and 34.9 per cent of Government revenue (see table 3).

The external debt ratio/GDP remained high at 54 per cent in 2014. In 2013, 85 per cent of the debt was made up of arrears (IMF article IV 2014). Debt arrears impede access to external funding, which started running dry from 2012. The new debt that the Sudan may contract will not exceed 1 per cent: it dropped from $618 million in 2013 to 152 million in 2014 (see table 4).

Public debt owned by nationals increased from 2.1 billion Sudanese pounds in 2000 to 19.8 billion Sudanese pounds in 2011. The total debt (internal and external) increased from 49 billion Sudanese

Table 3: Debt service burden (per cent)

	2009	2010	2011	2012
Debt service/exports	25.8	17.1	18.3	37.7
Debt service /income	24.9	18.2	18.7	34.9

Source: IMF, article IV, 2011 - 2014

pounds in 2000 to 137 billion Sudanese pounds in 2011. The external debt reached $43.8 billion in 2013 (Central Bank, 2014).

Under an agreement with IMF, the country pledged to maintain the new non-concessional debt at less than $700 million.

Controlling the rising debt would entail consolidating public finances and streamlining public expenditure to improve the efficiency of the State. High operating expenses put a strain on the budget and affect the Government's ability to invest and therefore the potential for future growth and social development. Controlling the budget balance would entail curbing volatile incomes, extending the tax base and significantly improving tax collection in order to increase the share of revenue (less hydrocarbons) in the budget; controlling rising operating expenses; and streamlining social expenses.

In September 2012, the Sudan and South Sudan signed an agreement on transit taxes on oil from South Sudan. This helped to boost the public finances of the Sudan. However, the recurrent conflicts[3] make this resource volatile and unpredictable, and constrain public finance management. In 2014, IMF estimated the oil transit taxes at $1.4 billion, up from $442 million in 2013.

Curbing volatility would entail reducing the share of the budget financed by oil revenue. The dependence of the Sudanese economy on hydrocarbons increased from the end of the 1990s. While the contribution of the hydrocarbon sector to GDP remained relatively modest compared to other countries in the subregion (Algeria, for example), over 40 per cent of the State budget was based on taxes from this sector.

In June 2012, the Sudanese authorities adopted an emergency plan to deal with the effect of the secession on public finances. The plan comprised measures for increasing revenue, streamlining public spending and social expenditure, and improving budget management capacity.

Tax increases were a major tool for reducing the budget deficit, since taxes (less hydrocarbons) accounted for a mere 7.6 per cent of GDP in 2014, compared to 14.6 per cent for Egypt, 12.4 per cent for Uganda and 18.6 per cent for Zambia.

Increased taxes and improved tax collection (albeit relative) helped to boost the income from 9.2 per cent of GDP in 2012 to 11.3 per cent in 2014. Controlling current expenditure (limiting salary increases, in spite of high inflation) and controlling subsidy increases contributed to containing public spending.

Table 4: New debt trend ($ million)

	2009	2010	2011	2012	2013	2014-H1
New debt	1655	419	857	431	618	152
Concessional	204	150	193	134	16	5
Non-concessional	1451	269	664	296	602	147

Source: IMF, article IV, 2011 - 2014

[3] The conflict, which broke out in February 2012 and led to a halt in hydrocarbon production in South Sudan, was only resolved in March 2013

The mining sector, gold in particular, is a major source of tax revenue. In 2012, gold became the primary source of export income, rising from less than 1 per cent of exports in 2008 to 13 per cent in 2011 and 41.7 per cent in 2012 (due to the fall in oil exports). While the taxes on large companies is comparable to those of other gold producers, the authorities should be able to have room for manoeuvre to include in the tax base thousands of small artisans who are still escaping taxes.

The measures adopted led to a reduction in the budget deficit from -3.8 per cent of GDP in 2012 to -0.9 per cent in 2014.

There is still room for improvement, however, in reducing subsidies, since in spite of fuel price hikes of nearly 162 per cent between June 2012 and 2014, fuel subsidies account for nearly 2 per cent of GDP.

Beyond this aspect, reduction in illicit flows of capital is also a major challenge for public finance. Illicit financial flows are estimated at over $147 billion over the period 1970-2008.

In conclusion, the Sudan is on track to implement its budget reforms, although there is still much room for additional measures. Stabilization of budget resources to achieve sufficient budget surplus to control the debt remains a major challenge. Beyond control of deficits, diversification of the economy seems critical to addressing the problem of financing public expenditure and meeting social challenges. In this context, redirecting public expenditure to more efficient social expenditure and to more investment seems crucial. Equally important is the need to build the capacities of government institutions, which currently cannot implement efficient reforms.

6. NATIONAL DATA QUALITY EVALUATION

Methodological note on data quality evaluation

The quality of national data sources for key indicators in the country profiles was evaluated. The result is presented in colour codes, with green indicating a "good" data source, yellow for "satisfactory", and red for "needs improvement".

The evaluation focused on the transparency and accessibility of each national data source. The evaluation took into consideration the timeliness and periodicity of data publishing, based on the punctuality of publication and frequency of data updates in accordance with international standards. It also measured the comparability of the data series, based on their length, definition and standard units of measurement. It evaluated database accessibility, specifically whether the data were open and freely available to the general public, the format of the data, and the ease of downloading and sharing. Data citation, together with references to primary or secondary sources, was also assessed. Finally, the evaluation checked the completeness of metadata for data release and the completeness and clarity of documentation and notes.

Demography	Value	Evaluation
Population (millions)	39.6 (2016)	1
Crude death rate (deaths per 1,000 people)	16.7(2011)	1

Key macroeconomic and sectoral performance	Value	Evaluation
GDP, constant price (millions of Sudanese pounds)	29.3(2014)	2
Real GDP growth (%)	3.6(2014)	2
Inflation rate (%)	36.9(2014)	2
Current account balance (% of GDP)	-6 (2014)	2

Economic trends and performance indicators	Value	Evaluation
Total exports (millions of United States dollars)	3361 (2015)	2
Total imports (millions of United States dollars)	9509(2015)	2

Education and employment	Value	Evaluation
Net enrolment ratio in primary education	97 (2013)	1

Health	Value	Evaluation
Prevalence of underweight children under 5 years of age	12.6(2010)	1
Under-5 mortality rate (per 1,000 children)	78.5(2010)	1
Infant mortality rate (per 1,000 live births)	32.9(2010)	1
Maternal mortality ratio	215.6(2010)	1

Data sources code index

1. Sudan Central Bureau of Statistics
2. Central Bank of Sudan

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