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CHAPTER (I)

THE MAJOR DEVELOPMENTS IN THE INTERNATIONAL ECONOMY DURING 2002

The global economy began to resume revival as from the end of 2001 due to an increase in the volume of trade and industrial production in most regions of the world. Hence, the growth rate in the global economy registered 2.8% in 2002, compared to a growth rate of 2.4% in 2001 which was lower than expected. Moreover, the 2001 September eleventh events negatively affected the global economy and the American economy in particular. Those events led to a deterioration in the exchange rate of the U.S. Dollar and in the financial conditions in the emerging markets. The economies of some countries faced acute financial crises and had generally weakened the investors confidence. Hence, due to the aforesaid factors, the positions of the bonds and stocks markets in the industrial countries have deteriorated and the interest rates in the Euro zone and Japan have fallen. For the developing countries, the growth rates markedly increased due to the implementation of the economic structural adjustment programs. Some developing countries have benefited from the international initiatives in the areas of poverty and external debt reduction, specially the Heavily Indebted Poor Countries Initiative (HIPC).

Regarding the countries in economic transition, growth rates increased due to the adoption of policies aimed at achieving economic stabilization and the opening up of their economies towards the global economy.

The following part highlights some major economic indicators of the industrial countries, the developing countries and the countries in economic transition:-

Growth, Inflation, Unemployment Rates and Current Account Position In The Main Industrial Countries:-

Table (1-1) and figure (1-1) reflect growth, inflation, unemployment rates, and current account position in the main industrial countries for the years 2001 and 2002.

Table (1-1)
Growth, Inflation, Unemployment Rates and Current Account Position

In The Main Industrial Countries, For The Years 2001 & 2002

Indicators Country	Growth Rate %		Inflation Rate %		Unemployment Rate %		Current A/C. (Billions US\$)	
	2001	2002	2001	2002	2001	2002	2001	2002
Main Industrial Countries	0.6	1.4	1.5	1.0	6.0	6.6	-287.7	312.2
U.S.	0.3	2.2	2.4	1.2	4.8	5.9	-393.4	-479.6
Japan	-0.3	-0.5	-1.2	-1.4	5.0	5.5	87.8	119.3
Germany	0.6	0.5	1.4	1.7	7.8	8.3	2.4	38.7
France	1.8	1.2	1.4	1.8	8.6	9.0	24.0	26.6
Italy	1.8	0.7	2.6	2.4	9.5	9.3	1.6	2.8
United Kingdom	1.9	1.7	2.0	2.6	5.1	5.2	-29.5	-32.2
Canada	1.5	3.4	1.0	1.1	7.2	7.6	19.4	12.2
Group of other Industrial countries	1.6*	2.6**	2.6*	1.9**	5.7*	5.8**	99.3*	102.0**

Source : World Economic Outlook Sept.2002.

* Actual.

** Estimates.

Figure (1-1)
Growth, Inflation, Unemployment Rate
In The Main Industrial Countries
For 2001 & 2002

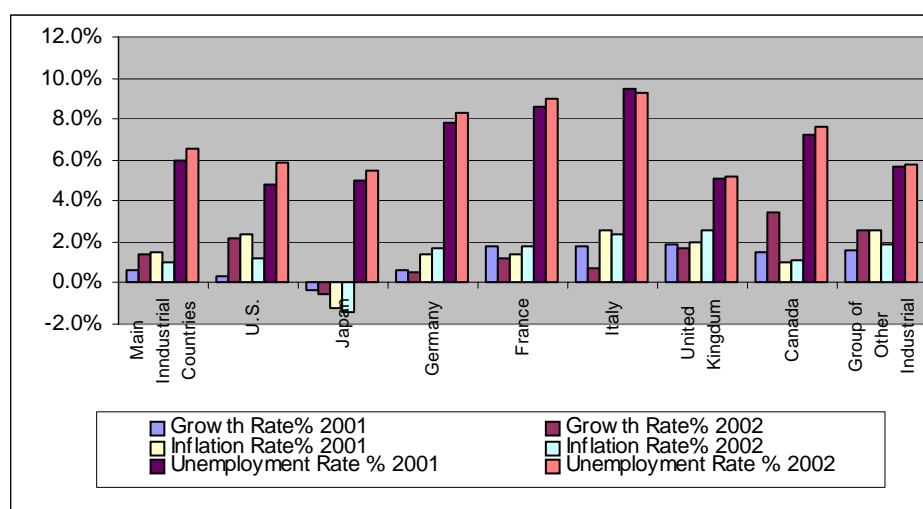


Table (1-1) shows that the growth rate of the industrial countries as a group increased from 0.6% in 2001 to 1.4% in 2002. Inflation rate decreased from 1.5% to 1%, whereas, the unemployment rate increased from 6% to 6.6%, and

the current account deficit increased from US\$ 287.7 billion to US\$ 312.2 billion.

The growth rates increased in all industrial countries except Japan, Germany, France, Italy and United Kingdom and the inflation rates also increased in France, Germany, United Kingdom and Canada. Unemployment rates in all the industrial countries also increased except in Italy where it decreased slightly. The current account position improved in all the industrial countries except in the United States and United Kingdom where the current account deficit has increased.

For the other industrial countries, the growth rate increased from 1.6% in 2001 to 2.6% in 2002. The unemployment rate increased slightly from 5.7% to 5.8%, whereas inflation rate decreased from 2.6% to 1.9%. The current account surplus increased from US\$ 99.3 billion to US\$ 102.0 billion.

Growth , Inflation , Unemployment Rates and Current Account Position in the Developing Countries :-

Table (1-2) and Figure (1-2) reflect the growth rates, inflation, and current account position in the developing countries for the years 2001 and 2002.

Table (1-2)
Growth Rates, Inflation Rates and Current Account Position
In The Developing Countries for the Years 2001 and 2002

Indicators Country	Growth Rate %		Inflation Rate %		Current A/C. (Billions \$)	
	2001	2002	2001	2002	2001	2002
All Developing Countries	3.9	4.2	5.7	5.6	39.6	18.9
Africa	3.5	3.1	13.1	9.6	1.3	-7.2
Asia	5.6	6.1	2.6	2.1	39.5	33.5
Middle East	1.5	3.6	17.2	17.1	51.8	25.2
Latin America Countries	0.6	-0.6	6.4	8.6	-52.9	-32.6
Others	-	-	-	-	22.1	14.1

Source : **World Economic Outlook, Sept. 2002.**

Figure (1-2)
Growth and, Inflation Rates
In The Developing Countries

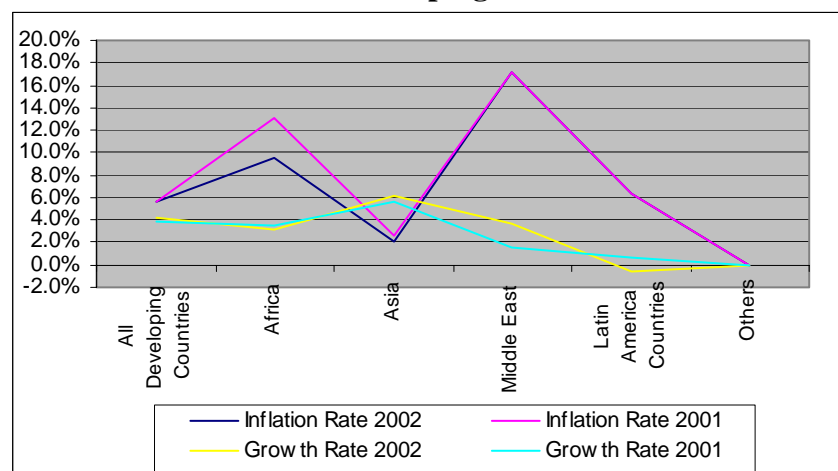


Table (1-2) illustrates that the growth rate of all developing countries increased from 3.9% in 2001 to 4.2% in 2002, whereas the inflation rate decreased from 5.7% to 5.6% and the current account surplus decreased from US\$ 39.6 billion to US\$ 18.9 billion.

The growth rate in Africa decreased from 3.5% in 2001 to 3.1% in 2002, while the inflation rate decreased from 13.1% to 9.6%. However, the net current account position reversed from a surplus of US\$ 1.3 billion in 2001 to a deficit of US\$ 7.2 billion in 2002.

As for the Asian developing countries, the performance of their economies witnessed noticeable upwards trend. Their growth rate increased from 5.6% in 2001 to 6.1% in 2002, and their inflation rate decreased from 2.6% to 2.1%, while their current account surplus decreased from US\$ 39.4 billion to US\$ 33.5 billion.

With respect to the Middle East Countries, their economies achieved higher growth rate among the developing countries. Their growth rate increased from 1.5% in 2001 to 3.6% in 2002 whereas their inflation rate decreased slightly from 17.2% to 17.1%. As for their current account surplus, it was decreased from US\$ 51.8 billion to US\$ 25.2 billion.

Growth , Inflation Rates and Current Account position of the countries in economic transition for the years 2001 and 2002 :-

Table (1-3) and figure (1-3) reflect the growth rates, inflation rates, and the current account position of the countries in economic transition for the years 2001 and 2002.

Table (1-3)
Growth Rates, Inflation Rates, and The Current Account Position
The Countries in Economic Transition for the Years 2001 & 2002

Indicators Country	Growth Rate %		Inflation Rate %		Current A/C. (Billions US\$)	
	2001	2002	2001	2002	2001	2002
Countries In Economic Transition	5.0	3.9	15.9	11.3	11.8	1.4
East and Central Europe	3.0	2.7	9.6	6.1	-18.3	-20.8
Russia	5.0	4.4	20.7	15.8	31.9	24.1
Others	8.9	5.2	17.9	11.9	-1.3	-1.9

Source : World Economic Outlook 2002.

Figure (1-3)
Growth and Inflation Rates
Of Countries in Economic Transition for the Years 2000 & 2001

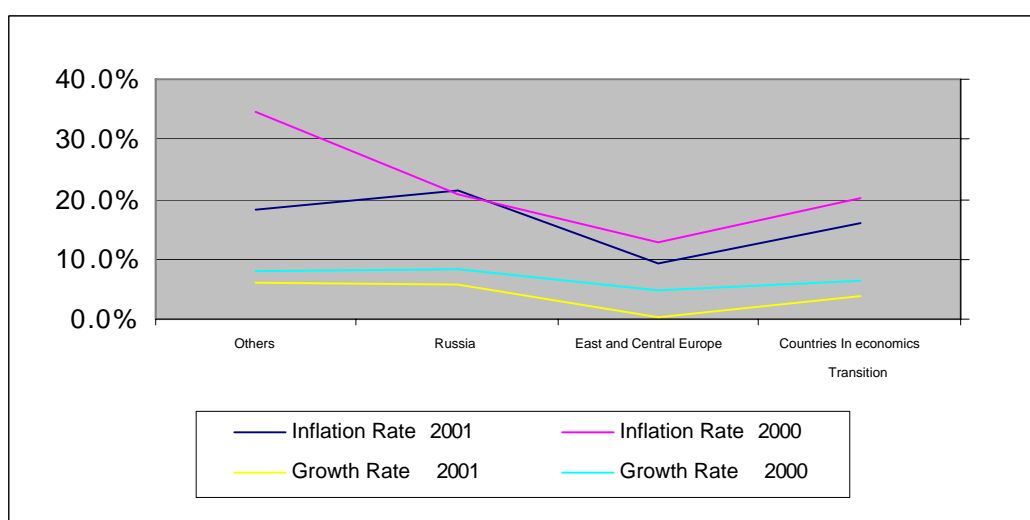


Table (1-3) reflects that the growth rate of all the countries in economic transition decreased from 5% in 2001 to 3.9% in 2002, whereas, the inflation rate decreased from 15.9% to 11.3% and the current account surplus decreased from US\$ 11.8 billion to US\$ 1.4 billion.

With regard to the countries of Eastern and Central Europe; the growth rate decreased from 3% in 2001 to 2.7% in 2002, and the inflation rate decreased from 9.6% to 6.1%, while the current account deficit increased from US\$ 18.3 billion to US\$ 20.8 billion.

As for Russia, its growth rate decreased from 5% in 2001 to 4.4% in 2002 and the inflation rate decreased from 20.7% to 15.8%, while the current account surplus decreased from of US\$ 31.9 billion to US\$ 24.1 billion.

With regard to the other countries in economic transition, the growth rate decreased from 8.9% in 2001 to 5.2% in 2002 and the inflation rate decreased from 17.9% to 11.9%, whereas the current account deficit increased from US\$ 1.3 billion to US\$ 1.9 billion

Capital Flows and External Debt: -

Table (1-4) reflects the external debt of the developing countries and the countries in economic transition and its ratio to the GDP for the two groups.

Table (1-4)
External debt as a Percentage of GDP
In the Developing Countries and Countries in Economic Transition
For the years 2001 & 2002
(in US\$ Billions)

Country	2000		2001	
	External Debts	% of GDP	External Debts	% of GDP
<u>Developing Countries Group</u>	<u>2,170.0</u>	<u>40.3</u>	<u>2,200.8</u>	<u>40.9</u>
Africa	265.6	62.5	268.9	62.8
Asia	673.4	29.6	682.8	27.8
Latin America	751.6	39.6	753.9	44.3
Middle East & Others	480.4	60.7	495.3	62.3
<u>Countries in Economic Transition</u>	<u>357.8</u>	<u>N.A.</u>	<u>364.1</u>	<u>N.A.</u>
Central & Eastern Europe	188.4	N.A.	196.3	N.A.
Russia	127.4	N.A.	121.7	N.A.
Central Asia & Others	44.0	N.A.	46.0	N.A.

Source : **World Economic Outlook, Sept. 2002.**

Table (1-4) shows that the total external debt of the developing countries group increased from US\$ 2,170.0 billion in 2001 to US\$ 2,200.8 billion in 2002.

With regard to the countries in economic transition, their total external debt increased from US\$ 357.8 billion in 2001 to US\$ 364.1 billion in 2002.

Table (1-5) illustrates the debt-service and it's percentage to exports for both the developing countries and the countries in economic transition for the years 2001 and 2002.

Table (1-5)
Debt Service as Percentage to Exports For The
Developing Countries and The Countries in Economic Transition
For the years 2001 & 2002

(In U.S.\$ Billions)

Country \ Years	2001		2002	
	Debt-Service	% To Exports	Debt-Service	% To Exports
<u>Developing Countries group</u>	<u>344.5</u>	<u>22.8</u>	<u>318.5</u>	<u>20.5</u>
Africa	26.6	17.9	34.4	23.2
Asia	98.5	14.2	100.8	13.6
Middle East	47.4	14.9	37.7	12.3
Latin America	172.0	49.2	145.7	41.1
<u>Countries in Economic Transition</u>	<u>63.6</u>	<u>18.0</u>	<u>59.0</u>	<u>16.0</u>
Eastern & Central Europe	31.2	17.1	31.7	16.1
Russia	26.2	22.2	22.2	19.1
Central Asia & Others	5.8	11.1	5.1	9.2

Source: World Economic Outlook, Sept. 2002.

Table (1.5) illustrates that the debt service for the developing countries group decreased from US\$ 344.5 billion in 2001 to US\$ 318.5 billion in 2002, while the debt service for the countries in economic transition decreased from US\$ 63.6 billion to US\$ 59.0 billion.

Major International Economic Conferences and Meetings during the year 2002:-

(1) The Fourth Summit of the Community of the Sahel-Saharan State(Cen-Sad) :-

The above mentioned meeting was held in Sert (Libya) during 6th – 7th March, 2002. It was attended by heads of states and governments, ministers of foreign affairs of member countries in addition to some international organizations. This summit witnessed the accession of Togo and Benin Republics to the community. Liberia will continue to participate as an observer till a decision is reached on its application to officially be a member.

The major decisions of the Summit were as follows:-

- Declaration of untiring support and solidarity with the Palestinian people on their struggle to achieve their legitimate rights.
- A decision concerning the African union – acknowledging the perceived catalyst role of the community to the African union, hence, the community asserts the candid commitment of its member countries to the realization of the union within the time horizon drawn. The community also endorsed the approval for establishing a

committee proposed by the executive council in its Sixth Round held in Wagadogo, Borkina-Faso on August 2001.

- Encouraging and supporting the New Partnership for Africa's Development (NEPAD) on the contention of the community that cooperation and partnership among nations proved to be the best and ideal means to achieve sustainable development.
- Urging the Organization of the African Unity (OAU) to act through its all institutions and instruments to assure and activate the free movement of people and goods between the African countries, beside exerting every feasible effort to rectify and eliminate all the hurdles that hamper this process, a matter which will culminate in securing the establishment of the African Union and realization of the African unity and development.

(2) *The Summit Meeting of The Leaders of The European Union Countries:*

This meeting was held in Barcelona (Spain) during 15-16 March, 2002. The following decisions were taken by that Summit:-

- Liberalization of the energy market of electricity and gas as from the year 2003.
- Requesting the Ministerial Council of the European Union and the European Parliament to reach an agreement during the year 2002 on the Seven Legislations that organize the financial markets and implementing the International Accounting Standards in order to achieve integration amongst the financial markets in the Union countries by the year 2005.
- Encouraging movement of labour within the Union countries through the implementation of more flexible pensions and health care systems, creation of more job-opportunities through modifying the systems of tax and labours' benefits and limiting the incentives that encourage early retirement.

(3) *COMESA Summit Meetings:-*

The meetings were held in Addis Ababa (Ethiopia) during 16-24 May, 2002 at three levels, namely experts, ministers and heads of states and governments. The participants in those meetings acknowledged the importance of widening the membership for the countries participating in the free trade area as a step for implementing the unified tariff and the Custom Union by December 2004. Also, the meeting acknowledged that the regional integration constitutes the corner-stone for international competition and for international integration thereafter. The meeting also called for benefiting from the opportunities available in the initiatives like the new partnership for Africa's development initiative (NEPAD) with the partners from the advanced countries like the European Union. The

meetings also discussed a number of important reports namely the followings:-

- The report of the first ministerial meeting of the Strategic economic partnership agreements with the COMESA Fund which held in Lusaka-Zambia on February 18, 2002.
- The report of the Fifth meeting of COMESA Ministers of Finance which was convened in Swaziland during 8-9 April, 2002.
- The report of the Sixth meeting of the COMESA Ministers of Justice and Attorneys General, which was held in Swaziland on April 12, 2002.
- The report of the Tenth meeting of the Committee of Trade and Customs.
- Many reports of COMESA member states regarding their positions in the implementation of the COMESA programs.
- A report about the new partnership for Africa's development initiative (NEPAD).
- Reports about the work performance of the different COMESA Institutions for the year 2001.

(4) The Ninth Annual Meeting of the General Assembly of The African Export-Import Bank:-

The Tanzanian capital Dar-El Salam hosted this meeting during 17-18 May, 2002. The meeting was attended by representatives from the three group of shareholders in the bank, in addition to observers from different corporations and institutions from inside and outside Africa.

The major recommendations of the final communique of the meeting were as follows:-

- Urging the shareholders to benefit from the services and facilities offered by the Bank which were enjoyed by more than 43 countries during the year 2001.
- Enhancing the role of the Bank to contribute effectively in solving the problems of the African continent.
- Exerting more efforts in activating and widening the scope of the intra-trade between African countries and increasing the share of Africa in the international trade.
- Normalizing the Bank's relations with the international finance institutions and creating more initiatives that could lead to debt reduction and softening the terms of borrowing for African countries.

(5) *The Annual Summit of the Eighth Industrial Countries Group (G8):-**

This meeting was held in Kananasek, (Canada) during 25-26 June, 2002.

The Summit made the following recommendations:-

- The countries of the group declared and committed themselves to contain terrorism practices and hand-over the terrorists to the concerned tribunals, in addition to taking a number of measures that prevent terrorists or the countries that harbour them from possessing weapons of mass destruction.
- Activating the role of the political leadership in making the economic adjustments a success in the countries of the group beside combating trade protectionism policies.
- The countries of the group agreed to cooperate with the developing countries to exert every feasible effort to achieve success in the negotiation concerning the work program approved for implementation in the fourth ministerial conference of the World Trade Organization.
- The summit approved the implementation program of the support of the group for the new partnership for Africa's development initiative (NEPAD).
- The countries of the group pledged to pay their full contributions to the fund agreed upon for supporting the heavily indebted poor countries initiative (HIPC).

(6) *The Twenty Sixth Meeting of the Governors of the Association of the African Central Banks "AACB"*:-

This meeting was held in the Algerian capital (Algiers) during 4-5 September, 2002. It was attended by governors, representatives of governors and representatives of some regional organizations as observers.

The main issues discussed in the meeting were the following:-

- Adoption of the report of the 25th meeting of the Governors of the Association of the African Central Banks that was held in Johannesburg-South Africa- in August 2002. The meeting also adopted the report of the extra-ordinary meeting of the association held in Durban (South Africa) the meeting also made some amendments in the draft statutes of the association which was prepared by the legal experts of the Association. The meeting also reviewed a report about the meetings of the Bureau of the association of the African Central Banks Governors held in Dakar in February, 2002. The meeting also adopted the amended African Monetary Cooperation program.

* The Eight Countries are: U.S.A, U.K., Japan, Germany, France, Italy, Canada and Russia.

- The meeting also discussed the issue of the arrears of some countries to the contributions of the association and urged them to pay these arrears as soon as possible.
- The role of the Association in the economic integration and the implementation of the congenial economic modalities was acknowledged in the meeting. Moreover, the meeting stressed that Central Banks can exert efforts to promote NEPAD initiative in the domain of developing suitable economic frameworks to realize the developmental objectives.

(7) *The Meeting of The Ministers of Finance, Planning and Economic Development in Africa:-*

The 35th meeting of the Experts & Ministers of Finance, Planning & Economic Development was held in Johannesburg (South Africa) during 16th-22nd October 2002. Those meetings were sponsored by the Economic Commission of Africa and were attended by delegates led by ministers from most African countries. In addition the meetings were attended by the representatives of the international and regional financial institutions and some non-governmental organizations (NGOs) and representatives of countries and donor groups associated with the New Partnership for Africa's Development Initiative (NEPAD) . The main issue discussed in those meetings was the urgency of accelerating promotion of Africa's development and its performance in different fields in accordance with NEPAD; to examine the challenges facing that initiative and to explore the appropriate means to surmount those challenges.

The basic issues of the agenda of those meetings concentrated in the formulation of a concrete definition of NEPAD for the policy makers in Africa, the expected regional measures in the light of the initiative, the role of the partners in implementing the initiative and the instruments to be applied for follow-up the achieved progress. Moreover, the agenda included major organizational issues related to the work and structure of the Economic Commission of Africa.

After deep discussions to those mentioned issues, the recommendations adopted by the Ministerial Conference in its last meeting were as follows:-

- Acknowledging that the initiative is not an agency of implementation and does not constitute a new source for sustainable revenue for the African countries. It represents a framework for co-operation, and co-ordination and an instrument for enabling the non- governmental stakeholders to participate and benefit from the initiative. For the effective implementation of the

initiative to properly achieve its goals, the meeting came out with the necessity of observing the followings:-

- 1- Necessity of offering particular heed and priority for mobilizing domestic resources for supporting the initiative without ignoring the role of the partners in extending financial support and technical assistance according to the agreed upon arrangements.
- 2- Importance of formulation of sound harmonized macro-economic policies beside ensuring better co-ordination between the national and regional policies.
- 3- Offering high priority for combating poverty and integrating the policies and measures in that concern into the macro-economic policies and in the national developmental plans.
- 4- Necessity of enforcing budgetary discipline and allocating budgets' resources according to priorities consistent with the requisites of the initiative.
- 5- Exertion of robust efforts for accelerating public sector liberalization and creating a conducive atmosphere for the private sector, in addition to implementing competitive market-based systems.
- 6- Creation of effective public-private partnership particularly in the social services field.
- 7- Scaling up finance opportunities for small and medium scale productive units.
- 8- Orientation of policies towards promoting intra-Africa trade opportunities beside enhancing efforts for deeply integrating Africa in the world trade without ignoring the necessity of urging the international partners to dismantle all the trade barriers they retain with others.
- 9- Encouraging countries to adopt and subject themselves to the African Peer Review Mechanism "APRM" for monitoring and evaluating the performance of countries in the context of NEPAD initiative and accordingly undertake the necessary reformatory measures.
- 10- Necessity of softening the illegibility criteria for the debt-relief for African countries in the context of the heavily indebted poor countries initiative "HIPC's" so as to secure for them ample financial resources for serving the initiative.

(10) The 27th. Annual Meeting of The Islamic Development Bank Group (Jeddah):-

This meeting was held in Wagadogo (Burkina Faso) during 22-23 October, 2002. The meeting was attended by governors and

representatives of many member central banks. The basic decisions of the meeting were as follows:-

- Approval of the audited Bank Accounts for the Year (2001/2002).
- Capitalizing the profit balance of the bank for the year (2001/2002).
- Approval of the audited accounts of the year 2001 of the Islamic Bank Fund for Development of investment quotas.
- Approval of the audited account of the general Wagf Fund for the year (2001/2002).
- Approval of the audited accounts of the Islamic Banks Fund and the Islamic Bank Fund for Development of investment quotas for the year 2001.
- Allocation of 5% from the anticipated bank's revenues for the year 2003 to the technical assistance donations.
- Promulgation of the Wagadogo declaration concerning the co-operation of the Islamic Development Bank with Africa.

(11) OPEC Meetings :-

The 122nd Ministerial Meeting of the Organization of Petroleum Exporting Countries convened in Vienna-Austria- on December 12,2002. The members agreed on the current production ceiling which amounted to 23 million barrels per day up to the next meeting. Moreover, the meeting discussed the situation of oil markets and the expected supply and demand trends during the coming year, bearing in consideration that the measures taken by the organization to reduce production through the co-ordination with some member countries in OPEC during 2001 and 2002, led to a relative restoration of equilibrium in the markets. The members also agreed on raising oil production by about 1 million barrels a day in case of increasing demand and continuous prices rise up to 30 Dollars per barrel in the coming year.

CHAPTER TWO

BANK OF SUDAN POLICIES.

Bank of Sudan issued its last monetary policy for the year 2002 to complete the comprehensive banking system policy for the 1999-2002 issued in December 31, 1998. The policy targeted at implementing the on going aims of developing the banking and financial institutions, bolstering up and developing the banking system, organizing foreign exchange market, improving and developing banking transactions through introduction of sustainable technological methods. Moreover, the Bank issued the Monetary and Credit Policy for the year 2002 which primarily aimed at increasing GDP growth rate and maintaining the stability of the exchange rate of the Dinar.

(A) Banking Policy Performance During the Year 2002.

Here below is a review of the performance of the banking policy during the year 2002 in the following aspects:-

(1) Banking System Development:

Within the process of applying the banking supervision standards, a corporate governance circular was issued, which specified and activated the role of the boards of directors, Islamic legal supervision boards, the executive management and auditing. Also a circular was issued obliging banks to disclose and transparent their financial data, beside the compliance with the disclosure and transparency standards issued by the Accounting and Auditing Organization for the Islamic Financial Institutions. Work has started to apply Early Warning Standards in according to the international supervision requirements for banks evaluation and classification. Work also proceeded to reduce the percent of non-performing loans, which fell from 16% by the end of December 2001 to 13% by the end of December 2002. Moreover, banks have been directed to reduce the administrative cost from 90% in some banks to 55% of the total revenue according to the international standards.

(2) Banking System Restructuring Program:

Banking restructuring program was issued in May 2000 with the aim of increasing the capital of all the banks to the minimum level of three billion Sudanese dinars by the end of the year 2002, leaving the option of merging and sale open.

As for the private sector banks, four of them increased their capitals to two billion Sudanese dinars by the end of the year 2002, while twelve banks increased their capitals to one billion Sudanese dinars during the same period. One bank has not

yet fulfilled the restructuring requirements and none of the them chose the merging option.

Concerning public sector banks, Bank of Khartoum has been turned into a public liability company, while the Estates Bank has been sold to the private sector. Meanwhile, steps are underway to turn El Nilein Bank into a public liability company. However, both the Agricultural Bank and the Savings & Social Development Bank remained as development banks in the specified sector.

(3) The Liquidity Management New Instruments:

Bank of Sudan continued to use Central Bank Musharaka Certificates (CMCs), and Government Musharaka Certificates (GMCs) as financial instruments for managing liquidity and to finance development projects instead of borrowing from the banking system. (More details in Chapter Six).

(4) Financing the Banks and Public Enterprises from Bank of Sudan:

Total finance to the banks rose from SDD 8,532 million during the year 2001 to SDD 13,063 million during the year 2002, while total finance to public enterprises decreased from SDD 12,579 million during the year 2001 to SDD 3,259 million during the year 2002.

(5) Foreign Exchange Market:

The Foreign Exchange policy and measures for the year 2002 targeted at the following objectives:-

- a-Maintaining the stability of the exchange rate of the Sudanese Dinar.
- b-Liberalizing foreign exchange dealings.
- c-Encouraging dealing in other convertible currencies besides the USA dollar.
- d-Maintaining the harmony with the Islamic Sharia, macro economic policies, bank soundness according to foreign exchange finance specified regulations.

To achieve the above mentioned objectives, the following measures were implemented:-

- 1-Revision of the foreign exchange dealing regulations.
- 2-To complete the establishment and unification of the foreign exchange market, and in order to improve the use of the exchange rate as a policy instrument and to liberalize transactions according to supply and demand, the indicative marginal rate range was modified from 1% to 1.5%, and to 2% according to the market trends. Also banks and exchange bureaus uses of foreign exchange has been widen, and new regulations for exchange bureaus was issued to cope with these developments.

3-Special measures were implemented to scrutinize and register the foreign capital investments in the Sudan.

4-To improve and develop the function of banks, and to activate the role of the market makers in the area of foreign exchange dealings, two groups of thirteen banks have been formed. In addition to that, a foreign exchange professional charter for dealers in foreign exchange was issued.

(6)Banking Technology:

To upgrade the banking services, new modern technology has been introduced besides the emphasis on the basic structures. In this context half of the banks are in the process of changing their systems to cope with the modern technology. In addition to that, all the banks introduced magnetic checks in all the States. The Electronic Banking Services Company imported the system of the prepaid card and Bank of Sudan finished the preparations for its use. Furthermore, the Company started the marketing of the card for banks, clients, beside the payment points. Also, Bank of Sudan completed the computer network in the head office, and the branches. The Bank signed contracts with two companies to develop the administrative and financial information systems, beside three foreign exchange systems, and they will be applied during the year 2003 .

(7)Sharia High Supervisory Board for Banks and Financial Institutions:-

During the year 2002, the Board issued a number of edicts (fatawa), resolutions, conducted researches and studies, participated in a number of training courses and seminars in and outside the country, beside the fact that it continued to coordinate and cooperate with the relevant administrations in the Bank of Sudan.

(B)The Monetary and Credit Policy:-

The Monetary and Credit Policy for the year 2002 coincided with the start of the final fourth year of the Four Year Economic Program (1999-2002) of the National Comprehensive Strategy and in the context of the macro economic policies which aimed at achieving a real GDP growth rate of 7%, an inflation rate not exceeding 5% by the end of the year, and 7% as an average for the whole year, money supply growth rate of 18%, beside maintaining flexibility and stability of the exchange rate and improving the external sector performance.

At the same time, the Monetary and Credit Policy aimed at continuing the process of liberalizing the banking finance, and achieving banks soundness. Furthermore, the policy aimed at encouraging the banks to mobilize more resources to finance economic priorities, especially the social development sectors.

The following were among the major aims of the Monetary and Credit Policy:-

- (1) Each bank should determine the reasonable level of liquidity in cash at its head office, and branches to meet its daily customers withdrawals. However, the 10% was recommended as indicator only.
- (2) Each bank should retain a legal reserve of both currencies, local and foreign, of not less than 14% for each currency.
- (3) Productive families, small producers, professionals and craftsmen should be financed at the rate not less than 10% of the total financing of each bank at the end of the year.

In July 2002, the policy has nullified the stipulation that the murabaha rate not to exceed 30% out of the total finance of each bank by the end of the year. It further nullified the murabaha rate which was determined to be 15% as a maximum for finance in local and foreign currencies to be 12% as an indicator.

CHAPTER THREE

GROSS DOMESTIC PRODUCT

Gross Domestic Product (GDP) can be defined as the market value of all final goods and services recently produced in national economy during a time period (usually a year). It is measured by the value added approach, i.e. summing up values of all final produce of goods and services at current prices excluding the value of intermediate goods in the production process.

Table (3-1) shows GDP at constant prices of 1981/82, and current prices of 2002. It is clear from Table (3-1) that the rate of growth of GDP has increased from 6.1% in year 2001 to 6.5% in 2002 due to an increase in growth rate of some sectors as shown below.

Table (3 -1)
Gross Domestic Product
At Constant Prices of 1981/82
For the period - 2001-2002

Sector	2001			(Value in SDD Millions)		
	Value	Growth Rate %	Share	Value	Growth Rate %	Share
Agriculture	649.4	4.0	45.5	701.6	8.0	46.2
Irrigated Agriculture	188.7	10.2	13.2	192.9	2.2	12.7
Mechanized Rainfed Agriculture	15.7	5.4	1.1	20.0	27.1	1.3
Traditional Rainfed Agriculture	89.9	-12.6	6.3	123.4	38.2	8.1
Animal Resources	311.1	6.0	21.8	318.9	2.5	21.0
Forestry and Others	44.6	5.0	3.1	46.4	4.0	3.1
Industry:	236.8	17.3	16.6	251.9	6.0	16.5
Industry and Mining	124.2	22.5	8.7	137.4	10.6	9.0
Manufacturing	112.6	12.0	7.9	114.5	1.7	7.5
Electricity and Water	24.4	5.5	1.7	25.3	3.6	1.7
Building and Construction	65.0	3.5	4.5	70.8	9.0	4.7
Services:	452.3	4.2	31.7	470.4	4.0	30.9
Governmental Services	85.9	9.8	6.0	89.3	4.0	5.9
Other Services	366.4	3.0	25.7	381.1	4.0	25.0
GDP at constant Prices	1,432.2	6.1	100.0	1,520.1	6.5	100.0
GDP Deflator	2,360.4	-	-	2,525.6	-	-
GDP at Current Prices	3,370,495.5	-	-	3,839,096.6	-	-

Source: Ministry of Finance and National Economy

A- Agricultural Sector:

The growth rate of the agricultural sector recorded a noticeable increase from 4.0% in year 2001 to 8.0% in year 2002. This is mainly attributed to a considerable increase in the growth rate of rainfed traditional and rainfed mechanized agriculture. The growth rate of irrigated agriculture has declined from 10.2% to 2.2% , whereas the growth rate of rainfed

mechanized agriculture increased from 5.4% to 27.1%. Similarly, the growth rate of rainfed traditional agriculture increased considerably from –12.6% to 38.2% due to an improvement in rainfalls and lack of pests during the season. It is observed that the growth rate of forestry sector decreased from 5.0% to 4.0% and growth rate of livestock sector decreased from 6.0% to 2.5%.

B- Industrial Sector :

The growth rate of industry in general decreased from 17.3% in year 2001 to 6.0% in year 2002 due to a decrease in the growth rate of the mining sector from 22.5% in year 2001 to 10.6%, leading to a slight decrease in its percentage contribution in GDP from 16.6% to 16.5% as shown in Table (3-2)

C-Electricity and Water :

The growth rate of electricity and water sector s decreased from 5.5% in year 2001 to 3.6% in 2002 , whereas its percentage contribution in GDP remained constant at 1.7% during the years 2001 and 2002.

D-Building and Construction:

The growth rate of the construction sector noticeably increased from 3.5% in year 2001 to 9.0% in the year 2002, whereas its percentage contribution in GDP increased from 4.5% to 4.7%.

E-Services Sector:

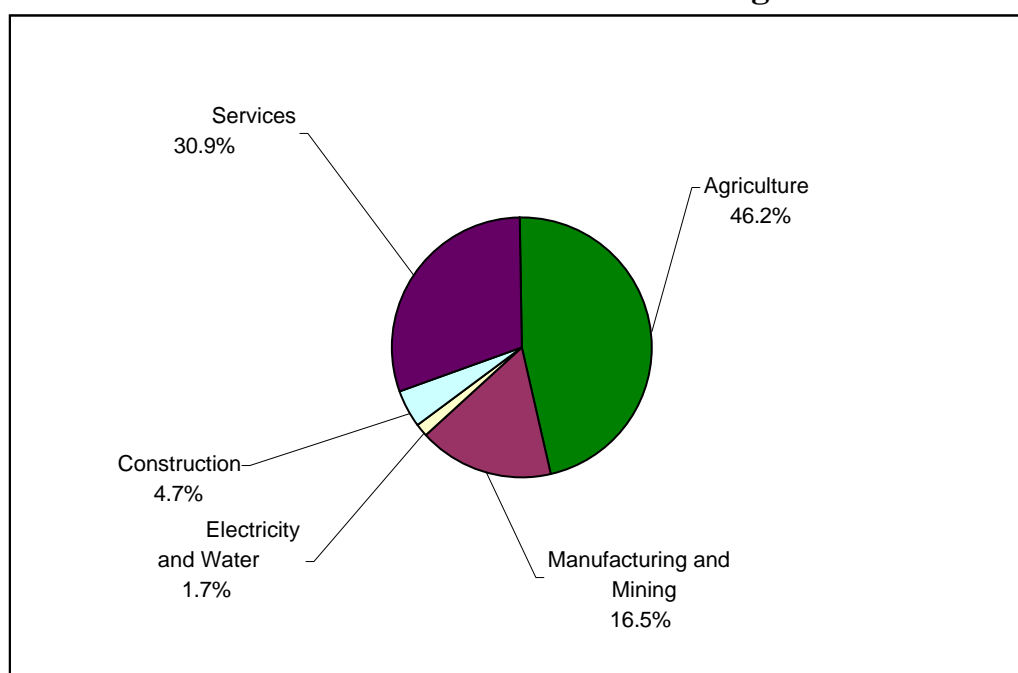
The growth rate of the services sector decreased from 4.2% in year 2001 to 4.0% in the year 2002, leading to a decrease in its percentage contribution in GDP from 31.7% to 30.9%.

Table (3-2)
Contribution of Economic Sectors
In Gross Domestic Product (GDP)
For the period 2001-2002

Sector		2001	2002
		%	%
1-	Agriculture	45.5	46.2
2-	Manufacturing and Mining	16.6	16.5
3-	Electricity and Water	1.7	1.7
4-	Construction	4.5	4.7
5-	Services	31.7	30.9
GDP at Constant Prices		100.0	100.0

Source: Ministry of Finance and National Economy.

Sectoral Distribution of GDP During 2002



Inflation:

Table (3-3) and Appendix (x) shows that the average annual inflation rate measured by the consumer price index (CPI) has increased from 4.9% in year 2001 to 8.3% in year 2002. This was attributed to an increase in money supply.

Table (3 -3)
Inflation Rates
Base year 1990 = 100

Sector	2001		2002	
	End Dec.	Annual Average	End Dec.	Annual Average
Higher Income Group	8.3	5.0	7.9	9.4
Medium Income Group	7.4	4.9	8.3	8.3
Lower Income group	6.6	4.8	7.8	7.4
Geometric Mean	7.4	4.9	8.0	8.3

Source: Central Bureau of Statistics.

Figure (3-2) illustrates inflation trend during the year 2002, whereas figure (3-3) shows geometric mean of the average annual inflation rate during the period (2001 – 2002).

Figure (3-2)
Inflation Rate during 2002
Base year 1990=100

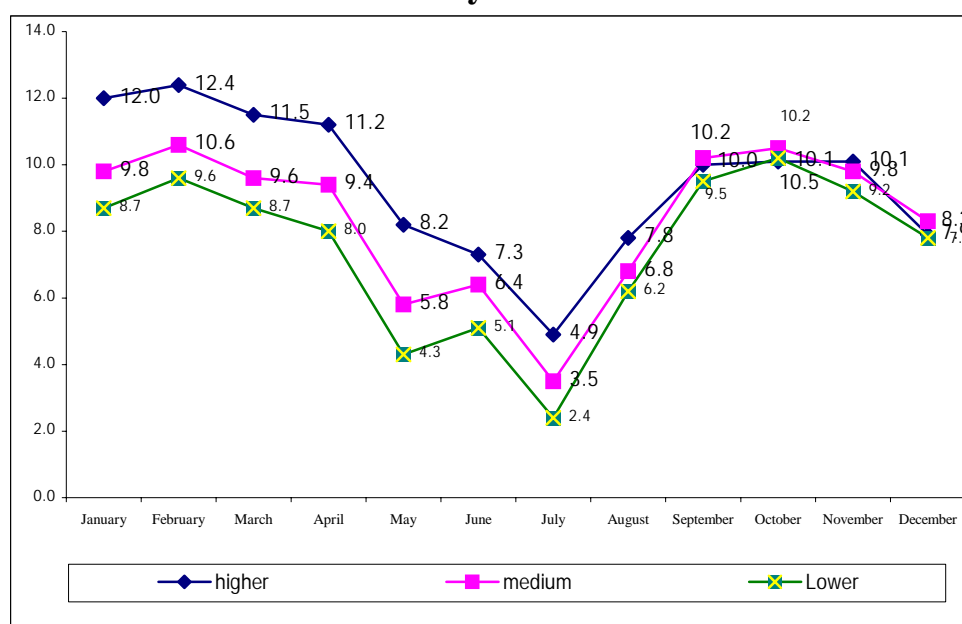
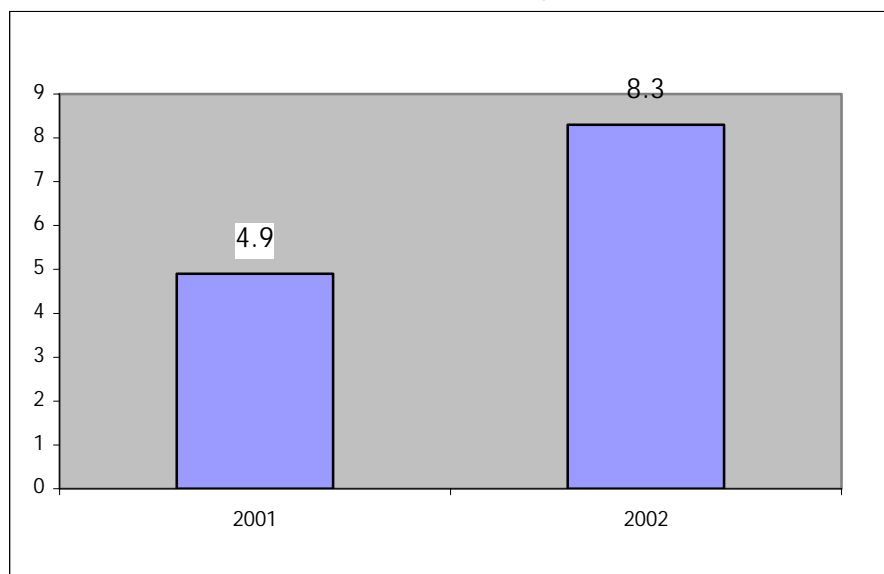


Figure (3-3)
Geometric Mean of the Average
Annual Inflation rate during 2001-2002



Gross National Product:

Table (3-4) shows that the growth rate of GNP at constant prices of 1981/82 increased from 8.4% in year 2001 to 6.3% in year 2002.

Table (3 -4)
Gross National Product
At Constant Prices 1981/82
During the Period 2001-2002

(SDD Millions)		
Sectors	2001	2002
1. GDP at 1981/1982 Prices*	1427.9	1520.1
2. Annual Growth rate %	6.1%	6.5 %
3. Net invisible receipts and payments at constant prices**	-83.8	-85.2
4. Gross National Product at constant prices 1981/82	1344.1	1434.9
5. Annual Growth rate %	8.4%	6.3%

Source: * Ministry of Finance and National Economy.

**Bank of Sudan

CHAPTER FOUR PRODUCTION

This chapter covers the agricultural sector with its two components of agrarian and animal as well as industrial, electricity and services sectors.

First: The Agricultural Sector:

Agricultural sector is considered as one of the most important sectors in the Sudanese economy. This is due to its considerable share in the country's Gross Domestic Product (GDP) amounting to 47%. Also most of the population depends on this sector for livelihood and employment. It also provides most of the raw materials for the local industry in addition to its greater share in non petroleum exports.

The growth rate of this sector increased from 4.7% in 2001 to 7.6% in year 2002 and its share in GDP increased from 45.6% to 46.6%.

The agricultural production is divided into two parts, crop and animal production.

A- Crop Production:

The agricultural sector consists of mechanized rainfed agriculture (12 million feddans), traditional rainfed agriculture (24 million feddans), irrigated agriculture (4 million feddans), forestry and livestock sectors (60 million feddans).

Below are the details of production for the main agricultural crops, which consists of cotton, gum Arabic, sorghum, millet, wheat groundnuts, sesame, and sunflower during the season 2001/2002.

1) Cotton:

Cotton production decreased from 396 thousand bales during the season 2000/2001 to 378 thousand bales during the season 2001/2002 by 4.5%, due to decrease in the area brought under cultivation from 379 thousand feddans to 299 thousand feddans, at the same time, productivity increased as a result of good preparation and lack of pests during the season.

Table (4-1) shows cotton production for the seasons 2000/2001 and 2001/2002:

Table (4-1)
Cotton production

2000/2001				2001/2002			
Area 000's Feddans	Prod. 000's (Quintals)	Prod. Per feddan (Quintals)	Production 000's Bales	Area 000's Feddans	Prod. 000's (Quintals)	Prod. Per feddan (Quintals)	Production 000's Bales
379	1139	3.7	396	299	1404	4.7	378

Source: Sudan Cotton Company

2) Gum Arabic:

Gum Arabic's importance as a major cash crop declined during the last years. It registered the highest production during 1994/1995 season, which reached 84.1 thousand tons. However its production began to drop in the successive years until it reached 15.7 thousand tons in 2000/2001 season and slightly increased to 15.9 thousand tons in 2001/2002 season by approximately 1%.

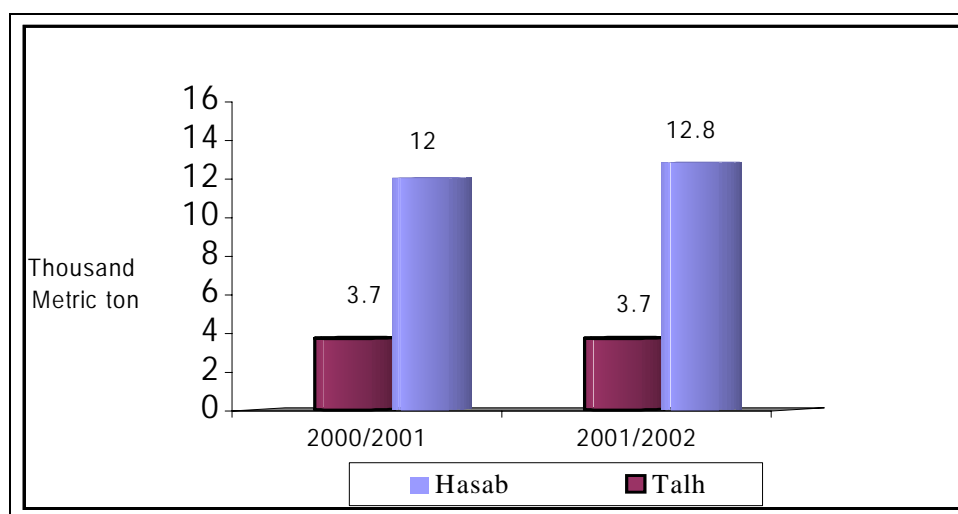
Table (4-2) and figure (4-1) show Gum Arabic production for the seasons 2001/2002.

Table (4-2)
Gum Arabic Production
(Thousand Metric Tons)

Crops	2000/2001	2001/2002
Gum Hashab	12.0	12.8
Gum Talh	3.7	3.7
Total	15.7	16.5

Source: Gum Arabic Company

Figure (4-1)
Gum Arabic Production
For the Seasons 2000/2001-2001/2002



Main Crops:

(3) Main Food Crops:

1. Sorghum:

Sorghum production increased from 2488 thousand tons in 2000/2001 season to 4394 thousand tons in 2001/2002 season by 79.6%. This is due to an increase in the areas brought under cultivation, prices and the rainfalls rate during the season.

2. Millet :

Millet production increased from 481 thousand tons in 2000/2001 season to 578 thousand tons in 2001/2002 season by 20%, due to an increase in the area harvested.

3. Wheat:

Wheat production decreased from 303 thousand tons in 2000/2001 season to 247 thousand tons in 2001/2002 season by 18.5%. That was due to a decrease in the area harvested from 286 thousand feddans to 275 thousand feddans, i.e. a decrease of 3.8%, in addition to a decrease in productivity from 1094 kg/feddan to 898 kg/feddan.

Table (4-3) and Figure (4-2) show some of the main food crops for 2000/2001 and 2001/2002 seasons.

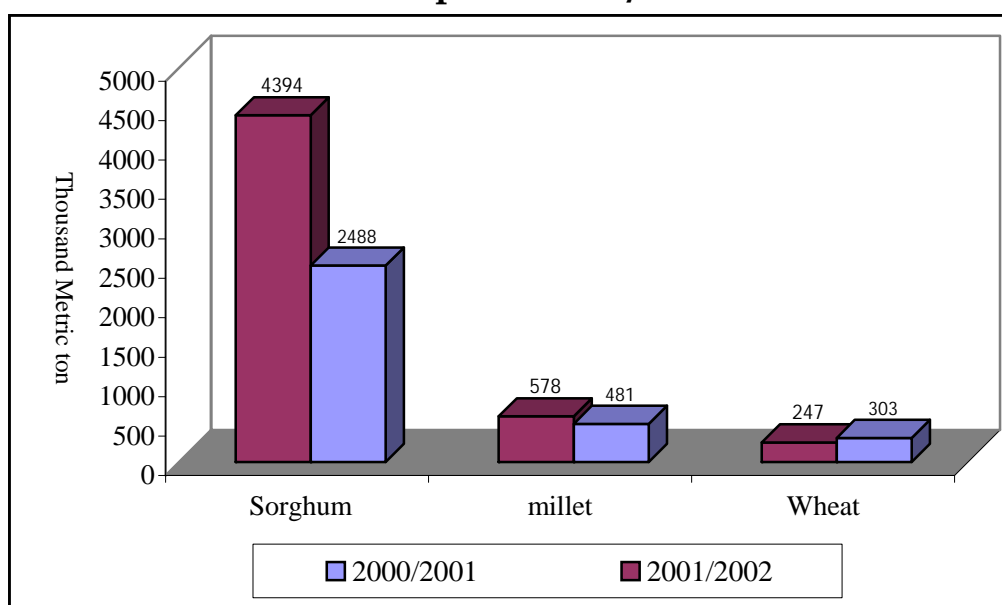
Table (4-3)
Production of Main Food Crops

(Area in 000's Feddans, Production in 000's Metric tons, Average productivity per feddan in kilograms)

Season	Sorghum (Dura)			Millet (Dukhun)			Wheat		
	Area	Prod.	Prod. per Feddan	Area	Prod.	Prod. per Feddan	Area	Prod.	Prod. per Feddan
2000/2001	9,988	2,488	249	5,237	481	92	286	303	1,094
2001/2002	13,719	4,394	327	6,800	578	85	275	247	898

Source: Agricultural statistics (Ministry of Agriculture)

Figure (4-2)
Production of Main Food Crops
For the period 2001/2002



(4) Main Oil Crops:

a. Groundnuts:

Groundnut production increased from 947 thousand tons in 2000/2001 season to 990 thousand tons in 2001/2002 season by 4.5%, due to an increase in areas harvested from 3482 thousand feddans in 2000/2001 season to 3646 thousand feddans in 2001/2002 season; a decrease of 4.7%.

b. Sesame:

Sesame production dropped from 282 thousand tons in 2000/2001 season to 274 thousand tons in 2001/2002 season by 2.8%. This was attributed to a reduction in areas harvested from 4477 thousand feddans to 3780 thousand feddans by 15.6 and, a drop in international prices of sesame.

c. Sunflower:

Sunflower production remained at 4 thousand tons in 2000/2001 and 2001/2002 seasons in spite of the increase in the harvested area from 13 thousand feddans in 2000/2001 season to 25 thousand feddans in 2001/2002 season by 92%. This was mainly due to a decline in the productivity from 308 kg per feddan to 160 kg per feddan.

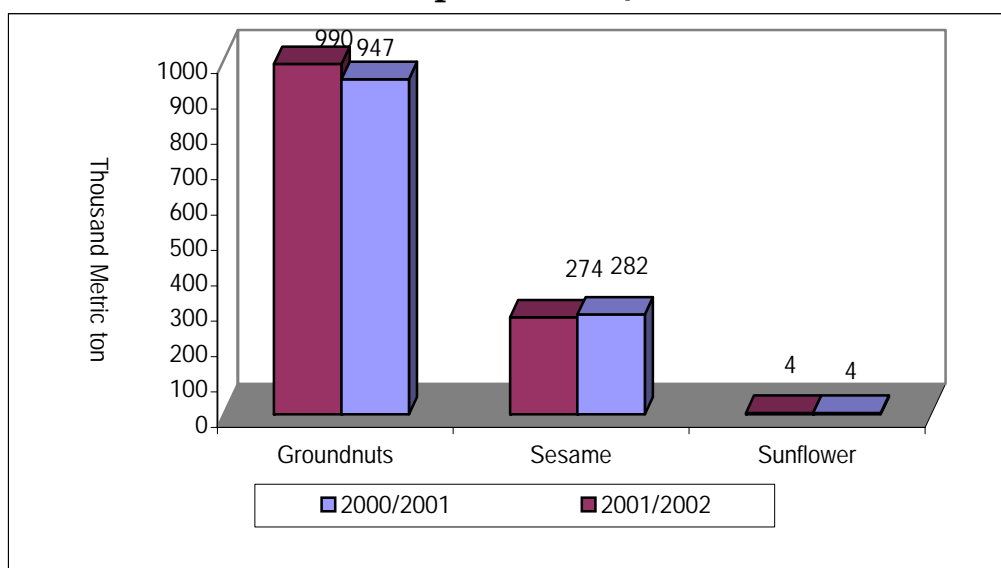
Table (4-4) and Figure (4-3) show some of the main oil crops for 2000/2001 and 2001/2002 seasons.

Table (4-4)
Production of Main Oil Crops
(Area in 000's Feddans, Production in 000's M.T. Average Productivity per feddan in Kilograms)

Season	Groundnuts			Sesame			Sunflower		
	Area	Prod.	Prod. per Feddan	Area	Prod.	Prod. per Feddan	Area	Prod.	Prod. per Feddan
2000/2001	3482	947	272	4477	282	63	13	4	308
2001/2002	3646	990	272	3780	274	72	25	4	160

Source: Agricultural Statistics (Ministry of Agriculture)

Figure (4-3)
Production of Main Oil crops
For the period 2001/2002



C- Animal Production:

The production of animal resources slightly increased from 6.0% in year 2001 to 6.5% in year 2002. Total estimates of animal population increased from 128 million heads in 2001 to 132 million heads in 2002. Table (4-5) (4-6) and Figure (4-4) show more details of these estimates.

Table (4-5)
Livestock Population
For the period 2001 - 2002

(In millions of head)

Type	2001	2002
Cattle	38,025	39,479
Sheep	47,042	48,136
Goats	39,952	41,485
Camels	3,203	3,342

Source: Ministry of Animal Resources

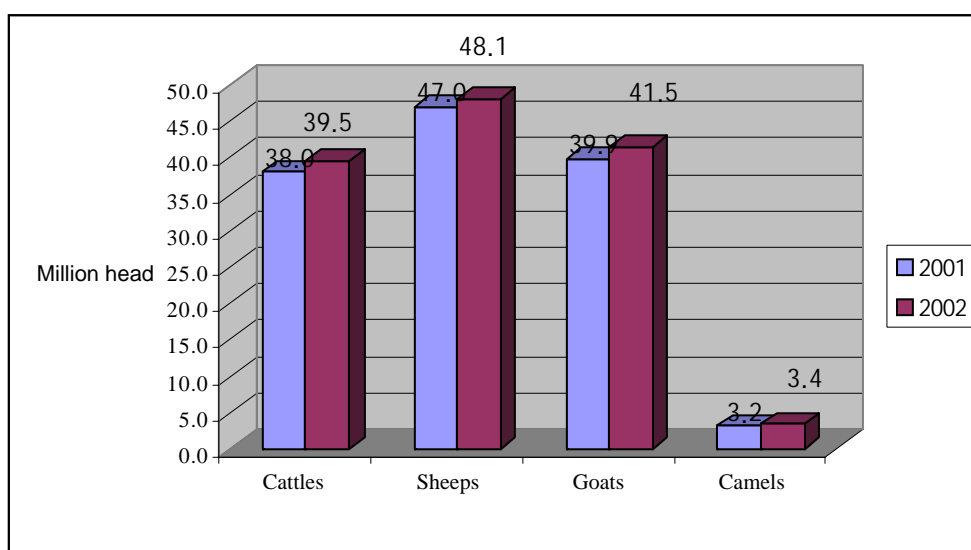
Table (4-6)
Estimates of Livestock
Products.

(Thousand Metric Tons)

Year	2001	2002	Change %
Meat	1,578	1,628	3.2%
Milk	7,150	7,298	2.1%
Fish	58	60	3.4%
Poultry Meat	16	18	12.5%
Eggs	22	22	0.0%

Source: Ministry of Animal Resources

Figure (4-4)
Estimates of livestock Products



Second: Industrial Production:

The growth rate of the industrial sector, which consists of mining and manufacturing, has decreased from 17.3% in year 2001 to 6.3% in year 2002. Also its share in the GDP decreased from 16.6% in year 2001 to 16.3% in year 2002. Below are the details of the main industrial products.

A- Mining:

1. Oil Production:

Crude oil production increased in year 2002 compared to year 2001 from 75,877,933 barrels to 85,929,683 barrels by 13.2%.

Table (4-7) shows crude oil and oil products. Figure (4-5) shows petroleum products.

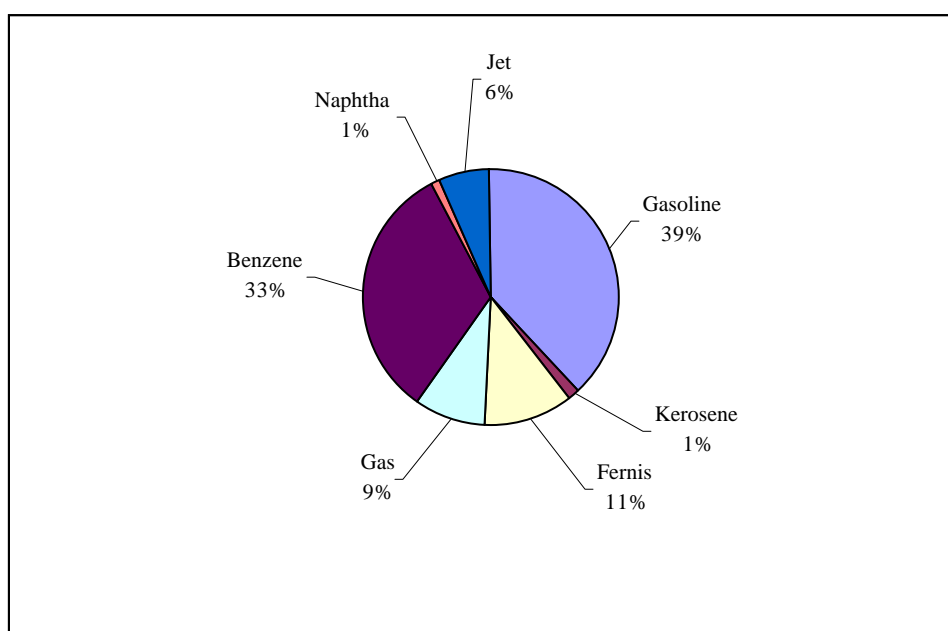
Table (4-7)
Production of Petroleum and Petroleum Products

(Thousands metric tons)

Product	Unit	2001		2002	
Crude oil	000' Barrels	75,877.9		85,929.7	
Petroleum Products		Refined	Share %	Refined	Share %
Gasoline	000's metric tons	964.6	39.5%	1022.9	38.1%
Kerosene	“ “	29.8	1.2%	33.5	1.2%
Fuel Oil (Fernice)	“ “	248.6	10.2%	299.0	11.1%
Gas	“ “	214.9	8.8%	240.7	9.0%
Benzene	“ “	842.1	34.5%	884.6	33.0%
Naphtha	“ “	22.2	1%	34.1	1.3%
Jet	“ “	114.7	4.7%	168.9	6.3%
Total		2,436.9	100.0%	2,683.7	100.0%

Source: Sudan Oil Corporation

Figure (5-4)
Shares of Petroleum Products



B) Manufacturing:

(1) Giad Industrial Complex:

The inauguration of Giad Industrial city started in year 1993 and was officially opened on 26 October 2000. It is located at North West of Gezira State, and it occupies an area of 15 square Kilometers. The complex consists of three main departments; the automobile, aluminum and the administration.

(A) Automobile Section:

This department consists of four workshops and six assembly lines for tractors and various transportation equipments. The Table below shows the productive capacity and production of automobiles for the years 2001 and 2002.

Table (4-8)
Production of Automobile Sector

*(Production in
units)*

Particulars	Productive Capacity (unit)	Actual Production		Change (%)
		2001	2002	
1- Tractors	1800	310	96	-69%
2- Agricultural Equipment	1094	95	186	95.8%
3- Buses	300	48	31	-35.4%
4- Minibuses	600	70	51	-27.1%
5-Pickups	3000	454	246	-45.8%
6- Salon Cars	3000	578	887	53.5%
7- Station Wagons (Mahirra) *	1800	0.0	26	100.0%
8- Trucks	4400	648	240	63.0%
9 -Motor Cycles *	0.0	0.0	500	100.0%
10- Various products	0.0	444	436	-1.8%
11- Special Products	250	6	26	333.3%

Source: Giad Industrial Complex

** Production started in year 2002*

The production of Giad complex in general has declined compared to that of the year 2001 due to availability of stock from the previous year and a fall in demand. There was an increase in the production of the agricultural equipment, salon cars, station wagons (Mahirra) and special

products (Money transport wagons, garbage collection wagons, fire extinguisher cars, and mobile hospitals as well as workshops cars).

(B) Aluminum production sector:

This section consists of five factories; iron ore, aluminum, lead, cables and pipes. Table (4-9) shows productive capacity, actual production for the products of these factories during the years 2001 and 2002.

Table (4-9)
Production of Aluminum Industries
(Production in tones)

Particulars	Productive Capacity in (Tones)	Actual Production		Change %
		2001	2002	
1- Iron bars	1,500,000	42,784.6	53,035.3	24
2- Aluminum Electric cables Wires	1,500	259.9	668.7	157
3-lead cables wires	1,500	89.0	474.1	432.7
4- Aluminum	3,000	412.6	1,492.9	262
5- Pipes and Tubes	70,000	0.0	700	100

- *Production started in year 2002*

Source: Giad Industrial Complex

The production of Giad in the field of aluminum increased particularly in iron by 24%, in aluminum wires and cables by 157%, lead wires and cables by 432.7% and in aluminum production by 262% which covered the local market demand.

2/ Saria Industrial Complex:

Saria complex was established in 1997 as a public sector investment. It started with shoes, battery and ready-made clothes. In November 1998 its ownership reverted to the private sector. The work of the complex expanded to include electrical equipment, electronics, plastics and packing materials.

Table (4-10) shows the main products of Saria Industrial Complex for the year 2001 and 2002.

Table (4-10)
Saria Industrial Complex

(Production in Units)

Factory	Unit	Production		Change %
		2001	2002	
Televisions	Television	4741	2968	-37.4
Batteries	Battery	3756	1704	-54.6
Packing	Carton	1135635	1109819	-2.3

Source: Saria Industrial Complex

The production of Saria industrial complex decreased by 37.4% for televisions, 54.6% for batteries and 2.3% for packing materials. This decrease is attributed to difficulties related to availability of working capital finance.

3/ Sugar:

The sugar industries operated at the rate of approximately 106% during 2001 and 2002, which is higher than their productive capacity.

Table (4-11) and figure (4-6) shows the production of sugar industries for the years 2001 and 2002.

Table (4-11)
Production of Sugar Factories

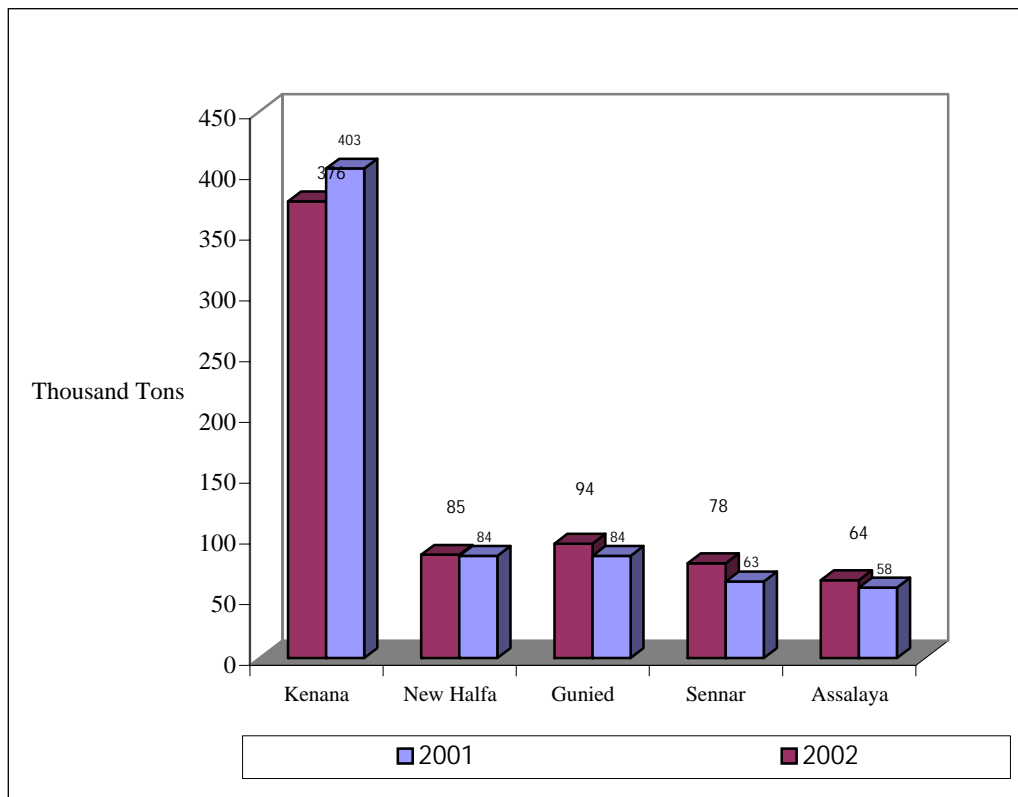
(In thousands of Tones)

Factory	Productive Capacity	Actual production		Change %
		2001	2002	
Kenana	300	403	376	-6.7
New Halfa	75	84	85	1.2
Gunied	60	84	94	11.9
Sennar	110	63	78	23.9
Assalaya	110	58	64	10.3
Total	655	692	697	0.7

Source: Above mentioned Companies

The production of sugar slightly increased from 692 thousand tons in year 2001 to 697 thousand tons in year 2002 by 0.7%. Also t New Halfa factory started to use a new re-reprocessing technology to enhance the quality of sugar produced.

Figure (4-6)
Production of Sugar Industries



4/ Pharmaceutical Industry:

The pharmaceutical Industry was established in 1961 by the Sudanese chemical industries and this sector developed until it reached 17 industries both public, private and joint venture sectors.

Table (4-12) shows various pharmaceutical products for year 2002.

Table (4-12)
Production of Pharmaceutical Industries.

Products	Productive capacity	Actual production	Utilized capacity
		2002	
Tablets (millions tablets)	1500.0	615.0	41%
Capsules (millions capsules)	400.0	180.0	45%
Spoon syrup (millions glasses)	100.0	48.0	48%
Liquid syrup(millions glasses)	9.0	49.0	55%
Vein Analyses (millions Packages)	4.0	1.2	30%
Syringes (Millions Syringes)	30.0	7.2	24%

Source: Association of industrial Chambers .

5/ Refrigerators Factories:

The production of refrigerators was started in mid 1990s. Currently six factories are operating and, one factory (Admiral) stopped production.

Table (4-13)
Production of Refrigerators Factories
(Thousand Units)

Particulars	Productive capacity	Actual production		Change (%)
		2001	2002	
Total Production	95.0	36.0	45.2	25.6%

Source: Ministry of Industry

The refrigerator industries operated at 38% and 48% of their productive capacity for the years 2001 and 2002 respectively. The production of refrigerators increased in year 2002 by 25.6% compared to the year 2001 to meet the growing local demand.

6/ Soft Drinks:

Table (14-4) shows total production of soft drinks for the year 2001 and 2002.

Table (4-14)
Production of Soft Drinks
(Thousands of Liters)

Particulars	Productive Capacity	Actual production		Change (%)
		2001	2002	
Total Production	600000	121200	192000	58.4%

Source: Ministry of Industry

The soft drinks industries operated at 20.2% and 32% of their productive capacity for the years 2001 and 2002 respectively.

The total production of soft drinks increased from 121.2 million liters in year 2001 to 192 million liters in year 2002. This was due to inclusion of production of DAL and Stim food industries in the total production as well as an increase in production of existing industries.

7/ Vegetable Oil and Soap Industries:

Table (15-4) shows the total production of vegetable oil and soap industries during the year 2001 and 2002.

Table (4-15)
Production of Vegetable Oil and Soap
(Thousands tons)

Particulars	Productive Capacity	Actual Production		Change (%)
		2001	2002	
Vegetable Oil	600	110	114	3.6%
Soap	460	60	75	25.0%

Source: Ministry of Industry

Vegetable oil industries operated at 18.3% and 19% of their productive capacity during the year 2001 and 2002 respectively, whereas the soap industries operated at 13.0% and 16.3% of their productive capacity during the same period.

The production of vegetable oil increased from 110 thousand tons in the year 2001 to 114 thousand tons in year the 2002 by 3.6%, whereas the production of soap increased from 60 thousand ton in year 2001 to 75 thousand ton in year 2002 by 25%.

8/ Leather Industry:

The number of tanneries operating in Sudan is amounted to 20. There are 4 large sized, 4 medium sized and 12 small sized tanneries. It is worth mentioning that 4 tanneries are out of work.

Table (4-16)
Production of Leather and Shoes

Particulars	Unit	Productive Capacity	Actual production		Change (%)
			2001	2002	
Leather	Million pieces	20	9	8	-11.1%
Shoes	Million Dozens	100	35	40	14.3%

Source: Ministry of Industry

The production of leather decreased from 9 million pieces in the year 2001 to 8 million pieces in the year 2002 by 11.1% due to stoppage of some tanneries, low productivity of others, permission to export crude leather and the decline in its international prices. At the same time the production of shoes industry increased from 35 million pairs in the year 2001 to 40million pairs in the year 2002 by 14.3%

9/ **Cement industry:**

Table (4-17) shows actual production of cement factories.

Table (4-17)
Production of Cement

(Thousands Metric Tons)

Factories	Productive Capacity	Actual Production		Rate of Change
		2001	2002	
Rabak	400.0	139.3	154.3	10.8%
Atbara	100.0	50.2	41.0	-18.3%
Total	500.0	189.5	195.3	3.1%

Source: Atbara and Rabak Cement Factories

The cement industry operated at 38.0% in the year 2001 and 39.1% in the year 2002 out of the total productive capacity of 500 thousand metric tons. Its production increased from 189.5 thousand metric ton in the year 2001 to 195.3 thousand metric tons in the year 2002 by 3.1%.

10/ **Wheat flour:**

Table (4-18) shows total production of wheat flourmills during the years 2001 and 2002.

Table (4-18)
Production Wheat Flour Mills.

(Thousands Tons)

Particulars	Productive Capacity Per Year	Actual Production		Rate of change %
		2001	2002	
Total production	3300.0	720.0	840.0	16.7%

Source: Ministry of industry

The productive capacity of the mills is amounted to 3,300 thousand tons in a year, but the utilized capacity was 22% and 26% for the years

2001 and 2002 respectively. Production of these mills increased from 720 thousand tons in year 2001 to 840 thousand tons in the year 2002 by 16.7%.

11/ Yarn and Textile Industry:

Out of the total number of yarn industries amounting to 15, only 5 are functioning in the year 2002. Whereas the number of the textile industries amounted to 17 large industries of which 4 of them are working (production of each exceeded 10 million yards), 43 small scale industries, large number of manual industries and a limited number of small size industries.

Table (4-19) shows the total production of yarn and textile during the years 2001 and 2002.

Table (4-19)
Production of Yarn and Textile Industries.

Type	Units	Productive Capacity	Actual Production		Rate of Change %
			2001	2002	
Yarn	Thousand tons	61.0	5.5	5.5	0.0%
Textile	Million Yards	300.0	22.0	15.0	-31.8%
Ready Made Clothes	Millions of Pieces	22.1	2.0	1.5	-25.0%

Source: Ministry of industry

The production of yarn remained at 5.5 thousand tons during the years 2001 and 2002, whereas the production of the textile decreased from 22.2 million yards in year 2001 to 15.0 million yards in year 2002 by 31.8% due to the stoppage of some factories and shortage of productive capacity for the operating factories.

Yarn industries operated at 9% of their total capacities during the years 2001 and 2002, whereas textile industries operated at 7.3% during the year 2001 and 5% during the year 2002 out of their total productive capacity.

12/ Paints Industries:

The number of paints industries amounted to 12, in addition to one, which has already stopped production.

Table (4-20) shows the productive capacity and the production of paints industries in 2001 and 2002.

Table (4-20)
Production of Paints Industries

Particulars	Productive Capacity	Actual Production		Rate of Change %
		2001	2002	
Total Production	100.0	17.1	27.0	57.9%

Source: Ministry of industry

The paints industries operated at the rate of 17.1% and 27% of their productive capacity during the years 2001 and 2002 respectively. Total production of paints increased by 57.9% from 17.1 thousand tons during the year 2001 to 27.0 thousand tons during the year 2002.

13/ Other Industries:

Table (4-21) shows the productive capacity and total production of other industries.

Table (4-21)
Production of Other Industries

Type	Units	Productive Capacity	Actual Production		Rate of Change %
			2001	2002	
Tyres	Thousands Pieces	450.0	154.0	145.7	-5.4%
Cigarettes	“ “	7.5	2.26	2.20	-2.7%
Dry cells	Millions Unit	120.0	77.4	57.1	-26.2%
Matches	Thousands Carton	400.0	270.4	201.0	-25.6%
Glucose	Thousand Tones	35.0	1.5	0.0	-100.0%

Source: Ministry of industry

The previous table portrays production of tyres, which coincided, with the production of large size tyres that led to the decline in the number of produced pieces. Also production of dry cells and matches decreased as a result of competition with imported products. Whereas, glucose industry stopped since the end of the year 2002.

Third: Electricity and Water.

1/ National Electricity Corporation:.

The total generated power from all the power stations amounted to 3093.5 mega watts/ hour in year 2002 indicating an increase by 6.9% of all generated power during the year 2001 which amounted to 2892.6-mega watts/hour.

Appendices xi (A) and (B) shows electric power generation by type, and on and off the networks.

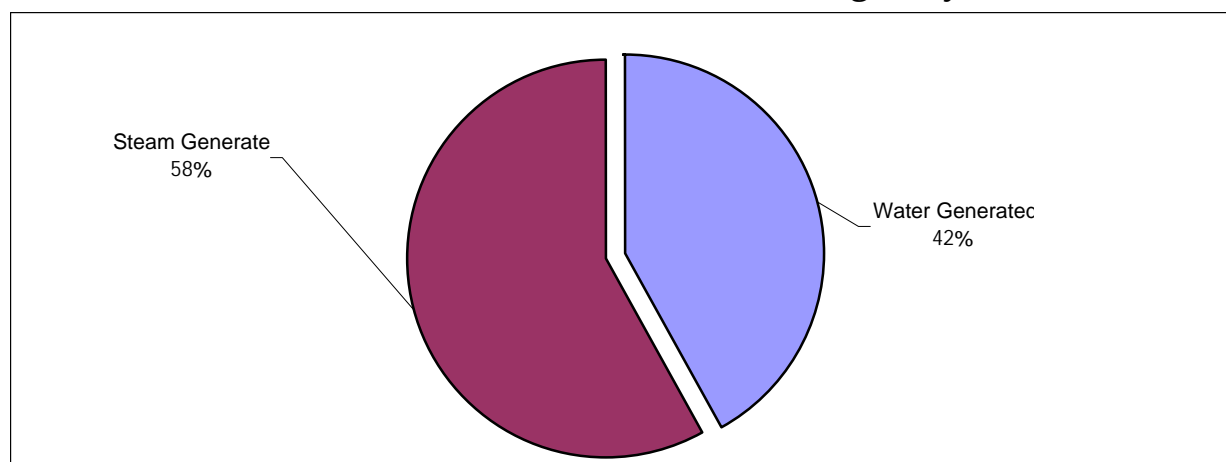
Table (4-22) shows the generated electric power during the years 2001 and 2002.

Table (4-22)
Electric Power Generated in Sudan
(Megawatts/Hour)

Power generated	2001	2002	Rate of Increase %
Water generated	1287.4	1268.4	1.5%
Steam generated	1806.3	1624.2	11.2%
Total power Generated	3093.5	2892.6	6.9%

Source: National Electricity Corporation

Figure (4-7)
Sources of Electric Power Generation During the year 2002



Table(4-23)
Electric Power Consumed by Sectors

(Megawatts/hour)

Sector	2001	2002	Rate of change %
Residential	789	1006.3	27.5%
Industrial	361.72	343.0	-5.2%
Agricultural	39	75.6	93.8%
Governmental	233.76	210.0	-10.2%
Unified Sector *	180	123.0	-32.7%
Total	1603.8	1757.9	9.6%

- *Includes Commercial sector and minor margins*

Source: National Electricity Corporation

2/ National Water Corporation:

Table (4-24) shows total water produced during the years 2001 and 2002.

Table (4-24)
Water Production

(Thousands Cubic Meters per Day)

Sector	2001	2002	Rate of Change %
Urban	1020	1030	1.0%
Rural	400	450	12.5%
Total	1420	1480	4.2%

Source: National Electricity Corporation

The total production of national water corporation increased from 1,420 thousands cubic meters per day during 2001 to 1,480 thousand cubic meters per day during 2002 by 4.2%.

Fourth: Service Sector:

1/ Transport and Communication:

The mode of transport in Sudan consists of Sudan marine transport, airways, railways, river transport and land transport. These modes transport citizens and goods within and outside the country as shown by appendix xii.

Table (4-25) shows the total goods and passengers transported by the different modes of transport during the years 2001 and 2002.

Table (4-25)
Modes of Transport in Sudan During the years 2001 and 2002.

Mode of Transport	2001		2002		Rate of change %	
	Goods (000) Tons	(000) Passengers	Goods (000) Tons	(000) Passengers	Goods %	Passengers %
Sudan Shipping Line	221.1	79.7	198.8	41.9	-10.1%	-47.4%
Sudan Air ways *	7.7	525.8	9.7	563.7	26.0%	7.2%
Sudan Railways	1248.6	179.4	1277.6	144.1	2.3%	-19.7%
River transport	40.1	7.4	50.2	8.1	25.2%	9.5%
Land transport **	3971.5	26125.6	4385.2	28852.8	10.4%	10.4%

* *Passengers and Goods Carriage Internally and Internationally*

** *It includes lorries, trucks minibuses and buses*

Source: The above mentioned authorities

It can be observed that there is an increase in the number of passengers and volume of goods transported by Sudan airways, river transport, land and goods transported by railway transport. Whereas, the number of passengers and volume of goods transported by Sudan marines transport and passengers transported by Sudan Railways are reduced.

2/ Roads and Bridges:

Table (4-26) shows roads and bridges during the years 2001 and 2002.

Table (4-26)
Roads and Bridges

Particulars	Achieved at the end of the year		Rate of increase%
	2002	2001	
Length of the Roads Achieved (KM)*	3,649	3,800	4.1%
Number of Bridges Achieved	21	23	9.5%

The stipulated achievements represents asphalt layer

Source: National Corporation for Roads and Bridges

The length of the asphalt roads increased from 3649 kilometer at the end of the year 2001 to 3800 kilometer at the end of the year 2002 by 4.1%. While the number of bridges increased from 21 at the end of the year 2001 to 23 at the end of the year 2002 by 9.5%.

3/ Services of Telecommunications Companies in Sudan:

(a) Sudan Telecommunications Company Services(Sudatel)

The company was established in 1994 as a public liability company .It holds the responsibility of synchronization, maintenance and operation of the infrastructure products of telecommunication and Wireless Corporation. It has various networks, sectors and mediums of national and international connections.

Table (4-27) shows the performance of the company during 2001 and 2002.

Table (4-27)
Sudan telecommunications Company Services (Sudatel)

Particulars	2001	2002	Rate of growth %
Network Capacity (line)	741,750	1213,000	63.5%
Sector Capacity	790,000	928,000	17.5%
Number of Customers	448,000	700,000	56.3%

Source : Sudan telecommunications Company Services (Sudatel)

It can be observed that the number of subscribers increased from 448,000 in 2001 to 700,000 during 2002, by 56.3% as a result of the expansion in the network and sectors.

(B) Sudan MobiTel Company:

Sudan MobiTel Company was established in 1996 and obtained membership of the European Union of mobile phones as well as the membership of the International Association for Telecommunications in the same year, and it started business in February 1997.

Table (4-28) shows the performance of the company during 2001 and 2002.

Table (4-28)
Sudanese Mobile Phones Company Services (MobiTel)

Particulars	2001	2002	Rate of Growth %
Number of Subscribers	91117	265520	191.4%
Number of Towns covered	15	25	66.7%

Source: Sudanese Mobile Phones Company (MobiTel) Ministry of Information and Communication.

The number of subscribers increased from 91,117 during the year 2001 to 265,520 during the year 2002 by 191.4% as well as the coverage of towns increased by 66.7% compared to year 2001.

C/ Sudanese Company for Internet Services (SUDANET):

The establishment of the Sudanese Company for Internet Services started in December 1996 and an international network for information was introduced in March 1997 with 100% local paid up capital. Sudanet services covers Khartoum State in addition to some cities such as Port Sudan, Gadareif , Kassala, Dongola, Sennar, Medani, El Obeid, Nyala, El fasher and El Hassaheisa. There are a number of companies competing in the field such as Zienanet, Mobinet and Passitnet.

Table (4-29) shows the performance of the company during 2001 and 2002.

Table (4-29)
Sudanese Company for Internet Services (Sudanet)

Particulars		2001	2002	Rate of Increase %
Number of subscribers		7417	10016	35%
Entrance Windows		720	2100	191.7%
Capacity in (Kilobytes)**	Out going	1024	3000	193%
	Incoming	4096	14000	241.8%

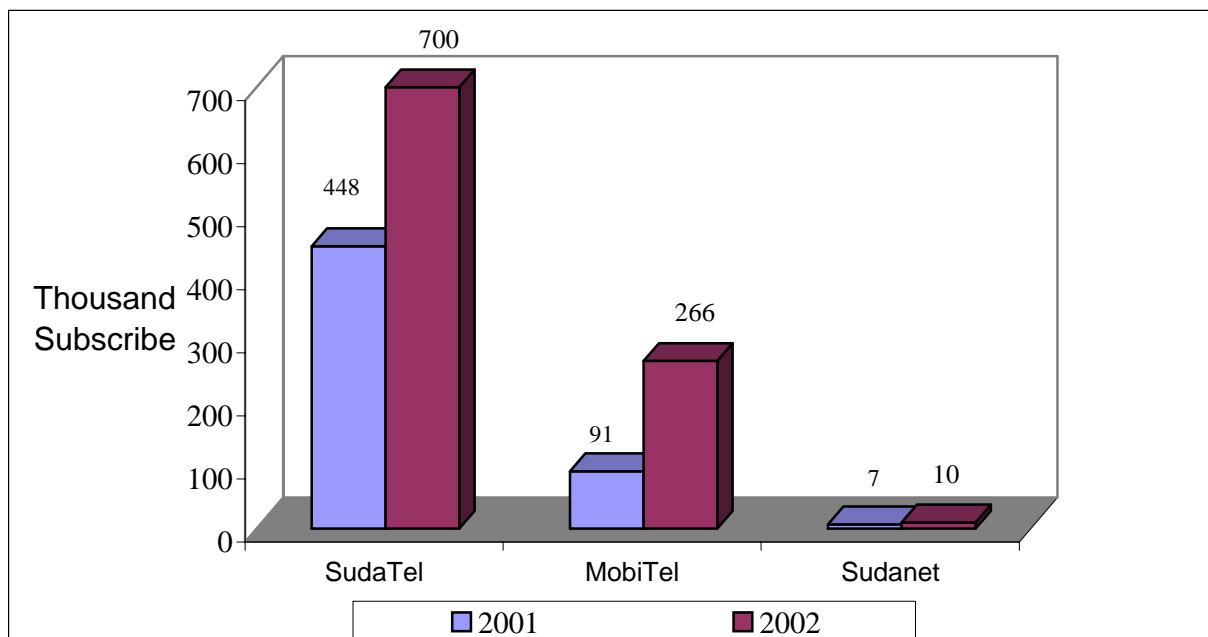
*** By development of capacities is meant to develop the Uploading or outgoing information capabilities and incoming information.*

Source: Sudanese Company for Internet Services (Sudanet)

The number of subscribers increased from 7,417 in the year 2001 to 10,016 in the year 2002 by 35%. Also, the Internet windows increased from 720 during the year 2001 to 2100 during the year 2002 by 191.7%.

Similarly, the capacities for the outgoing information increased from 1024 kilobytes during 2001 to 3000 kilobytes during 2002 by 193%. Whereas, the incoming information increased from 4,096 Kilobyte during 2001 to 14,000 kilobytes during 2002 by 241.8%.

Figure (4-7)
Subscribers of Telecommunications Medium



Chapter Five

Money Supply

This chapter reviews the performance of money supply, reserve money (monetary base), money multiplier and velocity of circulation during the years 2001 and 2002.

First: Money Supply: -

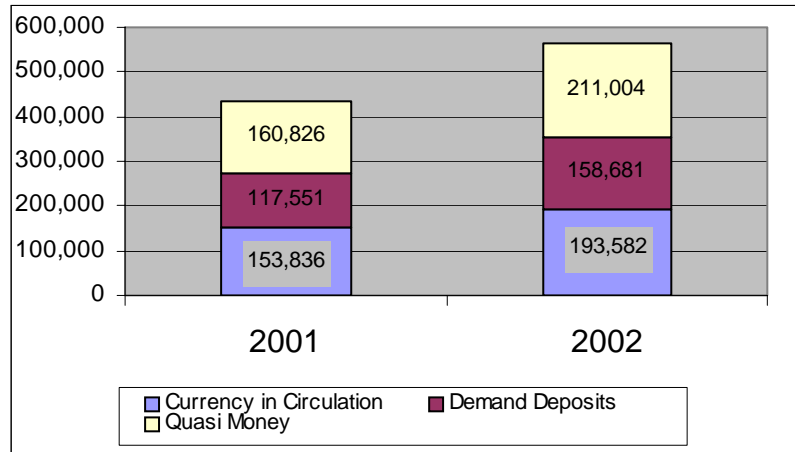
Money Supply (M_2), composed of currency in circulation, demand deposits, time deposits, in addition to margins on letters of credit, showed an increase from SDD 432,213 million in 2001 to SDD 563,267 million in 2002 i.e by 30.3%. This was attributed to an increase in quasi-money from SDD 160,826 million to SDD 211,004 million i.e by 31.2%, in addition to the increase in the means of payments from SDD 271,387 million to SDD 352,263, ie, by 29.8% including an increase of 35% and 25.8% in demand deposits and currency in circulation respectively as explained in Table (5-1) and Figure (5-1).

Table (5-1)
Money Supply and Factors Affecting it.

	2001*	2002	(SDD Millions)	
			Changes During 2002	
			Change	%
A/ Money Supply (M_2)	432,213	563,267	131,540	30.32
Means of Current Payments (M_1)	271,387	352,263	80,876	29.8
- Currency with the Public	153,836	193,582	39,746	25.8
- Demand Deposits	117,551	158,681	41,130	35.0
Quasi-Money	160,826	211,004	50,178	31.2
B/ Factors Affecting Money Supply				
Foreign Assets (Net)	-696,627	-624,446	72,181	-10.4
Revaluation	766,300	794,318	28,018	3.7
Net Domestic Assets	292,245	393,395	37,463	12.8
1-Claims on Public Sector	161,232	148,065	-13,167	-8.2
1-1-Central & Local Govt.	137,364	130,760	-6,604	-4.8
1-2-Public Enterprises	23,868	17,305	-6,563	-27.5
2-Claims on Private Sector	129,865	178,425	48,560	37.4
3-Claims on Commercial Banks and Specialized Banks	1,148	3,216	2,068	180.1
Other Items Net	70,295	63,689	-6,606	-9.4
Total (B) = A	432,213	563,267	131,054	30.3

* Difference in 2002, compared with 2001 Annual Report was due to changes of classification.

Figure (5-1)
Components of Money Supply
For the Period 2001-2002
(SDD Billions)



Factors Affecting Money Supply: -

The Following are factors affecting money supply during the years 2001 and 2002:

1- Net Domestic Assets: -

The impact of net domestic assets on money supply was expansionary during 2002, it increased from SDD 292,245 million in 2001 to SDD 329,708 million due to the sharp increase in claims of the banking system on the private sector by SDD 48,560 million, an increase in the claims on commercial banks and specialized banks by SDD 2,068 million, while the claims of the banking system on the public sector decreased by SDD 13,167 million.

2-Net Foreign Assets: -

Following the same trend in the previous years, this item continued its contractional effect, because foreign assets were less than foreign liabilities. Net foreign assets decreased from SDD 696,627 million in 2001 to SDD 624,446 million in 2002, i.e. by 10.4%.

3- Revaluation:-

Revaluation refers to the changes in foreign balances due to movements in exchange rate. The impact of this was the rise in money supply by 3.7% during the year 2002.

4-Other Items (Net):-

Other Items (net) decreased from SDD 70,295 million by the end of 2001 to SDD 63,689 million by the end of 2001, i.e by 9.4%.

Second: Reserve Money: -

Reserve money – composed of currency in circulation, commercial banks reserves, and deposits at the Bank of Sudan, increased from SDD 229,790 million in 2001 to SDD 280,292 million in 2002, i.e by 22%.

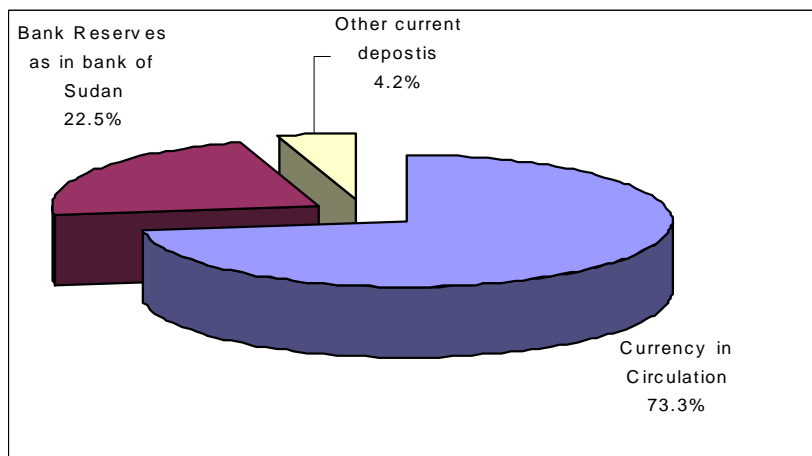
Table (5-2 shows changes in reserve money and corresponding assets during the years 2001 & 2002, and figure (5-2) shows the components of the reserve money as at 31 December, 2002.

Table (5-2)
Reserve Money and Corresponding Assets
(SDD Millions)

	2001	2002	Change during 2002	
			Change	%
A/ Liabilities: -				
Reserve Money	229,790	280,292	50,502	21.98
1- Currency in Circulation	166,637	205,574	38,937	23.4
1-1 With the Public	153,836	193,582	39,746	25.8
1-2 Cash in Commercial Banks	12,801	11,992	-809	-6.3
2- Banks' Reserves	51,888	63,021	11,133	21.5
3- Other Current Deposits	11,265	11,697	432	3.8
B/ Corresponding Assets				
1- Net Foreign Assets	-777,251	-738,644	38,607	-5.0
2- Revaluation	766,134	793,631	27,497	3.6
3- Net Domestic Assets	240,907	225,305	-15,602	-6.5
3-1- Net Claims on Government	137,109	114,871	-22,138	-16.2
3-1-1-Claims on Government	146,724	142,245	-4,479	-3.1
3-1-2-Government Deposits	-9,615	-27,274	-17,659	183.7
3-2-Claims on Commercial Banks	12,584	17,148	4,564	36.3
3-3-Claims on Public Enterprises and Specialized Banks	14,811	5,744	-9,067	-61.2
3-4 Central Bank Musharaka Certificates (CMCs)	-639	-756	-117	18.3
5-3 Other Items Net	77,041*	88,198	11,156	14.5
Total B = (1 + 2 + 3)	229,790	280,292	50,502	21.98

* Difference in figures of 2002, compared with 2001 Annual Report, was due to change in classification.

Figure (5-2)
Reserve Money Components as at 31 December 2002



Factors Affecting Reserve Money: -

1- Liabilities: -

The main factor for the increase in reserve money was the currency in circulation which increased from SDD 166,637 million in 2001 to SDD 205,574 million in 2002 i.e by 23.4%. This was due to the increase in currency with the public from SDD 153,836 million to SDD 193,582 million i.e by 25.8%, despite the decline of cash in commercial banks from SDD 12,801 million in 2001 to 11,992 million, i.e by 6.3%. The reserve money of commercial banks at Bank of Sudan increased from SDD 51,888 million in 2001 to SDD 63,021 million in 2002 i.e by 21.5%.

2- Assets: -

Revaluation was the main factor behind the rise in assets corresponding to reserve money which increased from SDD 766,134 million in 2001 to SDD 793,631 million in 2002, i.e by 3.6%. The net domestic assets declined from SDD 240,904 million in 2001 to SDD 225,305 million in 2002, i.e by 6.5% due to a decline in the net claims on the government from SDD 137,109 million in 2001 to SDD 114,971 million in 2002, in addition to the decrease in the claims on public enterprises and specialized banks by 61.2%, while the net other items increased by 14.5% .

Third: - Money Multiplier and the Velocity of Circulation:-

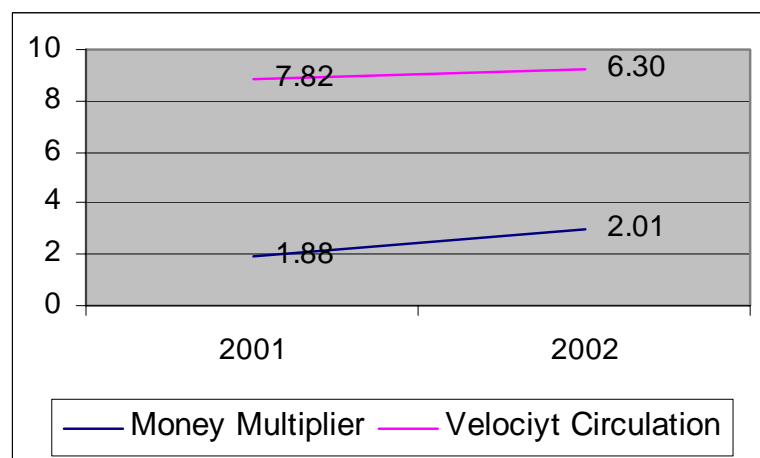
The money multiplier * rose from 1.88 in 2001 to 2.01 in 2002, while velocity of circulation ** declined from 7.82 in 2001 to 6.30 in 2002, which was due to the increase in money supply.

Table (5-3 shows the money multiplier and the velocity of circulation in 2001 and 2002, based on gross domestic product of SDD 3,380 billion in 2001 and SDD 3,549 billion in 2002 respectively.

Table (5-3)
Money Multiplier and Velocity of Circulation

	2001	2002
Money Multiplier	1.88	2.01
Velocity of Circulation	7.8	6.30

Fig. (5-3)
Money Multiplier and Velocity of Circulation



* Money multiplier = Money supply (M_2) / Reserve money

** Velocity of circulation = GDP/money supply /(M_2)

Chapter VI

Banks and Financial Institutions.

This chapter explains the performance of the banks and financial institutions during the year 2002. The banks include Bank of Sudan (central bank), commercial and specialized banks. Financial institutions refer to non-banking institutions, such as the insurance companies, Khartoum Stock Exchange, Exchange Bureaus, Bank Deposits Security Fund and Sudan Financial Services Company Ltd.

Firstly: The Banks

1. *Bank of Sudan Balance sheet:*

Table (6-1)
Bank of Sudan Balance Sheet

	31/12/2001	31/12/2002	Change	(SDD Millions) %
Liabilities:				
Notes and coins in circulation	166,637	205,575	38,938	23.4
Sight liabilities:	75,070	103,505	28,435	37.9
Federal Government	9,615	27,274	17,659	183.7
State & local Governments	5,002	6,012	1,010	20.2
Public Enterprises	5,369	4,790	-579	-10.8
Local Banks	55,084	65,429	10,345	18.8
Foreign correspondents	26,052	25,829	-223	-0.9
Time liabilities	195,147	207,328	12,181	6.2
Payments Agreements	19,637	19,118	-519	-2.6
Capital and reserves	2,726	2,782	56	2.1
Other Accounts	229,712	239,839	10,127	4.4
Total liabilities	714,981	803,976	88,995	12.4
Assets:				
Bank Notes, and Balances	36,784	115,331	78,547	213.5
Foreign securities	3,796	3,796	-	-
Other Foreign Assets	412	413	1	0.2
Loans and Advances to Banks	8,532	13,063	4,531	53.1
Government Accounts	-	-	-	-
Temporary Advances to Government	18,000	30,875	12,875	71.5
Long-Term loans to Government	107,303	107,303	-	-
Advances under 57(A)	12,579	3,295	9,284 -	73.8-
Participation in Bank's Capital	1,994	2,077	83	4.2
Other participations	27,198	10,377	-16,821	-61.8
Non- Transferable Treasury Bills	-	-	-	-
Other Assets	498,383	517,446	19,063	3.8
Total Assets	714,981	803,976	88,995	12.4

Assets/liabilities Bank of Sudan increased from SDD 714,981 million in the year 2001 to SDD 803,976 million in 2002, i.e. by 12.4% as shown in Table (6-1).

On the liabilities, side the bank notes and coins in circulation registered an increase amounted to SDD 38,938 million. The federal government deposits registered the biggest increase amounted to 183.7%, increased from SDD 9,615 million in 2001 to SDD 27,274 million in 2002. The local bank deposits increased from SDD 55,084 million in 2001 to SDD 65,429 million in 2002, i.e by 18.8%. The other accounts increased from SDD 229,712 million in 2001 to SDD 239,839 million, i.e by 4.4%. The local state governments deposits also increased from SDD 5,002 million in 2001 to SDD 6,012 million in 2002, i.e by 20.2%. Conversely, public corporations deposits and payment agreements items indicated a decrease by 10.8% and 2.6% respectively.

On the assets side, bank notes and balances registered the biggest increase amounted to 213.5%. The temporary advances to the government, and loans & advance to banks increased by 71.5% and 53.1% respectively, rising from SDD 18,000 million and SDD 8,532 million in 2001 to SDD 30,875 million and SDD 13,063 million in 2002. Other accounts item increased from SDD 498,383 million in 2001 to SDD 517,446 million in 2002 i.e by 3.8%. Shares in local banks capital rose by 4.2%, conversely advances under articles (57-A) and (48-A), and other contributions item indicated a decline amounted to 73.8% and 61.8% respectively.

Table (6-2)
Bank of Sudan Balance Sheet Indicators

		2001	2002
1.	Capital and Reserves to total liabilities	0.38%	0.53%
2.	Total government debt to total assets	17.66%	19.42%
3.	Temporary advances to government total debt	12.96%	21.48%
4.	Currency in circulation to total liabilities	23.31%	25.57%
5.	Government accounts to total liabilities	7.70%	8.14%
6.	Share of local banks to total liabilities	34.76%	27.83%

Appendix six shows the balance of the Bank of Sudan on a monthly basis for the years 2001 & 2002 and at the end of December for several previous years.

Second: The Commercial Banks:

The number of the commercial banks in the Sudan amounted to twenty-one by the end of December 31, 2002 with branches spread all over the country.

Table (6-3)
Commercial Banks Consolidated Balance Sheet

	31/12/2001	31/12/2002	Change	%
Liabilities:				
Deposits:	274,188	363,074	88,886	32.4
Private sector	255,108	339,218	84,110	33.0
Government deposits	8,482	8,270	-212	-2.5
Public corporations	10,598	15,586	4,988	47.1
Banks:	12,888	24,187	11,299	87.67
Bank of Sudan	2,506	7,263	4,757	189.8
Other Banks	1,276	3,206	1,930	151.3
Foreign correspondents	9,106	13,718	4,612	50.6
Capital and reserve	47,640	73,692	26,052	54.7
Other liabilities	120,632	150,285	29,653	24.6
Total liabilities	455,348	611,238	155,890	34.2
Assets:				
Local currency	12,801	11,992	-809	-6.3
Balances with Bank of Sudan	44,609	55,689	11,080	24.8
Balances with local Banks	4,151	6,496	2,345	56.5
Foreign correspondents	89,730	127,916	38,186	42.6
Advances	111,339	160,020	48,681	43.7
Other Assets	192,718	249,125	56,407	29.3
Total Assets	455,348	611,238	155,890	34.2

Table (6-3) shows the consolidated balance sheet of the commercial banks as at the end of the year 2002 compared to the year 2001. Appendix VII shows the assets and liabilities of the commercial banks on a monthly basis for the years 2001 & 2002 and the position at the end of the last ten years.

Total assets/liabilities of Commercial banks increased from SDD 455,348 million in 2001 to SDD 611,238 million in 2002, i.e by 34.2%.

On the liabilities side, public deposits increased from SDD 255,108 million in 2001 to SDD 339,218 million in 2002 i.e, by 33%. Public corporations balances rose from SDD 10,598 million in 2001 to SDD 15,586 million in 2002 i.e by 47.1%. Dues to the Bank of Sudan and other banks increased from SDD 2,506 million and SDD 1,276 million in 2001 to SDD 7,263 million and SDD 3,206 million in 2002 respectively.

Foreign correspondents accounts increased from SDD 9,106 million in 2001 to SDD 13,718 million in 2002 i.e by 50.6%. Capital and Reserves rose from SDD 47,640 million in 2001 to SDD 73,692 million in 2002, ie by 54.7%. This was due to the efforts of increasing commercial banks capital within the restructuring program.

On the Assets side, balances with local banks registered the highest increase of 56.6%, rising from SDD 4,151 million in 2001 to SDD 6,496 million in 2002. Foreign correspondents accounts registered an increase of 42.6%. Finance extended by commercial banks increased from SDD 111,339 million in 2001 to SDD 160,020 million in 2002, i.e by 43.7%. Other accounts and balances with Bank of Sudan registered an increase of 29.3% and 24.8% in 2002 respectively.

Local currency declined from SDD 12,801 million in 2001 to SDD 11,992 million in 2002, ie by 6.3%.

Table (6-4)
Commercial Banks Balance Sheet Indicators

	2001	2002
1- Total Deposits to Total Liabilities	60.2%	59.4%
2- Capital and Reserves to Total Liabilities	10.5%	12.1%
3- Loans Total Assets Ratio	24.5%	26.2%
4- Loans Total Deposits Ratio	40.6%	44.1%
5- Liquid Assets to Total Deposits Ratio	20.9%	18.6%

On the liabilities side, deposits with commercial banks increased from SDD 274,188 million in 2001 to SDD 363,074 million in 2002 i.e by 32.4%, of which 40.5% foreign currency deposits.

Table (6-5)
Deposits by Type

(SDD Millions)

	December 2001		December 2002		Current Accounts		Savings, Investments and Other Accounts	
Depositors	Current* Accounts	Investment Savings...etc	Current* Accounts	Investment Savings...etc	Change	%	Change	%
Federal and State Governments.	5,099	3,383	6,169	2,101	1,070	21.0	-1,282	-37.7
Public Corporations.	4,561	4,414	6,224	6,627	1,663	36.5	2,213	50.1
Private Sector and Other Financial Institutions.	103,197	153,534	138,741	203,212	35,544	34.4	49,678	32.4
Total	112,857	161,331	151,134	211,940	38,277	33.9	50,609	31.4
Grand Total	274,188		363,074		88,886		32.4	
Foreign Currency Deposits	111,234		146,898		35,664		32.1	

* Current deposits in foreign currency included in saving and investment deposits.

Commercial Banks Finance:

The monetary and financing policies continued aiming at liberalizing the banking activities. This has led to an increase in banking finance from SDD 111,339 million in 2001 to SDD 160,020 million in 2002 i.e by 43.7% as shown in table (6-6) below.

Table (6-6)
Position of Commercial Bank's Advances By Sector

(SDD Millions)								
Period	Agriculture	Industry	Exports	Imports	Local trade	Other	Total	Annual change %
31/3/2001	17,248 18.8%	14,035 15.3%	21,204 23.1%	2,102 2.3%	11,306 12.3%	25,885 28.2%	91,780 100%	-
30/6/2001	17,044 17.3%	20,211 20.6%	18,521 18.8%	1,782 1.8%	12,434 12.7%	28,295 28.8%	98,287 100%	-
30/9/2001	19,347 18.1%	18,643 17.4%	20,278 19%	944 0.9%	16,684 15.6%	31,044 29%	106,940 100%	-
31/12/2001	19,605 17.6%	16,445 14.8%	21,832 19.6%	4,106 3.7%	20,900 18.8%	28,450 25.6%	111,340 100%	40.5%
31/3/2002	17,370 15.4%	17,875 15.9%	23,327 20.8%	624 %0.6	21,951 19.5%	31,271 27.8%	112,418 100%	-
30/6/2002	15,669 12.0%	20,970 16.0%	24,496 18.7%	1,988 1.5%	25,796 19.7%	41,933 32.0%	130,852 100%	-
30/9/2002	21,759 15.7%	21,054 15.2%	20,945 15.1%	1,163 0.8%	30,730 22.2%	42,807 31.0%	138,458 100%	-
31/12/2002	22,837 14.3%	20,850 13.0%	21,970 13.7%	7,078 4.4%	36,230 22.6%	51,055 32.0%	160,020 100%	43.7%

Table (6-7) shows the flow of credit offered by the commercial banks according to modes of finance for 2001 and 2002. murabaha share in total flow of finance increased from SDD 57,869.4 million in 2001 to SDD 74,265.5 million in 2002, i.e by 28.3% . Musharaka share increased from SDD 45,329.4 million in 2001 to SDD 57,651.2 million in 2002, i.e by 27.2%. Also, other modes of financing share increased from SDD 26,736.6 million in 2001 to SDD 58,439.7 million in 2002, i.e by 118.6%. Financing by salam mode of finance decreased from SDD 7,298.7 million in 2001 to SDD 6,855.6 million in 2002, i.e by 6.1% .

Table (6 -7)
Credit Flow by Modes of Financing

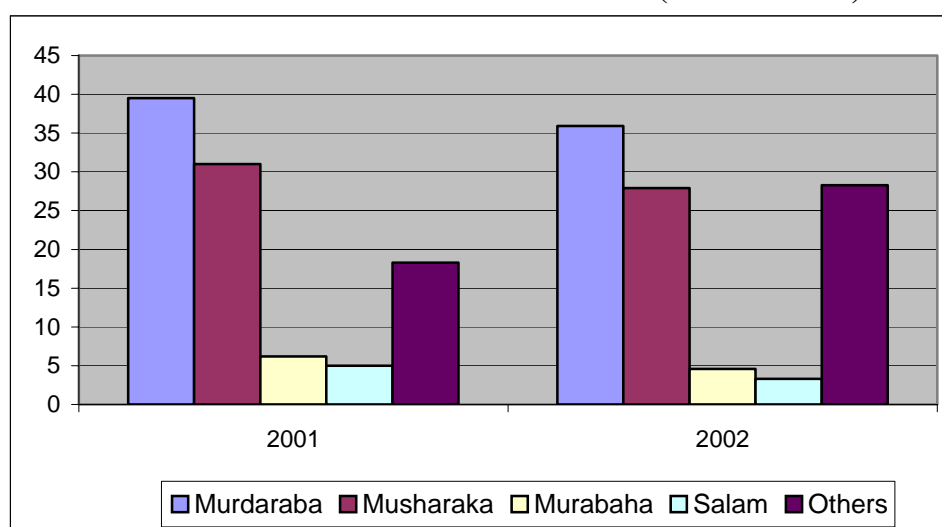
(SDD Millions)

Mode of Financing	2001	% Share	2002	% Share	% Change
Murdaraba	57,869.4	39.5	74,265.5	35.9	28.3
Musharaka	45,329.4	31.0	57,651.2	27.9	27.2
Murabaha	9,147.9	6.2	9,568.6	4.6	4.6
Salam	7,298.7	5.0	6,855.6	3.3	-6.1
Others	26,736.6	18.3	58,439.7	28.3	118.6
Total	146,382.0	100	206,780.6	100	41.3

*Including Ijara and Mugawla modes.

Figure (6-1)
Credit by Mode of Finance

(SDD Millions)



The Specialized Banks:

Specialized banks include the Agriculture Bank, the Estates Bank and Saving Social Development Bank, in addition the Financial Investment Bank, which is owned by the private sector.

Table (6-8)
Specialized Banks
Summary of Balance Sheets
(SDD Millions)

	2001	2002	Change	%
The Agricultural Bank				
Assets:	14,864.7	25,494.3	10,629.0	71.5
Cash in tills	1,371.0	1,292.4	-79.0	-5.8
Investments	398.4	514.5	116.0	29.1
Foreign Assets	160.3	118.7	-42.0	26.0-
Fixed Assets	603.5	711.4	108.0	17.9
Other	12,331.5	22,857.3	10,526.0	85.4
Liabilities:	14,864.7	25,494.3	10,629.0	71.5
Deposits	2,959.4	3,358.7	399.0	13.5
Other liabilities & Accounts payable	13,954.7	23,800.1	9,845.0	70.6
Paid up capital *	-479.8	-1,410.5	-931.0	194.0
Profits	-1,569.6	-254.0	1,316.0	-83.9
Estates Bank				
Assets:	2,638.0	8,347.0	5,709.0	216.4
Cash in tills	489.0	1,031.0	542.0	110.8
Investments	914.0	2,398.0	1,484.0	162.4
Foreign Assets	118.0	99.0	19-.0	16.1-
Fixed Assets	430.0	3,786.0	3,356.0	780.5
Other	687.0	1,033.0	346.0	50.4
Liabilities	2,638.0	8,347.0	5,709.0	216.4
Deposits	1,149.9	1,463.2.	313.3.0	27.2
Other liabilities & Account payable	9508.9	0	5,395.9.	567.5
Paid up capital *	537.0	6,346.8	0	0.0
Profits	0.21	537.0	0.0	95.2
		0.01	-0.2.0	
Financial Investment Bank				
Assets	4,008.5	5,024.6	2,296.1	25.3
Cash in tills	661.1	653.8	-7.3.0	-1.1
Investments	2,394.7	4,036.3	1,641.6	68.6
Foreign Assets	766.1	214.7	-551.4.0	-72.0
Fixed Assets	68.7	101.2	32.5	47.3
Other	117.9	18.0	-99.3	-84.2
Liabilities	4,008.5	5,024.6	1,016.1	25.3
Deposits	577.1	490.6	-86.5	-15.0
Other liabilities & Accounts payable	330.9	1,461.3	1,130.4	341.6
Paid up capital *	3,000	3,000.0	0.0	-
Profits	100.5	72.7	-27.8	-27.7

Savings & Social Development Bank	6,923.0	9,219.0	2,296.0	33.2
Assets	1,181.0	1,745.5	564.5	47.8
Cash in tills	4,256.0	5,138.9	882.9	20.7
Investments	13.9.0	312.4	298.5	2,147.
Foreign Assets	947.9	1,041	93.1	5
Fixed Assets	542.2	981.2	457.0	9.8
Other	6,923.0	9,219.0	2,296.0	87.2
Liabilities	3,992.3	5,921.0	1,929.5	33.2
Deposits	786.7	1,158.8	372.1	48.3
Other liabilities & Accounts payable	2,205.9	2,205.9	0.0	47.3
Paid up capital *	-61.9	-67.5	-5.6	-
Profits				9.0

* Capital account figures are negative, because it included losses transferred from the previous years.

Source: Agricultural Bank, Estates Bank, Financial Investment Bank, and Savings & Social Development Bank.

1. Agricultural Bank:

Table (6-7) shows that, the total Assets /Liabilities of the Agricultural Bank increased from SDD 14,864.7 million in 2001 to SDD 25,494.3 million in 2002, i.e by 71.5% On the liabilities side all items registered an improvement with the exception of paid up capital and profit. On the assets side, currency decreased from SDD 1,371 million in 2001 to SDD 1,292.4 million in 2002, i.e by 5.8%. Investment and other assets items registered an increase from SDD 398.4 million and SDD 12,331.5 million in 2001 to SDD 514.5 million and SDD 22,857.3 million in 2002, i.e by 29.1% and 85.4% respectively.

Table (6-9)
Agricultural Bank Finance By Sector.

Sector	2001	Percentage to Total Finance %	2002	Percentage to Total Finance %
Agriculture	4,630	79.0	8,157	86.0
Animals Products	600	10.2	474	5.0
Local Trade	175	3.0	95	1.0
Households & Small Producers	343	5.8	473	5.0
Transport	119	2.0	284	3.0
Other	0.00	0.00	0.00	0.00
Total	5,867	100	9,483	100

Source: Agricultural Bank

Table (6-9) shows financing of the Agricultural Bank by sector, where the two parts of the agricultural sector (animals and plants) registered the biggest share, i.e by 89.2% and 91% of the total finance during 2001 and 2002 respectively.

2. Estates Bank:

The overall assets/liabilities position of the Estates Bank increased from SDD 2,638 million in 2001 to SDD 8,347 million in 2002, i.e by 216.4%. This was due to the increase in the liabilities side including deposits, accounts payable and other liabilities, which increased by 27.2% and 567.5% respectively.

Table (6-10)
Estates Bank Finance Sector
SDD Millions

Sector	2001	Percentage to Total Finance %	2002	Percentage to Total Finance %
Agriculture	19.80	2.6	25.10	1.4
Industry	46.20	6.0	23.20	1.3
Commercial	187.20	24.0	47.50	2.6
Estate	196.50	25.3	154.10	8.3
Households & Small Producers	48.20	6.3	16.50	0.9
Services	32.70	4.2	27.30	1.5
Transport	178.50	23.0	128.70	7.0
Other *	66.40	8.6	1,424.40	77.0 *
Total	775.8	100	1,843.8	100

Source : Estates Bank

* Include Exports and Imports.

Table (6-10) shows financing of the Estates Bank to different sectors during 2001 and 2002. Total financing rose from SDD 775.8 million in 2001 to SDD 1,843.8 million in 2002, i.e by 138.05%.

3. Savings and Social Development Bank:

The Total assets/liabilities of the Saving and Social Development Bank increased from SDD 6,923 million in 2001 to SDD 9,219 million in 2002. This increase was reflected in deposits in the liabilities side which increased from SDD 3,992.2 million in 2001 to SDD 5,921.8 million in 2002, i.e by 48.3%. Other liabilities and accounts payable increased by 47.3%.

The increase in the assets side was reflected in cash in tills which increased from SDD 1,181 million in 2001 to 1,745.5 million in 2002, i.e by 47.8%. Investments increased from SDD 4,256 million in 2001 to SDD 5,138.9 million in 2002, i.e by 20.7% . Also foreign assets increased from SDD 13.9 million in 2001 to SDD 312.4 million in 2002, i.e by 217.5%.

Table (6-11)

**Savings & Social Development Bank
Finance by Sector**

(SDD Millions)				
Sector	2001	%	2001	%
Agriculture & Industry	979.9	28.6	1,022.40	18.3
Transport & Storage	605.4	17.7	701.6	12.6
Handicraft	80.6	2.4	72.2	1.3
Households and Small Producers	442.4	12.9	293.8	5.3
Services	221.7	6.5	380.1	6.8
Exports	39.2	1.1	104.3	1.9
Local Trade	9.2	0.3	73.2	1.3
Housing	-	-	11.5	-
Direct investment	-	-	-	-
Staff loans	139.5	4.1	355.7	6.4
Social Development Finance	40.6	1.2	785.7	14.1
Other	862.3	25.2	1,776.40	32.0
Total	3,420.8	100	5,576.9	100

Source: Saving & Social Development Bank

Table (6-11) shows financing of the Savings and Social Development Bank to different sectors during 2001-2002. Total financing rose from SDD 3,420.8 million in 2001 to SDD 5,576.9 million in 2002, i.e by 63.%.

4. *Financial Investment Bank:*

The financial position of this Bank continued its improvement. Total assets increased from SDD 4,008.5 million to SDD 5,024.6 million in 2002, i.e by 23.5%. This was due to the increase in other liabilities and accounts payable from SDD 330.9 million in 2001 to SDD 1,461.4 million in 2002, i.e by 341.6%. On the assets side, the increase was due to the rise in fixed assets and investments by 47.3% and 68.6% respectively.

Table (6-12)
Specialized Banks
Balance Sheet Indicators

	2001 %	2002 %
Agricultural Bank :-		
Capital to Liabilities	3.2-	-5.5
Capital to Deposits	16.2-	-42.0
Investments to Total Deposits	13.5	15.3
Cash in Tills to Deposits	46.3	38.5
Total Deposits to Liabilities	19.9	13.2
Fixed Assets to Capital	-63.9	-50.4
Estates Bank :-		
Capital to Liabilities	20.4	6.4
Capital to Deposits	46.7	36.7
Investments to Total Deposits	79.5	163.9
Cash in Tills to Deposits	42.5	70.5
Total Deposits to Liabilities	43.6	17.5
Fixed Assets to Capital	80.0	705.0
Savings & Development Bank :-		
Capital to Liabilities	31.9	23.9
Capital to Deposits	55.3	37.3
Investments to Total Deposits	106.6	86.8
Cash in Tills to Deposits	29.6	29.5
Total Deposits to Liabilities	57.7	64.2
Fixed Assets to Capital	43.0	47.2
Financial Investment Bank :-		
Capital to Liabilities	74.8	59.7
Capital to Deposits	519.8	611.5
Investments to Total Deposits	415.0	822.7
Cash in Tills l to Deposits	114.6	133.3
Total Deposits to Liabilities	14.4	9.8
Fixed Assets to Capital	2.3	3.4

Banking prevalence :

The number of branches of the Commercial Banks dropped from 541 in 2001 to 533 in 2002. This was due to the restructuring policy. The branches of Bank of Sudan increased from 11 to 12, due to opening of Wau branch in Bahr-El Gazal State.

Table (6-13) shows the geographical distribution of banks' branches during 2001 and 2002.

Table (6-13)
Geographical Distribution of Banks Branches.

State	2001		2002		Change	%
	Number	%	Number	%		
Khartoum State	175	32	182	34	7	4.0
Central States (Gezira , Sennar, Blue Nile and white Nile)	121	22	108	20	-13	-10.7
Eastern States (Gadarif, Kassala and Red Sea)	71	13	73	14	2	2.8
Northern States (Elneel & Northern)	62	11	59	11	-3	-4.8
Kordofan States	54	10	53	10	-1	-1.9
Darfur States	41	8	41	8	0	0
Southern States	17	3	17	3	0	0
Total	541	100	533	100	-8	-1.5

Secondly: Financial Institutions:

1. Insurance market:

The number of insurance companies remained seventeen in 2001 as in the previous year, of which one works as re-insurance company. These companies invest their resources in purchasing stocks and shares, savings with banks and estates.

Gross premiums of the insurance companies rose from SDD 10,388 million in 2000 to SDD 13,443 million in 2001, i.e by 29.4%. Net premiums rose from SDD 6,238 million in 2000 to SDD 8,127 million in 2001, i.e by 30.3% as shown in Table (6-14).

Table (6-14)
Gross and Net Insurance Premiums*
(SDD Millions)

	2000	2001	Change %
Gross premiums	10,388	13,443	29.4
Net premiums	6,238	8,127	30.3

Source: Insurance Supervision Authority.

* Latest Available Data.

Refund dropped from SDD 6,804 million in 2000 to SDD 6,624 million in 2001, i.e by 2.65%. However, net refunds rose from SDD 3,289 million in 2000 to SDD 4,687 million in 2001, i.e by 42.5, as shown in table (6-15).

Table (6-15)
Gross and Net Insurance Claims
(SDD Millions)

	2000	2001	Change %
Gross Refunds	6,804	6,624	-2.65
Net Refunds	3,289	4,687	42.5

Source: Insurance Supervision Authority.

2. Khartoum Stock Exchange:-

The Khartoum Stock Exchange enables the private sector to provide finance for the economic projects, which require large and long-term resources. The market takes part in organizing and supervising the issuance of the financial securities, and handling their deals (buying and selling). It also helps to raise investment consciousness among the public.

The number of companies trading in the market amounted to 49, fifteen of them were banks, nine were insurance companies, eight were in the commercial sector, three for industry, two for agriculture, and twelve for other sectors.

Table (6-16)
Trading In Khartoum Stock Exchange

Sector	2001			2002		
	Number of Shares (in Thousands)	Volume of Trading (Millions Dinars)	%	Number of Shares (in Thousands)	Volume of Trading (Millions Dinars)	%
Banks	8,764,716	4,773.6	31.07	1,926,566.3	1,329	10.50
Insurance	40.0	7.8	0.05	6.7	2	0.02
Commerce	3,503.0	53.2	0.35	2,130,592.3	912	7.05
Industry	68.0	8.9	0.06	16.4	1	0.00
Agriculture	0.0	0.0	0.00	0.0	0	0.00
Others	4,635.0	10,519.2	68.47	3,055.3	10,670	82.43
Total	8,772,962	15,362.6	100.0	4,060,237.0	12,944	100

Source: Khartoum stock Exchange

Table (6-16) shows that, the total volume of trading in stocks decreased from SDD 15,362.6 million in 2001 to SDD 12,944 million in 2002, i.e by 15.7%. The number of shares traded amounted to 4,060 million, of which 52.5% was traded in the commercial sector. However, this was only 4.7% of the total value. On the other hand 914 thousand of securities were traded for the value of SDD 11,961 million.

3. *Exchange Bureaus:-*

Exchange bureaus number increased from seven in 2001 to eight in 2002, their purchases increased from US\$ 108.1 million to US\$ 131.1 million, i.e by 21.3% . Also, their total sales increased from US\$ 104.4 million to US\$ 128.5 million, i.e by 23.1%.

Table (6-17) shows the monthly purchases and sales of the exchange bureaus during 2002.

Table (6-17)
Total Purchases and Sales of the Exchange Bureaus
During January - December 2002
(million US Dollar)

Month	purchases	Sales
January	15.7	15.5
February	12.5	12.6
March	15.3	13.1
April	18.4	18.4
May	17.4	17.4
June	6.8	6.8
July	5.4	5.4
August	4.5	4.5
September	5.1	5.1
October	5.9	5.9
November	4.9	4.9
December	18.9	18.9
Total	131.1	128.5

4. *Bank Deposits Security Fund:*

The Fund was established according to the bank deposits security Fund Act for 1996. The goals of the Fund were determined by Article (5) as follows:-

- (A) The security of the banks deposits according to Article (19) of the Fund Act, and all banks working in the Sudan are members of the Fund.
- (B) Protect the depositors, ensure stability, soundness and confidence in the banks.

The banks deposits in the Fund amounted to SDD 364 million in 2001 compared to SDD 267 million in 2000, i.e by 36.3%. The surplus of SDD 1,042 million was invested in investment deposits in banks, Government Musharaka Certificates (GMCs) and in Sudan Telecommunications Company shares.

5. *Sudan Financial Services Company limited:*

The Company was established by Bank of Sudan and the Ministry of Finance jointly with a two trunch capital setting. Trunch A represents the accounting value of banks wholly or partially owned by the Bank of Sudan and the Ministry of Finance. Trunch B represents the paid up capital amounted to SDD 2 million.

The company aims to achieve the following:

Managing the shares wholly or partially owned by the Bank of Sudan and the Ministry of Finance lodged with the banks, corporations, institutions and companies. In addition to helping Bank of Sudan in managing the liquidity to achieve the objectives of the monetary policy, beside establishing specialized funds in the financial services.

The Sudan Financial Services Company Ltd continues organizing auctions for sales and purchase of (GMCs) and (GMCs) as shown in tables (6-18) to (6-20).

Table (6 -18)
Position of CMCs ,Sales and Purchases
(During the year 2002)

Particulars	No. of Certificates	Value in SDD Millions
Sold Certificates	7,460	7,234
Purchased Certificates	8,234	8,403
Certificates with Banks and Institutions	10	10

Source: Sudan Financial Services Company Ltd.

Table (6-19)
Prices of Sales and Purchases of CMCs
(During the Year 2002)

	Lower Price(SDD)	Higher Price (SDD)
Selling Price	1,000,000	1,023,000
Auction Buying Price	1,011,000	1,025,000
Out of Auction Buying Price	1,011,000	1,025,000

Source: Sudan Financial Services Company Ltd.

Table (6-20)**Position of Government Musharaka Certificates (GMCs)**

Date of Issue	Period	Data of Liquidation	No. Of Sold Certificates	Price of Certificates (SDD)	Value in SDD Millions
1/1/2002	Three Months	15/5/2002	5,546	500,000	2,773
1/1/2002	Six Months	15/8/2002	4,154	500,000	2,077
1/4/2002	Three Months	15/8/2002	10,434	500,000	5,217
1/1/2002	Nine Months	15/11/2002	322	500,000	161
1/4/2002	Six Months	15/11/2002	2,448	500,000	1,224

Source: Sudan Financial Services Company

Chapter VII

Government Finance

The budget of the year 2002 was based on specific priorities in the context of the final stage of the ten year National Comprehensive Economic Program, and the first year of the presidential second term. Among the important objectives of the budget were to maintain economic stability, economic liberalization, self reliance and directing of both macro and micro policies to improve productivity, and to increase the country capacity to absorb investment and paying more attention to technology program and consolidating foreign economic relations.

The budget aimed at achieving real GDP growth of about 7% and inflation rate of 5% by the end of the year while maintaining stability of the exchange rate. However, the actual growth rate reached 6.5%, associated with inflation rate of 8% at the end of the year.

Fiscal Performance for 2002:

Actual fiscal performance for 2002 revealed that total public revenues reached SD 472.2 billion, equivalent to 97.9% of the expected total earnings for the year while total current expenditure reached SD 377 billion which represents 85.9% of the total expected current expenditure for 2002. As a result of these developments, the current budget performance registered a surplus of SD 95.2 billion compared to an estimate of SD 43.4 billion for 2002, a 119.4% increase (table 7-1).

Table (7-1)
The Public Sector fiscal Performance

(SDD Billions)

Year	2001			2002		
Items	Estimated	Actual	% of Estimates	Estimated	Actual	% of Estimates
Total Ordinary Revenue	402.9	365.2	90.6	482.3	472.2	97.9
Total current expenditure	345.4	342.8	99.2	438.9	377.0	85.9
Surplus (+) Deficit (-)	57.5	22.4	38.9	43.4	95.2	219.4
Development & Investment Expenditure	116.5	76.0	65.2	159.1	140.8	88.5
Overall deficit	-59.0	-53.6	-90.8	-115.7	-45.6	-39.4
Sources of finance of the deficit	59.0	53.6	90.8	115.7	45.6	39.4
a) External financing	19.9	5.4	27.1	23.0	8.3	36.1
b) Domestic financing	39.1	48.2	123.3	92.7	37.3	40.2

Source : Ministry of Finance.

On the other hand, development and investment expenditure recorded SD 140.8 billion and this represented 88.5% of the estimate for the year 2002, a decrease of 11.5% . This led to a drop in the level of the overall deficit in the public sector which amounted to SD 45.6 billion compared to the estimated deficit of SD 115.7 billion for the year 2002, a decrease of 60.6%. This good performance is attributed to the government stringent expenditure which took basic priorities into consideration. On the other hand, the government put more emphasis on generating more revenue without extra burdens on the citizens. In addition to all this, the government offered incentives to encourage investment and expand economic activities.

It is worth mentioning that the substantial portion of the total deficit of SD 45.6 billion was financed through domestic sources amounting to SD 37.3 billion, while external sources of financing amounted to SD 8.3 billion for 2002.

Public Revenues: -

Table (7-2) shows actual performance of the public revenues during the year 2002 compared to the year 2001.

Table (7-2)
Actual Performance of the Public Revenues

Particulars	2001				2002			
	Estimated	Actual	% of Total	% of Estimates	Estimated	Actual	% of Total	% of Estimates
I- Tax revenue (a+b)	<u>205.0</u>	<u>188.0</u>	<u>51.5</u>	<u>92.0</u>	<u>241.5</u>	<u>213.7</u>	<u>45.3</u>	<u>88.5</u>
a) Direct taxes	50.0	40.8	11.2	81.6	50.0	41.2	8.7	82.4
- Income tax	5.0	4.7		94.0	4.5	5.3		117.8
- Business profit tax	27.0	21.7		80.4	32.0	24.3		76.0
-Development tax	3.5	1.6		45.8	-	0.4		-
-SNWA	8.0	4.9		61.3	5.0	4.8		96.0
- Stamps	6.5	5.6		86.2	8.5	6.4		75.3
- Others	-	2.3		-	8.0	-		-
b)Indirect taxes(1+2+3)	155.0	147.2	40.3	95.0	191.1	172.5	36.5	90.3
1- Customs Duties	72.8	77.2		106.0	99.5	103.2		103.7
- Imports Duties	62.8	59.3		94.0	68.1	75.4		72.4
- Exports Duties	-	0.3		-	-	-		-
- Others	10.0	17.6		176.0	31.4	27.8		86.3
2) Excise Duties	35.7	32.3		90.5	39.9	27.8		69.5
3) VAT	46.5	37.7		81.0	52.1	41.5		79.7
II- Non tax Revenue	<u>197.9</u>	<u>177.2</u>	<u>48.5</u>	<u>89.5</u>	<u>240.8</u>	<u>258.5</u>	<u>54.7</u>	<u>107.3</u>
Total ordinary Revenues (I+II)	402.9	365.2	<u>100.0</u>		<u>482.5</u>	<u>472.2</u>	<u>100.0</u>	<u>97.9</u>

Source: Ministry of Finance.

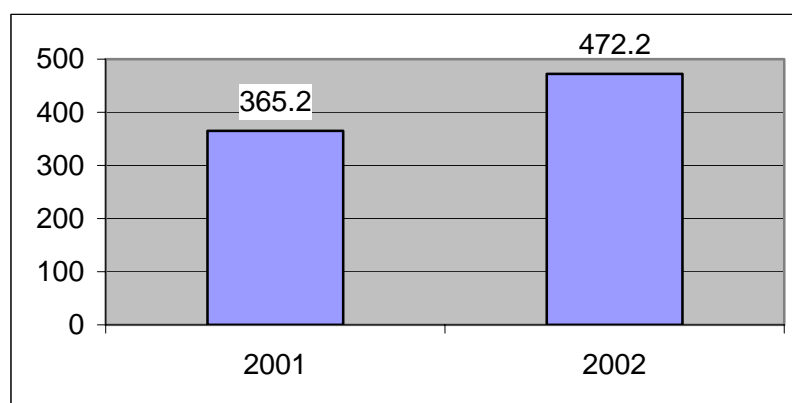
Total Public revenues increased from SD 365.2 billion in 2001 to SD 472.2 billion in year 2002, an increase of 29.3%. Total tax revenue increased from SD 188.0 billion in 2001 to SD 213.7 billion in year 2002, an increase of 13.7%, despite all that, the share of the tax revenue in the total revenues decreased from 51.5% in year 2001 to 45.5% in year 2002. Total public revenues included direct taxes which increased from SD 40.8 billion in year 2001 to SD 41.2 billion in 2002, an increase of 8.7%, and this constituted 7.8% of the total public revenues compared to 11.2% in year 2001.

On the other hand, revenue from indirect taxes registered a noticeable increase from SD 147.2 billion in year 2001 to SD 172.5 billion in 2002,

an increase of 21%, and this represented a 36.5% of the total public revenues. This improvement is attributed to an increase in the revenue from customs duties by 33.7% over last years, an impressive performance of 103.7% of the estimate.

Non-tax revenue amounted to SD 258.4 billion, an increase of 45.8% of that of 2001, and this represented 54.7% of the total revenues, and 107.3% of the estimates for 2002.

Figure (7-1)
Actual Performance of the public Revenues
(SDD Billion)



Public Corporations, Companies and Investments Revenues:

Table (7-2) shows actual revenue received from public corporations companies and government investments for 2002 compared to 2001.

Table (7-3)
Public Corporations, Companies,
and Investments Revenues

(SDD Billions)						
Year	2001			2002		
Items	Estimated	Actual	% of Estimates	Estimated	Actual	% of Estimates
a) Profits of Public Companies and Corporations.	14.5	10.0	69.0	17.0	17.4	102.4
b) Proceeds of Govt. Investments	11.7	6.4	54.7	12.0	7.7	64.2
Total	26.2	16.4	62.6	29.0	25.1	86.6

Source: Ministry of Finance and National Economy

Actual government revenue from public corporations and government owned or partially owned companies increased from SD 16.4 billion in 2001 to SD 25.1 billion in 2002, an increase of 53% which represented 86.6% of the estimated amount for the year 2002.

Public Expenditure:

Table (7-4) shows actual public expenditure during 2002 compared to 2001.

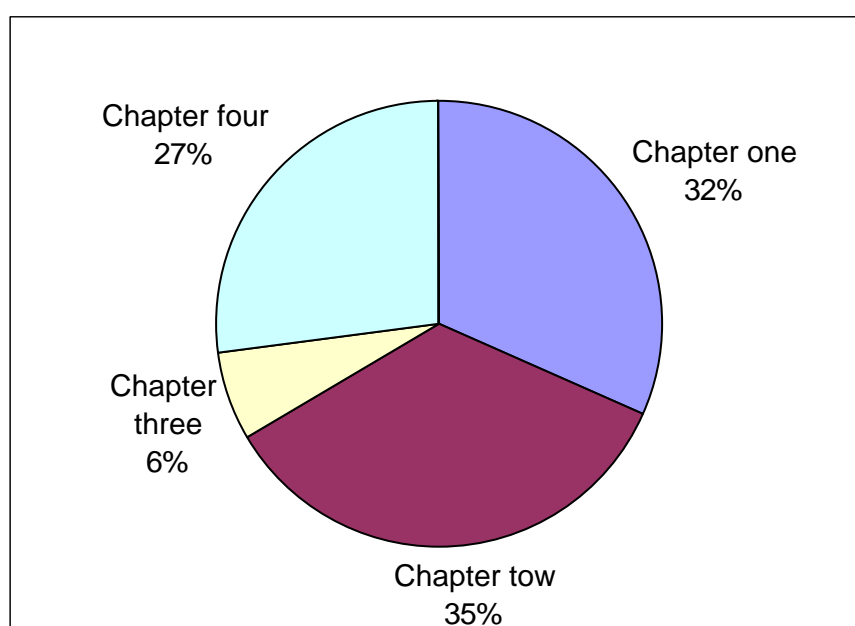
Table (7-4)
Actual and Estimated Public Expenditure
(SDD Billion)

Years	2001			2002		
Items	Estimated	Actual	% of Total	Estimated	Actual	% of Total
Chapter One (Wages, Salaries, and Social Subsidies)	136.6	131.6	31.0	170.9	164.9	31.8
Chapter Two (Centralized Items & Steering Expenditure)	180.6	186.0	45.0	231.2	179.2	34.6
Chapter Three (Contribution to States' Support Fund)	27.9	25.0	6.0	36.8	32.9	6.4
Chapter Four (Development Expenditure and Contribution in Capital)	116.5	76.0	18.0	159.1	140.8	27.2
Total	461.6	418.6	100.0	598.0	517.8	100.0

Source:- Ministry of Finance and National Economy.

Actual public expenditure amounted to SD 517.8 billion, which represents 86.6% of the total estimate for 2002, and it is an increase of 23.6% over that of 2001. This included current expenditure amounting to SD 377 billion, representing 63% of the total estimate for 2002, which is 10% more than 2001. The increase was a result of an increase in the expenditure in chapter one by 25.3% and in chapter three by 31.6%. Expenditure in chapter two slightly dropped by 3.6% compared to that of 2001. On the other hand, development and investment expenditure increased significantly by 85.3% and it is 88.5% of the estimate for 2002.

Figure (7-2)
Actual Public Expenditure
For the year 2002



Development Expenditure: -

Table (7-5) shows actual development expenditure for 2002 compared to 2001.

Table (7-5)
Development Expenditure

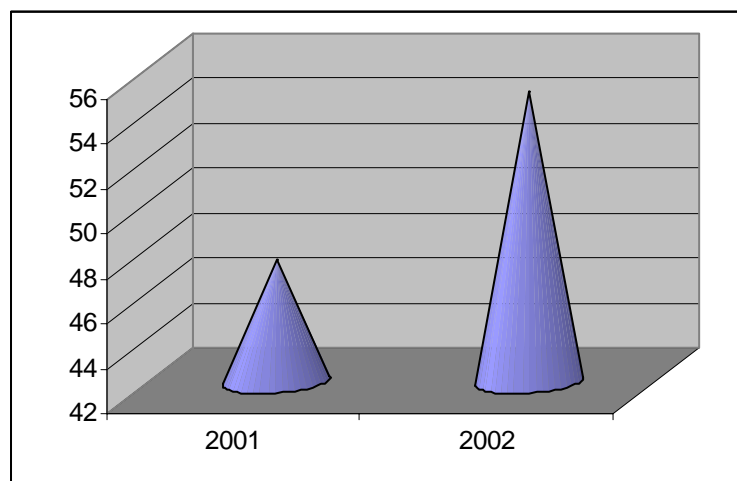
(SDD. Billions)

Years	2001			2002			
Items	Estimated	Actual	% of Total	Estimated	% of Total	Actual	% of Total
1-Agriculture	19.9	11.5	24.3	23.9	24.5	11.4	20.7
2- Energy & Mining	14.5	10.5	22.2	17.5	18.0	19.3	35.2
3-Water	3.7	1.5	3.2	4.1	4.2	1.0	1.8
4-Transport & Communi- action	11.9	4.0	8.4	13.3	13.8	3.8	6.9
5- Social Development	11.6	7.3	15.4	19.6	20.1	1.4	2.5
6- Industry	11.5	9.8	20.7	10.6	10.9	14.1	25.8
7- Peace & Resettlement Program	0.8	2.2	4.6	7.5	7.7	3.6	6.6
8- Development Reserve	7.0	0.6	1.2	0.8	0.8	0.3	0.5
Total	80.9	47.4	100.0	97.3	100.0	54.9	100.0
Sources of the Deficit Financing							
Local Sources	61.0	42.0	88.6	74.4	76.4	45.5	84.6
Foreign Sources	19.9	5.4	11.4	23.0	23.6	8.3	15.4

Source: Ministry of Finance and National Economy.

Actual expenditure on development increased from SD 47.4 billion in 2001 to SD 54.9 billion in 2002, an equivalent of 56.4% of the estimated amount of SD 97.3 billion. Expenditure on energy and mining was 35.2% of the total, followed by 25.7% spent on industry, 20.7% on agriculture, and 18.4% on public and social services, education and health. It is worth mentioning that development expenditure deficit was financed from local sources by SD 45.5 billion and from external sources by SD 8.3 billion.

Fig (3-7)
Actual Development Expenditure
(SDD Billions)



Bank of Sudan lending to the Government: -

Article (57-1-A) of the Bank of Sudan Act, (amended June 1993) stipulates that Bank of Sudan may offer a loan to the government not exceeding 25% of the total estimation of the public revenues of the year in question, provided that the loan is repaid within a period not exceeding the first six months of the next fiscal year.

Net total financing granted to the government dropped from SD 137 billion in 2001 to SD 114.9 billion in 2002. This drop is attributed to the high level of government deposits at the Central Bank that rose from SD 9.6 billion in 2001 to SD 27.3 billion in 2002 an increase of 183.7%, in addition to a decrease in GMCs balances from SD 21.2 billion to SD 3.9 billion, a decrease of 81.6%. Meanwhile, government temporary financing rose from SD 18 billion in 2001 to SD 30.9 billion in 2002, an increase of 71.7%.

Foreign Exchange Budget: -

Table (7-6) shows foreign exchange budget for 2002 compared to that of 2001.

Table (7-6)
Foreign Exchange Budget

(US\$ million)

Years	2001			2002		
Items	Estimated	Actual)	% Of Estimate s	Estimated	Actual	% Of Estimates
Exports	1693.3	1698.7	100.3	1556.0	1949.1	125.3
Invisible Receipts	754.3	827.3	109.7	1025.5	1181.5	124.9
Drawings of Loans	79.0	20.1	25.4	604.0	44.0	7.4
Short-term Capital Movements	26.0	6.2	23.4	65.0	8.5	12.3
Direct Investment	217.0	574.0	264.5	645.0	683.4	105.9
a) Total Receipts	<u>2769.6</u>	<u>3126.3</u>	<u>112.9</u>	<u>3895.5</u>	<u>3866.2</u>	<u>99.2</u>
Imports	1352.0	1585.5	117.3	1484.0	2446.4	164.9
Invisible payments	1264.8	1585.2	125.3	1455.0	1906.1	131.0
Loans Repayment	138.0	116.2	84.2	178.0	87.8	
b) Total Payments	<u>2754.8</u>	<u>3286.9</u>	<u>119.3</u>	<u>3117.0</u>	<u>4440.3</u>	<u>49.3</u>
Foreign Exchange Budget Deficit (a-b)	14.8	-160.6		778.5	-574.1	142.4

Source: Estimates: Ministry of Finance

Actual Performance: Bank of Sudan.

Foreign exchange receipts during 2002 rose from US\$ 3126.3 billion in 2001 to US\$ 3866.3 billion in 2002, an increase of 23.7%, while total payments rose from US\$ 3286.9 billion to US\$ 4440.3 billion, an increase of 35.1%. This led to a rise in deficit from US\$ 160.6 billion in 2001 to US\$ 574.1 billion in 2002. All receipts and payments items rose above those of the previous year. However, the significant rise in the imports items, which is equivalent to 45.3%, had greater impact on payments, which consequently led to a deficit in the foreign exchange budget.

CHAPTER EIGHT

FOREIGN TRADE

INTRODUCTION:

Government foreign trade policy continued to strive to increase and to strengthen exports competitive capacity in the international markets. As a result exports duties were removed, and persistent efforts exerted to develop the traditional markets, open of new ones, and there was more concern on exports quality and specifications.

Moreover, general regulations governing all aspects of import, and allocations for financing imports in foreign currency, have been provided.

Sudan began to apply actual zero-tariff on trade with the Common Market for Eastern and South African Countries (COMESA), an area of eight countries, with the aim to encourage exports to them. Moreover, Sudan completed arrangements to join the Arab Free Trade Zone to enhance its exports competitiveness, and worked to remove all non-custom duty restrictions.

BALANCE of TRADE:

Deficit in the balance of trade decreased from US\$ 602.2 million in 2001 to US\$ 497.3 million in 2002 by 17.4%. This improvement was due to increase in the volume of exports which rose from US\$ 1,698.7 million to US\$ 1,949.1 million by 14.7%, while imports slightly increased from US\$ 2,300.9 million to US\$ 2,446.4 million by 6.3%.

Table (8-1) and Figure (8-1) shows total exports and imports, the Balance of Trade, and the percentage changes during the year 2002 compared to those of the year 2001.

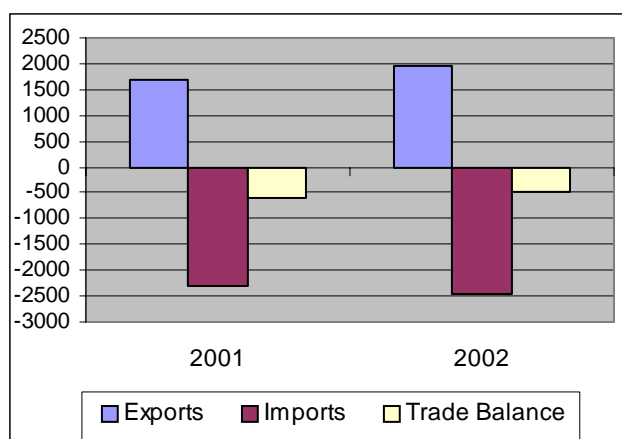
Table (8-1)
Trade Balance

(US\$ Millions)

Item	2001 “Adjusted”	2002
<u>Exports:</u>	<u>1,698.7</u>	<u>1,949.1</u>
Oil Exports	1,376.6	1,510.9
Non-Oil Exports	322.1	438.2
% Change of Exports	-6.0%	14.7%
<u>Imports (CIF)</u>	<u>*-2,300.9</u>	<u>-2,446.4</u>
% Change of Imports	48.2%	6.3%
Trade Balance	-602.2	-497.3

Source : Sudan Customs Authority

Figure (8-1)
Trade Balance For the year 2001 and 2002
(US\$ Millions)



Structure of Foreign Trade:

First : Exports :

The major exports of Sudan include petroleum and its byproducts, agricultural and animal products, manufactured goods such as sugar, and metals like gold.

Table (8-2) and Figure (8-2) below shows oil and non-oil exports proceeds during the years 2001-2002.

Table (8-2)
Commodity Exports for the Years 2001 and 2002.

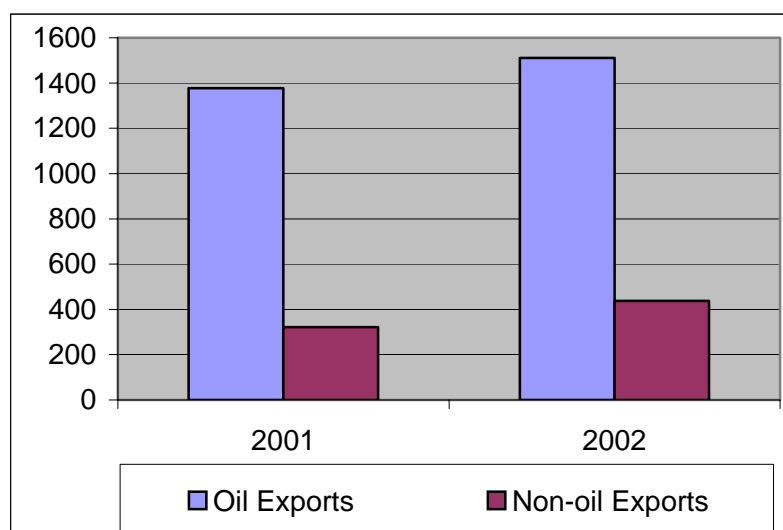
(US Millions)

Commodity	Unit	2001		2002	
		Quantity	Value	Quantity	Value
Crude Petroleum	Barrel	56,162,168	1,269.20	62,198,718	1,396.50
Benzene	M.T.	483,668	88.40	450,758	93.10
Kerosene	M.T.	2047	0.40	0	0
Light Petroleum Gas	M.T.	100,187	18.60	92,586	17.40
Naphata	M.T.	0	0	32,170	2.80
Oil Fuel	M.T.	0	0	8,031	1.10
Mixed gas	M.T.	0	0	95	0.01
Livestock	Head	28,303	1.70	1,475,220	117.20
Sesame	M.T.	183,084	104.50	155,393	74.60
Cotton	Bales	233,924	44.40	397,349	62.20
Gold	K.G.	6,833	43.70	8,660	52.50
Gum Arabic	M.T.	22,986	24.30	36,193	3190
Meat	M.T.	5,385	13.70	7,478	17.30
Sugar	M.T.	38,087	12.10	22,934	10.50
Molasses	M.T.	96,614	7.90	154,600	7.90
Groundnuts	M.T.	17,250	8.80	13,158	5.70
Dura	M.T.	2,151	0.40	36,109	4.80
Hides & Skins	Value	0	4.20	0	3.00
Cake & Meal	M.T.	19,737	2.70	19,772	2.00
Others	Value	0	53.70	0	48.60
Total			1698.70		1949.11

Source: Sudan Customs Authority.

Figure (8-2)
Commodity Exports
for the Years 2001 and 2002.

(US\$ Millions)



1- Oil Exports:

The year 2002, the fourth year of oil export, witnessed the export of naphtha and firnes in 2002. Crude oil exports proceeds increased from US\$ 1,269.2 million in 2001 to US\$ 1,396.5 million in 2002 due to increased amounts of crude oil exported from 56,162 thousand barrels in 2001 to 62,198 thousand barrels in 2002, in addition to a 33.3% increase in the price of exports due to the decrease in the international oil production.

For the same reason, proceeds from benzene exports increased from US\$ 88.4 million in 2001 to US\$ 93.1 million in 2002 due to an increase in the average price of ton of the crude oil internationally by 68%. That was at the time when total exports fell from 487.7 thousand metric tons in 2001 to 450.7 thousand metric tons in 2002, by 6.7%. Proceeds from light petroleum gas, naphtha, and oil fuel exports amounted to US\$ 21.3 million in 2002.

2- Non-Oil Exports:

Exports proceeds from non-oil exports, (agricultural, livestock, manufactured goods and others) increased from US\$ 322.1 million in 2001 to US\$ 438.2 million in 2002, by 36%. The following are details of the major exports:

A) *Livestock and Meats:*

Earnings from livestock exports were leading among the non-oil exports increasing from US\$ 1.7 million in 2001 to US\$ 117.2 million in 2002 due to a resumption of export flow into Saudi Arabia. For the same reason, earnings from meat exports increased from US\$ 13.7 million in 2001 to US\$ 17.3 million in 2002.

B) *Sesame :*

Sesame exports earnings decreased from US\$ 104.5 million in 2001 to US\$ 74.6 million in 2002 by 28.6% due to a fall in exports from 183.1 thousand metric tons to 155.4 thousand metric tons, as well as a drop in its international price.

C) *Cotton :*

Cotton exports earnings increased from US\$ 44.4 million in 2001 to US\$ 62.2 million in 2002 by 40.1% due to an increase in exports by 69.9%, as well as an increase in its international price.

D) *Gum Arabic:*

Gum Arabic exports earnings increased from US\$ 24.3 million in 2001 to US\$ 31.9 million in 2002 by 31%, due to an increase in exports by 57.5% inspite of the drop in its international prices by 18.2%.

E- *Sugar:*

Sugar exports earnings dropped from US\$ 12.1 million in 2001 to US\$ 10.5 million in 2002 by 13.2% due to a fall in exports on the one hand, and a drop in its international prices on the other.

F) *Molasses :*

Molasses exports proceeds remained stable during 2001 and 2002 amounting to US\$ 7.9 million in spite of the increase in the amount exported of 96,641 thousand metric tons in 2001 to 154,600 thousand metric tons in 2002 by 60%. This condition was due to an increase in the volume of supply in the international markets especially from India and Pakistan.

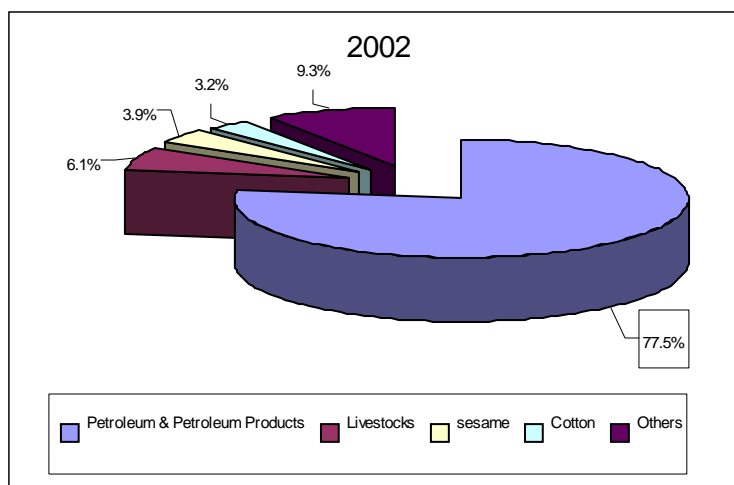
G) Dura “Sorghum”:

Sorghum “dura” exports proceeds increased from US\$ 0.4 million in 2001 to US\$ 4.8 million in 2002 due to an increase in exported quantities inspite of the decline in the price of exports per metric ton from US\$ 186 to US\$ 132.9 by 28.5%.

H) Gold:

Gold exports proceeds increased from US\$ 43.7 million in 2001 to US\$ 52.5 million in 2002 by 20%, due to an increase in the exported amount by 26.7%.

Figure (8-3)
Commodity Exports Classification.
(Relative Importance)
for the year 2002.



Second: Imports: -

Major imports include machineries and capital equipments, foodstuffs, manufactured goods, means of transports, pharmaceuticals, textiles, and other materials.

Table (8-3) shows that imports total value increased from US\$ 2,300.9 million in 2001 to US\$ 2,446.4 million in 2002 by 6.3%. Almost all imports items showed increases in various degrees however, the machineries and equipments, manufactured goods and means of transports and capital equipments, recorded higher import values due to investments related to oil explorations, petroleum byproducts and other investments.

Investment goods imports (through concessions) increased significantly most of which was capital goods, primary and intermediary raw materials from US\$ 531.2 million in 2001 to US\$ 616.1 million in 2002 by 16%.

Table (8-3)
Imports by Commodity for the year 2001 & 2002
(US\$ Million)

Commodity	2001		2002	
	Value	%	Value	%
Machinery & Equipments	550.5	23.9	620.8	25.4
Manufactured Goods	407.9	17.7	555.0	22.7
Transport Equipments	220.5	9.6	255.8	10.5
Wheat and Wheat Flour	138.1	6.0	221.3	9.0
Chemicals	159.9	6.9	206.5	8.4
Other foodstuffs	235.6	10.2	172.5	7.0
Petroleum & Petroleum Products	130.2	5.7	132.3	5.4
Raw Materials	60.9	2.7	68.7	2.8
Tea	31.1	1.4	30.7	1.3
Beverages and Tobacco	13.8	0.6	26.5	1.1
Coffee	11.5	0.5	16.0	0.7
Textiles	138.7	6.0	140.3	5.7
Others	202.2	8.8	-	-
Total	2,300.9	100	2,446.4	100

Source: Sudan Customs Authority.

Figure (8-4)
Percentage of Imports by Commodity
During 2002

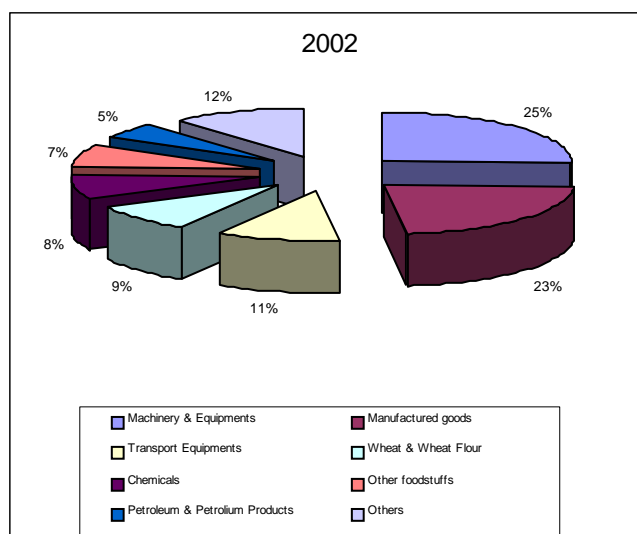
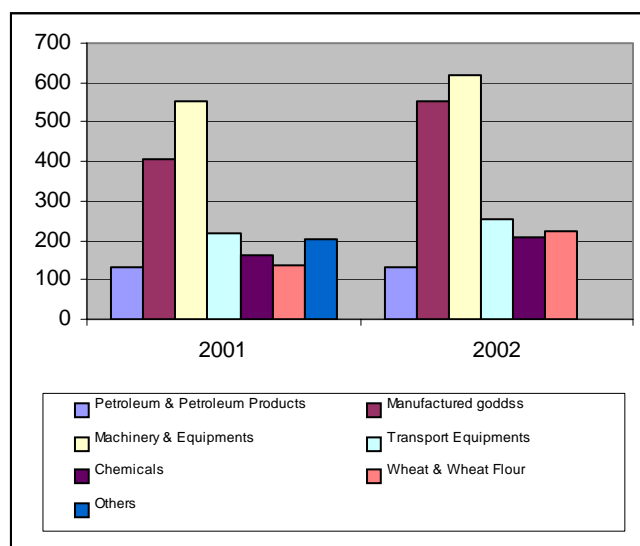


Figure (8-5)
Imports Structure
(2001-2002)



Sudan Foreign Trade Trend:

The trend of the Sudanese major exports during the last four years changed from the European to the Asian countries. However, Arab countries represented the major source of the Sudanese imports during the year 2002.

1- Exports:

Table (8-4) shows the Sudanese exports trend in percentages during the year 2002 compared to the year 2001.

Table No. (8-4)

Exports Trend

Percentage from Total

Customer	2001	2002
<u>Asian Countries</u>	<u>78.2</u>	<u>73.7</u>
China	58.9	65.7
Japan	4.9	3.3
Singapore	8.1	3.2
India	0.5	0.3
South Korea	3.9	0.2
Other Asian Countries	1.9	1.0
<u>Arab Countries:</u>	<u>11.5</u>	<u>15.9</u>
Saudi Arabia	1.4	6.1
United Arab Emirates	1.9	3.2
Egypt	2.0	3.0
Lebanon	1.5	1.2
Syria	1.3	1.0
Yemen	2.0	0.8
Other Arab Countries	1.4	0.6
<u>European Countries:</u>	<u>8.9</u>	<u>7.8</u>
European Union Countries	5.0	3.8
United Kingdom	3.3	3.1
Other European Countries	0.6	0.9
<u>The United States of America</u>	<u>0.1</u>	<u>0.1</u>
<u>Other Countries</u>	<u>1.3</u>	<u>2.5</u>
Total	100	100

Source: Sudan Customs Authority.

The Asian group of countries constituted the major market for Sudan exports in 2002. Their market share amounted to 73.7% of the total Sudanese exports. The People's Republic of China was the major single importer with 65.7%, followed by Japan with 3.3% and Singapore with 3.2%.

The percentage of the Sudanese exports to the Arab countries increased from 11.5% in 2001 to 15.9% in 2002, Saudi Arabia constituted the major share with 6.1%, followed by the United Arab Emirates with 3.2%, and Egypt with 3%. Meanwhile, percentage exports to the European countries decreased from 8.9% in 2001 to 7.8% in 2002. The European Union countries constituted the major share with 3.8% followed by the United Kingdom with 3.1%, and the other European countries with 0.9%.

2- Imports:

Table (8-5) shows sources of Sudanese imports as a percentage during the year 2002 compared to the year 2001.

Table No. (8-5)
Sources of Imports.

Percentage from Total.		
Exporters	2001	2002
<u>Arab Countries:</u>	<u>26.5</u>	<u>36.8</u>
Saudi Arabia	12.5	23.8
United Arab Emirates	7.7	7.1
Egypt	3.0	2.2
Other Arab Countries	3.3	3.7
<u>Asian Countries :</u>	<u>28.2</u>	<u>23.0</u>
China	10.6	8.0
India	5.5	4.3
Japan	3.4	3.2
South Korea	2.1	1.8
Indonesia	1.3	1.6
Other Asian Countries	5.3	4.1
<u>European Countries:</u>	<u>31.5</u>	<u>22.9</u>
European Union Countries	17.3	13.3
United Kingdom	8.7	4.6
Other West European Countries	5.5	5.0
<u>Australia</u>	<u>3.3</u>	<u>2.8</u>
<u>United States of America</u>	<u>1.0</u>	<u>0.6</u>
<u>Other Countries</u>	<u>9.5</u>	<u>13.9</u>
Total	100	100

Source: Sudan Customs Authority.

The group of Arab countries constituted a major source of imports to Sudan in 2002, as their share amounted to 36% of the total imports, Saudi Arabia accounted for 23.8%, followed by the United Arab Emirates 7.1%, and Egypt 2.2%. On the other hand the Sudanese imports from Asian countries decreased from 28.2% in 2001 to 23% in 2002. China constituted the major share with 8%, followed by India with 4.3% and Japan with 3.2%.

The contribution of the European countries in the total imports is approximately equal to that of the Asian countries. Total imports from Europe dropped from 31.5% in 2001 to 23% in 2002. However, the European Union countries constituted the major share with 13.3%, followed by the other European countries by 5%, the United Kingdom by 4.6%. Imports from Australia and the United States dropped from 3.3% and 1% in 2001 to 2.8% and 0.6% in 2002 respectively.

Chapter (9)

Balance of Payments

The International transactions revealed a remarkable change in the balance of payments position, from a deficit amounted to US\$ 70.26 million in 2001 compared to a surplus of US\$ 401.1 million in 2002 “included unclassified receipts of US\$ 457.41 million”. This was mainly due to a remarkable increase in the net capital inflow by about 69% i.e increase from US\$ 514.4 million in 2001 to US\$ 869.49 million in 2002 and a decrease in both trade balance deficit by about 37.6%, the services, income and Transfers account by about 18.9%. As a result of all these developments, the Foreign exchange reserve was increased by US\$ 300 million in 2002 compared to a decrease of US\$ 127.6 million in 2001.

Table (9-1) below shows a summary of the balance of payments for 2001 and 2002, while figure (9-1) is a graphical demonstration. Where as table (9-2) shows a details and appendix (17) shows the balance of payment during the last five years (1998-2002).

Table (9-1)
Balance of Payments
2001-2002

(US\$ Million)

	2001 adjusted	2002
<u>A- Current Account (1+2)</u>	<u>-1216.79</u>	<u>-925.80</u>
1- Trade Balance	-326.14	-203.69
2- Services, Income and transfers	-890.65	-722.11
<u>B- Capital Account</u>	<u>514.43</u>	<u>869.49</u>
<u>C- Errors and Omissions*</u>	<u>632.10</u>	<u>457.41</u>
<u>D- Monetary Movements</u>	<u>70.26</u>	<u>-401.10</u>

Source: Bank of Sudan

* Including Direct Investments

Figure (9-1)
Balance of Payments
2001-2002

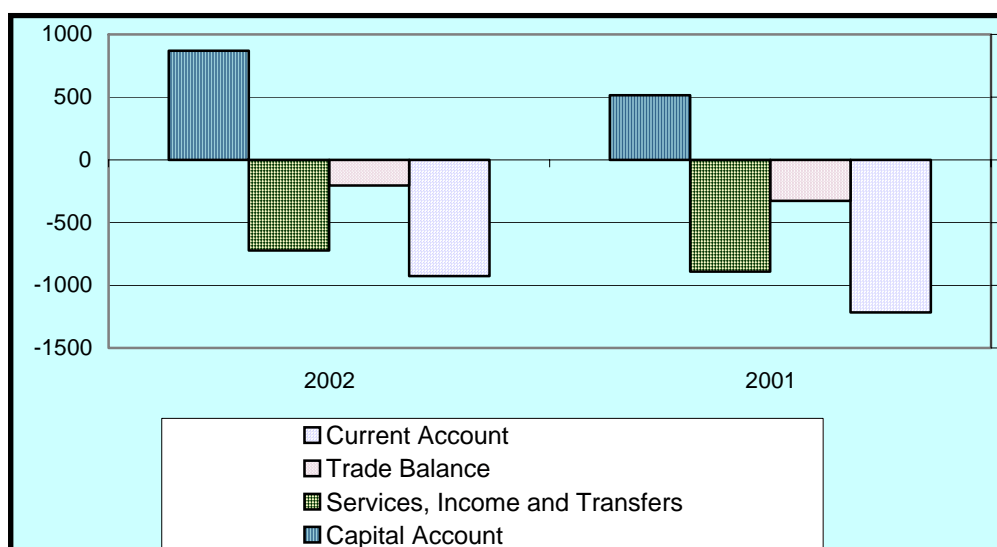


Table (9-2)
Balance of Payments
2001-2002

(Millions US\$)

	2001	2002
A/ Current Account		
Exports (FOB)	1698.70	1949.11
Petroleum	1376.66	1510.83
Cotton	44.40	62.14
Others	277.64	376.14
Imports (FOB)	-2024.84	-2152.80
Government Purchases	-118.79	-170.56
Private Sector Purchases	-1906.05	-1982.24
Trade Balance	-326.14	-203.69
Services, Income and Transfer Account	-890.65	-722.11
Receipts	859.25	1186.89
Payments	-1749.90	-1909.00
Current Account Deficit (-) or Surplus	-1216.79	-925.80
B/ Capital Account	514.43	869.49
(1) Official Loans	-83.34	-43.02
Drawings	21.84	44.75
Repayments	-105.18	-87.77
(2) Short-term Capital Movement (Net)	21.10	222.40
(3) Direct Investment (Net)	574.00	683.35
(4) Portfolio Investment (Net)	0.72	9.19
(5) Other Investments (Net)	1.95	-2.43
(6) Current and Capital Account Deficit or Surplus	-702.36	-56.31
C- Errors and Omissions*	-632.10	457.41
D- Monetary Movement	70.26	-401.10

Source: Bank of Sudan

* Includes Direct Investments

Balance of Payments Components

First:- Current Account: -

The Current Account consists of all Foreign trade transactions (visible and invisible), it registered a considerable decline in deficit from US\$ 1216.79 million in 2001 to 925.8 million in 2002. here below is a details regarding the current account components.

A) Visible Transactions: -

The deficit in trade account decreased from US\$ 326.14 million in 2001 to US\$ 203.7 million in 2002, this was attributed to a noted increase in export from US\$ 1698.70 million in 2001 to US\$ 1949.1 million during 2002 i.e 14.7%, while import registered an increase from US\$ 2024.84 million in 2001, to US\$ 2152.8 million in 2002, resulted from the increase in government import from US\$ 118.8 million in 2001 to US\$ 170.6 million in 2002 "including commodity grants that increased from US\$ 5.9 million to US\$ 32.0 million". Also the private sector import increased form US\$ 1906.05 million to US\$ 1982.2 million

Table (9-3) shows details of quarterly visible transactions during the year 2002 compared to 2001.

Table (9-3)
Visible Transactions
2001-2002

(US\$ million)

Item	Total of the year 2001	First Quarter 2002	Second Quarter 2002	Third Quarter 2002	Fourth Quarter 2002	Total of the year 2002
Exports *	<u>1698.70</u>	<u>438.86</u>	<u>519.51</u>	<u>492.07</u>	<u>494.67</u>	<u>1949.11</u>
Petroleum	1376.66	297.18	411.47	392.42	409.76	1510.83
Cotton	44.40	15.57	12.97	18.10	15.50	62.14
Others	277.64	126.11	95.07	85.55	69.41	376.14
Imports *	<u>-2024.84</u>	<u>-399.19</u>	<u>-505.18</u>	<u>-618.14</u>	<u>-630.29</u>	<u>-2152.80</u>
Government Imports	-118.79	-33.36	-30.58	-59.84	-46.78	-170.56
In Convertible Currencies	-112.91	-27.53	-24.90	-46.79	-39.30	-138.52
Others	-5.88	-5.83	-5.68	-13.05	-7.48	-32.04
Private Sector Imports	-1906.05	-365.83	-474.60	-558.30	-583.51	-1982.24
Deficit (-) or surplus in the visible trade	<u>-326.14</u>	<u>39.67</u>	<u>14.33</u>	<u>-122.07</u>	<u>-135.62</u>	<u>-203.69</u>

Source: Bank of Sudan

* FOB.

B) Invisible Transactions:

The net Services, Income, and Transfers account showed remarkable decrease in deficit, i.e by 18.9% Table No (4-9) it amounted to 890.65 million in 2001 compared to a deficit of US\$ 722.11 million in 2002. This is mainly attributed to the increase in invisible receipts from US\$ 859.25 million, to US\$ 1186.89 million in 2001 and 2002 respectively. While invisible payment registered a slight increase from US\$ 1749.90 million, in 2001 to US\$ 1909 million in 2002 i.e by 9.1% .

The increase in invisible receipts was attributed mainly to a noticeable increase in current transfers from US\$ 826.8 in 2001 to US\$ 1120.4 in 2002, resulting from an increase in both government grants and private transfers. Within the services account both travel and transportation receipts increased from US\$ 3.1 million in 2001 to US\$ 23.1 million in 2002 and from US\$ 6.1 million in 2001 to US\$ 16.7 million in 2002 respectively.

The slight increase in invisible payments was due to increase in both transportation payments from US\$ 626.09 million to US\$ 686.1 million, and in investment Income from US\$ 568.2 million to US\$ 632.8 million. Table No (4-9).

Table (9-4) shows the breakdown of invisible transaction During the year 2002 compared to 2001.

Table (9-4)
Invisible Transaction
2001-2002

(US\$ Million)

Items	2001	2002	Items	2001	2002
Invisible Receipts	<u>859.25</u>	<u>1186.89</u>	Invisible Payments	<u>1749.90</u>	<u>1909.00</u>
Services	<u>14.67</u>	<u>47.22</u>	Services	<u>727.42</u>	<u>818.18</u>
Travel	3.12	23.15	Travel	74.28	91.43
Transportation	6.12	16.67	Transportation	626.09	686.14
Communication Services	3.12	4.09	Communication Services	4.31	5.15
Construction Services	0.00	0.04	Construction Services	0.01	0.00
Insurance Service	1.13	0.01	Insurance Service	0.00	0.14
Financial Services	0.00	0.42	Financial Services	0.00	0.50
Computer & Info. Services	0.00	0.46	Computer Services	0.64	0.76
Royalties and License Fees	0.00	0.00	Royalties and License Fees	0.00	0.00
Other Business Services	0.08	0.64	Other Business Services	0.00	0.18
Personal, Cultural, Recrea- tional Services	0.00	0.00	Personal, Cultural, Recrea- tional Services	0.00	0.00
Other Government Services	1.10	1.74	Other Government Services.	22.09	33.88
Income	<u>17.77</u>	<u>19.27</u>	Income	<u>569.97</u>	<u>636.37</u>
Compensation of Employees	9.22	7.50	Compensation of Employees	1.82	3.59
Investment Returns	8.55	11.77	Investment Returns	568.15	632.78
Government	0.00	0.00	Government	0.00	1.61
Others	8.55	11.77	Others	568.15	631.17
Current Transfers	<u>826.81</u>	<u>1120.40</u>	Current Transfers	<u>452.51</u>	<u>454.45</u>
Government	<u>96.33</u>	<u>150.20</u>	Government	<u>0.00</u>	<u>2.24</u>
Grants	8.10	34.52	Grants	0.00	0.00
Others	88.23	115.68	Others	0.00	2.24
Private Sector	<u>730.48</u>	<u>970.20</u>	Private Sector	<u>452.51</u>	<u>452.21</u>
Deficit (-) or Surplus (+)				<u>-890.65</u>	<u>-722.11</u>

Source: Bank of Sudan

Second: Capital Account: -

The net capital inflows showed a considerable increase from US\$ 514.4 million in 2001, to US\$ 869.5 million in 2002 i.e by 69% as shown in table (9-5). This resulted from abundant increase in both disbursement of official loans and short term capital movements from US\$ 21.8 million to US\$ 44.8 million and from US\$ 21.1 million to US\$ 222 million respectively. On the other hand the loans repayments showed a slight increase from US\$ 146.8 million to US\$ 177.6 million (more details in chapter 10).

The foreign direct investment registered an increase in net inflow from US\$ 574 million in 2001 to US\$ 683.35 million in 2002 i.e. by 19%. Other investment showed a net out flow of about US\$ 2.43 million compared to net inflow of US\$ 1.95 million.

Table (9-5)
Capital Account
2001-2002

(US\$ million)

Item	2001	2002
Net Capital Outflows(+) or Inflows (-)	<u>514.43</u>	<u>869.49</u>
Total Flows	<u>661.27</u>	<u>1047.08</u>
A) Government Loans	<u>21.84</u>	<u>44.75</u>
World Bank and I.D.A	0.00	0.00
African Development Bank and African Development Fund	0.00	0.00
O.P.E.C Fund	2.61	0.00
European Economic Community	0.00	0.00
IFAD	2.98	4.09
Islamic Development Bank	16.13	12.47
Saudi Fund	0.00	0.00
Arab Fund for Economic and Social Development	0.00	0.73
China	0.00	1.80
Abu Dhabi Fund	0.12	8.87
Kuwait Fund	0.00	1.79
Others	0.00	15.00
B) Short-term capital Movement	<u>62.76</u>	<u>301.26</u>
C) Direct Investment	<u>574.00</u>	<u>683.35</u>
D) Portfolio Investment	<u>0.72</u>	<u>16.82</u>
E) Other Investment	<u>1.95</u>	<u>0.90</u>
Total Payments	<u>-146.84</u>	<u>-177.59</u>
A) Official Loans	<u>-105.18</u>	<u>-87.77</u>
IMF	-49.50	-24.00
World Bank	-1.00	-0.50
International Development Agency	0.00	0.00
African Development Bank and African Development Fund	0.00	0.00
O.P.E.C Fund	-9.00	-4.00
IFAD	-1.57	-2.90
Islamic Development Fund	-12.55	-4.10
Arab Fund for Economic and Social Development	-12.00	-15.00
Arab Monetary Fund	-3.00	0.00
Abu Dhabi Fund	0.00	-1.04
Egypt	0.00	-0.5
Saudi Fund	-5.33	-7.15
Kuwait Fund	-4.71	-2.39
Turkey	-2.84	-2.84
China	0.00	-6.00
Malaysia	-3.68	-17.35
b) Short-term Capital Movement	<u>-41.66</u>	<u>-78.86</u>
c) Direct Investment	<u>0.00</u>	<u>0.00</u>
d) Portfolio Investment	<u>0.00</u>	<u>-7.63</u>
e) Other Investment	<u>0.00</u>	<u>-3.33</u>

Source: Bank of Sudan

Foreign Exchange Reserve:-

Table (9-6) shows the factors, affecting foreign exchange reserves during 2002 compared to 2001.

Table (9-6)
Factor Affecting Foreign Exchange Reserves
2001-2002

	(US\$ million)	
	2001 adjusted	2002
A- Current and Capital Account	-70.26	401.10
B- Commercial Banks Net Foreign Liabilities	-77.04	-163.20
C Bank of Sudan Short-term Liabilities	40.54	64.18
D. Bilateral Payments Agreements (net)	-20.84	-2.05
E. Net Change of Foreign Reserves of Convertible Currencies (a + b + c + d)*	127.60	-300.03

Source: Bank of Sudan

* (-) Indicates increase in Foreign reserve.

The current and capital account showed a remarkable improvement in 2002 from a deficit of US\$ 70.26 million in 2001 to a surplus of US\$ 401.1 million in 2002, in addition to an increase of US\$ 64.18 million in the Bank of Sudan Foreign liabilities. Part of it used to finance both the commercial banks net foreign liabilities and the bilateral payments agreements by US\$ 163.2 million and US\$ 2.05 million respectively, as a result of all these movements the official foreign exchange reserves increased by US\$ 300.0 million.

CHAPTER (10)

Foreign Loans and Grants

The last few years were characterized by persistently low inflows of foreign loans and grants. But as the result of government efforts to improve the relations with the Arab countries and the international organizations the total inflows increased from US\$ 29.94 million in 2001 to US\$ 79.27 million in 2002, i.e about 164.8%.

Total drawings of loans increased from US\$ 21.84 million in 2001 to US\$ 44.75 million in 2002, it consisted of US\$ 15 million from Gatar (Merowi Dam) US\$ 12.47 million from the Islamic development bank (Elroseries Elec. Station rehabilitation and others schemes), US\$ 8.87 million from Abu Dhabi fund (Elgaili Electricity Station) US\$ 4.09 million from IFAD (Rural development in Kordofan) US\$ 1.8 million from China (Khartoum State electricity), US\$ 1.79 million from Kuwait Fund (Merowi Dam) and 0.73 from the Arab fund for economic and social development (Atbra - Hya – Port Sudan Road).

Table (10 - 1)
Drawing of Loans & Grants For 2001 - 2002
(US\$ Millions)

	2001	2002
<u>Loans</u>	<u>21.84</u>	<u>44.75</u>
Qatar	-	15.00
Islamic Development Bank	16.13	12.47
Abu Dhabi Fund	0.12	8.87
IFAD	2.98	4.09
China	-	1.80
Kuwait Fund	-	1.79
Arab Fund for Social & Economic Development.	-	0.73
OPEC Fund	2.61	-
<u>Grants</u>	<u>8.10</u>	<u>34.52</u>
Commodity Aid (W.F.P)*	5.88	32.04
Islamic Development Bank	0.30	1.26
Saudi Fund	1.92	0.80
Arab Fund for Social & Economic Development	-	0.42
Total	<u>29.94</u>	<u>79.27</u>

Source: Ministry of Finance

* Custom General Administration

Table (10-1) shows the drawing of loans and grants during 2001 - 2002.

The drawings of commodity Grants showed a remarkable increase from US\$ 5.88 million in 2001 to US\$ 32.04 million in 2002, Meanwhile the development Grants comprised US\$ 1.26 million from the Islamic development bank (health, education and other services) US\$ 0.8 million and US\$ 0.42 million from the Saudi Fund (Health) and the Arab Fund for economic and social Development (electricity) respectively.

The repayments of loans decreased from US\$ 105.18 million in 2001 to 87.77 million in 2002 i.e about 17.0% and that was due to a decrease in the repayments to the IMF from US\$ 49.5 million in 2001 to US\$ 24 million in 2002.

The repayments during 2002 consisted of US\$ 17.35 million to Malaysia, US\$ 15 million to the Arab Fund for Social and economic Development, US\$ 7.15 million to Saudi Fund, US\$ 6.0 million to China and about US\$ 4.1 million and US\$ 4.0 million to Islamic Development Fund and OPEC Fund respectively, US\$ 2.9 million and US\$ 2.84 million to (IFAD) and Turkey respectively, US\$ 2.39 million to Kuwaiti fund and about US\$ 2.1 million to other creditors (Table No. 10-2). Therefore the ratio of total foreign debt to exports reached to 1,211.2 during 2002 .

Table No. (10-2) is showing the position of the public sector loans as at 31/12/2002 the total outstanding loans - excluding the rescheduled loans and interest - amounted to US\$ 7.00 million and the undisturbed balance amounted to US\$ 788.7 million.

Table (10-2)
The Position of Public Sector Loans as 31.12.2002

(US\$ 000's)

	Principal Amount	Drawings During 2002	Repay- ments in 2002	Total Repayment s	Outstanding Debts 31.12.2002	Undisguised Balance 31.12.2002
International Organizations:-	1,294,890.0	-	500.00	59,222.00	1,235,668.00	-
World Bank & IDA	0	4,090.00	2,900.00	23,869.00	92,,838.00	19,643.00
Loans	130,934.00	-	24,000.0	484,919.00	598,560.00	-
IFAD	1,083,479.0	12,470.00	0	29,457.00	58,625.73	35,052.30
IMF	0	-	4,100.00	89,510.00	25,384.00	7,812.00
Islamic Development Bank	168,000.00	-	4,000.00	3,000.00	131,444.00	11,537.00
OPEC Fund	138,383.00	730.00	-	98,209.00	195,268.00	238,807.00
Arab Monetary Fund	145,981.00	-	15,000.0	11,268.00	260,681.00	54,778.00
Arab Fund for Soc. & Eco. Dev.	517,306.00	-	0	34,479.00	74,834.00	13,868.00
African Develop. Fund	326,727.00	-	-	7,870.00	58,029.00	976.00
African Develop. Bank	123,181.00	-	-	-	-	-
European Investment Bank	66,875.00	-	-	-	-	-
Total	3,995,756.0 0	17,290.00	50,500.0 0	841,803.00	2,731,331.73	382,473.30
Paris Club (non- rescheduled):-	32,417.00	-	-	-	32,417.00	-
Austria	3,057.00	-	-	-	3,057.00	-
Belgium	4,136.00	-	-	-	4,136.00	-
Canada	24,344/00	-	-	-	24,344/00	-
Denmark	123,429.00	-	-	-	123,429.00	-
France	11,025.00	-	-	-	11,025.00	-
Germany	81,613.00	-	-	-	81,613.00	-
Italy	104,320.00	-	-	-	104,320.00	-
Japan	23,085.00	-	-	-	23,085.00	-
Norway	14,983.00	-	-	-	14,983.00	-
Spain	16,103.00	-	-	-	16,103.00	-
Switzerland	1,698.00	-	-	-	1,698.00	-
United Kingdom	524,845.00	-	-	-	524,845.0	-
United State of America	-	-	-	-	-	-
Total	965,055.00	-	-	-	965,055.00	-
Arab Countries & Funds:-	364,900.00	8,870.00	1,040.00	20,388.00	143,049.00	201,463.00
Abu Dhabi Fund	1,041,501.0	1,790.00	2,390.00	85,095.00	754,054.00	102,352.00
Kuwaiti Fund	0	-	7,150.00	68,868.00	1,191,884.00	61,392.00
Saudi Development	1,322,144.0	-	500.00	500.00	72,950.00	-

Fund	0	-	-	13100	54.00	-
Egypt	73,450.00	-	-	27,854.00	77,053.00	-
Algeria	185.00	-	-	171,202.00	519,169.00	-
Iraq	104,907.00	15,000.00	-	-	39,000/00	-
Lybia	690,371.00					
Qatar	39,000.00					
Total	3,636,458.00	25,660.00	11,080.00	374,038.00	2,797,213.00	365,207.00
Other Countries:-						
Czechoslovakia	37,164.00	-	-	-	37,164.00	-
(Former)	10,000.00	-	-	-	9,928.00	72.00
Hungary	20,130.00	-	-	-	20,130.00	-
Poland	172,252.00	-	-	-	122,315.00	-
Romania	33,132.00	-	-	-	33,132.00	-
USSR(Rescheduled)	122,220.63	1,800.00	6,000.00	6,000.00	91,956.63	17,264.00
China	7,738.00	-	-	-	7,738.00	-
India	25,000.00	-	-	-	4,002.00	18,098.00
Indonesia	50,000.00	-	17,350.00	5,250.00	20,699.00	4,171.00
Malaysia	11,200.00	-	0	-	11,179.00	21.00
Pakistan	41,420.00	-	-	-	30,671.00	700.00
Turkey	75,318.00	-	2,840.00	-	58,691.00	-
Yugoslavia (Croatia)	44,465.00	-	-	-	27,940.00	-
Yugoslavia (Serbia)	60,670.00	-	-	-	60,670.00	-
Iran			-			
Total	710,709.63	1,800.00	26,190.00	11,250.00	536,215.63	40,326.00
Grand Total	9,307,978.63	44,050.00	87,770.00	1,227,091.00	7,029,815.36	788,706.26

Source: Bank of Sudan -Ministry of Finance.

Loans and Grants Contracted During 2002:

Total loans and grants (cash and commodity) contracted during 2002 amounted to US\$ 701.0 million, of which about US\$ 691.77 million were loans and US\$ 9.83 million were grants.

The Saudi Fund and the Arabs fund for social and economic development loans and grants contracted represent 21.7% of the total from each, US\$ 15.3% from Oman, Abu Dhabi and Kuwait funds 15.3% from each, China and the Islamic Development bank loans and grants represent 7.3% and 5.1% of the total loans and grants contracted respectively.

Table (10-3)
Loans and Grants Contracted During 2002

(US Millions)

Name of Project	Total Loans & Grants	Loan Fees	First Repayment Date	Repayment Period (Years)	Total Drawings
Loans:					
1. Islamic Development Bank					
- Developing Illiteracy Program.	0.56	75%	31/12/20/2002	30	-
- Developing Illiteracy Program, (Grant).	0.23	75%-	-	-	-
- Maarig education center	6.15	2.5%	2009-2012	25-36	-
- The Main Elec. Controlling Center	27.53	6%	2005	15	-
2. Saudi development Fund: (Merowi dam)	150.00	2%	31/10/2007	27	-
3. Abu Dhabi fund: (Merowi dam)	100.00	2%	31/10/2007	20	0.47
4. Kuwaiti Fund (Merowi dam)	100.00	3%	2009	28	1. 79
5. Arab Fund for Social and Economic Develop.	150.00	3%	2009	25	0.69
6. Oman (Merowi Dam)	106.00	3%	2007	15	-
7. China					
Khartoum state Elec.	12.1	3%	2007	15	1.8
- Equipments and spare part	38.6	5%	2004	4	-
Total	691.17				4.75
Grants :-					
8. World food program (W.F.P) (grants Commodity					
- Refugees project	4.98	-	-	-	1.25
- School feeding project	4.60	-	-	-	3.22
- Food against work project	.25	-	-	-	-
- Other Grants	NA	-	-	-	27.57
Total Loans & Grants	701.00	-	-	-	36.79

Source: Ministry of Finance-International Cooperation Directorate

Sudan External Obligations:

Total external debt position of the Sudan as at 31st December 2002 amounted to US\$ 23,605 millions compared with US\$ 20,798 million as at 31st December 2002 as depicted in the following table.

Table (10-4)
External Debt Position of the Sudan
as at Dec. 31st, 2001, 2002

(US\$ millions)							
Creditors	Total Obligations 31,Dec.2001	Amount Drawn Down & Outstanding 31,Dec.2002	Principal Overdue 31, Dec. 2002	Contractual Interest Overdue 31,Dec. 2002	Delay Interest 31,Dec. 2002	Total Overdue 31, Dec. 2002	Total Obligations 31, Dec. 2002
1) Multilateral Creditors	3,895	2,926	1,171	923	261	2,355	4,110
2) Paris Club Bilateral	6,137	2,344	1,965	1,414	5,306	6,688	655
3) Non-Paris Club Bilateral	7,488	4,222	2,681	1,52	3,278	7,111	7,066
4) Foreign Com. Bank	2,621	1,543	1,543	1,375	-	2,918	2,918
5) Foreign Suppliers	777	859	869	-	-	859	859
Total	20,793	11,894	8,220	4,894	6,847	19,931	23,605

Source: Bank of Sudan.

Multilateral Creditors obligations include obligations due to international financial institutions e.g. International Monetary Fund and World Bank, the regional organizations e.g. African Development Bank Group, Arab Funds e.g. Arab Monetary Fund for International Development and Saudi Fund for Development.. etc.

Paris Club Creditors include Countries members in European Union in addition to United States of America, Japan and, Canada.

Non-Paris Club Bilateral include Arab Countries, Countries in Economic Transition and Asian Countries e.g. India, Pakistan, China, Iran and Malaysia.

The International Commercial Banks Debt represented all facilities rendered to the government of Sudan and private sector with guarantee whereas foreign suppliers meant the external debt of Sudanese private sector (non-guaranteed by the government of Sudan) owed to foreign suppliers. Its local counterpart was officially deposited to the Bank of Sudan and not transferred to creditors at that time due to shortages in foreign currency.

Total external obligations towards Regional and Arabic financial institutions amounted to US\$ 4,110 million as at December 31st 2002. The settlement of these obligations requires Sudan to be involved in the Right Accumulation Program (RAP) to clear IMF arrears and, this step necessitates a strong support from Arab and European countries because

the IMF and some other Multilateral arrears are not subject to relief. The other regional and Arab Financial institutions require suitable rescheduling to enable Sudan to comply as well as allowing Sudan to gain more resources and additional inflows from these financial institutions.

Total external obligation of Paris Club creditors amounted to US\$ 7,066 million as at December 31st, 2002. Four rescheduling agreements were signed with these creditors which cover all accumulated amounts since 1984. But Sudan did not benefit from these rescheduling because they did not include any relief in principal or interest and Sudan was unable to pay and faced a penalty interest. Other obligations after that date were not subject to rescheduling and these obligations will be solved within the international debt relief initiatives namely, the Heavily Indebted Poor Countries “ HIPC” and Sudan has the right to benefit and fulfill all the requirements of the enhanced HIPC terms which gives relief up to 90% of the total net present value of the total external debt.

Total external obligations owed to Non-Paris Club Creditors amounted to US\$ 8,655 million as at December 31st 2002. These obligations will be settled by embarking on political move with creditors to gain relief on principal, or interest of both and reschedule the residual in periods that put into consideration the economic situation of Sudan. On the other hand, there are some international approaches to ensure swapping of the local counterparts of these debts in economic project.

Total external obligation owed to International Commercial Banks and Foreign Suppliers amounted to US\$ 2,918 and US\$ 859 million respectively. Which are subject to refinancing. Thus Sudan has signed two refinancing agreements with the International Commercial Bank but did not gain any relief on principal or interest accumulation. Buy back operations on Commercial Banks’ debt with a discount rate that exceeds 80% of the total debt will be the most suitable option for this debt whereas, foreign suppliers’ debt require finding a reconciling exchange rate to clear it.

The general strategy for settling Sudan’s external debt was issued by the Cabinet with the following guidelines:

1. Assurance of payment of Sudan’s external obligations.
2. Concentrate all efforts for settling Sudan external debt within the IMF’s framework.

3. Avoidance of any individual solution with countries and companies.
4. Continuing the solution with the international, regional and Arab Funds.
5. Restriction on involvement in any new obligations except on special cases and there should be adherence to payment according to amortization table.
6. Pushing informative publicity channels to improve the investments environment and exert efforts to attract new private domestic and foreign investment.
7. Pushing the political arm to realize peace treaty and get debt relief.

CHAPTER X1
THE ACCOUNTS OF THE BANK OF SUDAN
FOR THE YEAR ENDING 31, DECEMBER 2002

This chapter presents the balance sheet and the profit and loss account of the Bank of Sudan for the year ended 31 December 2002, approved by the Auditor General.

1- The Balance Sheet: -

Table (11-1) shows the balance sheet of the Bank of Sudan as at 31/12/2002, which has been analyzed and discussed in chapter six of this report.

Table N0. (11-1)
Bank of Sudan Balance sheet as at
31 December 2002

(SDD 000's)

Particulars	2001	2002	Particulars	2001	2002
Assets			Liabilities		
<u>Foreign Assets</u>			<u>Currency in Circulation</u>		
- Foreign correspondents	34,380,256	112,337,994		165,684,635	204,460,476
- Participation in Foreign Banks and Securities	3,794,833	3,794,832	Notes	<u>952,269</u>	<u>1,114,219</u>
			Coins	166,636,904	205,574,695
	38,175,089	116,132,826			
	2,816,531		<u>Sight Liabilities</u>		
- Other External Assets (Foreign notes)			- Government accounts	6,776,377	13,665,396
			- Banks Accounts	44,828,509	51,087,646
<u>Loans & Advances</u>	21,111,572	16,358,418	- Current Accounts	21,002,962	38,738,016
- Advances to Commercial Banks	18,000,000	30,875,403	- Payments	19,636,846	19,118,520
- Temporary Advances to Government	107,303,021	107,303,021	- Payments	191,059,478	193,289,727
- Long Term Loans (Rescheduled)			Agreements	<u>26,051,807</u>	<u>25,828,711</u>
			- Other Sight liabilities	309,355,979	341,728,016
	146,414,593	154,536,842	- Foreign correspondent Accounts	221,224,072	233,807,016
	1,993,486	2,076,991		8,626,459	8,615,688
	22,496,623	5,495,064	- Time Liabilities	5,340,355	5,638,014
	497,567,687	516,640,984	- Other Accounts	793,887	1,244,373
	33	33	- Central Bank	200,000	1,920,688
- Participation in Capital of Local Banks	4,701,740	4,881,827	Sharaka. Certificate		
- Other Investments			- Provisions	300,150	300,150
- Other Accounts			- Net Profit Due	300,150	300,150
- Fixed Assets			Government	1,387,826	4,041,814
- Investment in the affiliated Companies					
			<u>Capital and Reserves</u>		
			Capital		
			General		
			Reserve		
			Other		
			Reserve		
	714,165,782	803,170,604		714,165,782	803,170,604
Contra Accounts					

- Customers Liabilities on Letters of Credit Opened.	1,732,630	3,486,830	- Liabilities on letters credit opened.	1,732,630	3,486,830
- Bills Held for Collection.	4,557	4,557	- Liabilities on bills d for collection.	4,557	4,557
- Govt. Liabilities for Guarantees issued by Bank.	976,868,062	1,012,016,297	- guarantees given on half of Government.	976,868,062	1,012,016,297
Liabilities on traveler's cheques	6,332	6,332	- Liabilities on traveler's cheques.	6,332	6,332
	978,611,581	1,015,514,016		978,611,581	1,015,514,016

Dr. Sabir Mohd Hassan
Governor & Chairman of the Board of Directors

Abdalla Hussein Mohamed.
General Manager of General Accounts Department

Auditor's Report:

We have examined the financial statements from page (1) to (13), which have been prepared according to the recognized audit standards. In our opinion these statements reflect a true and fair position of the financial stance of the Bank as at 31/12/2002 beside the profit for the same year. They also, are in compliance with the Bank's rules and regulations.

Abu Baker Abdalla Marin
Auditor General,
Republic of the Sudan.

2- The Profit and Loss Account:-

Table (11-2)
Profit and Loss Account for the Year ending 31/12/2002
(SDD 000's)

2001	Item	2002
	<u>I. Revenue</u>	
5,276,309	Income from Foreign Exchange Operations	7,296,593
1,264,877	Investment Income	7,692,176
1,366,666	Other Income	2,466,507
7,907,852	Total Revenue	17,455,276
	<u>II. Expenditure</u>	
1,735,449	General Expenses	5,233,850
4,096,579	Banking Expenses	4,945,237
477,864	Depreciation	945,550
460,000	Provision for Annual Incentive	500,000
66,433	Provision for staff provident Fund	0
0	Provision for Depreciation	100,000
56,368	Provision for Doubtful Debts	350,485
6,892,693	III. Total Expenditures	12,075,122
1,015,159	Net Income	5,380,154
	<u>VI. Appropriation A/C</u>	
815,159	- Amount Transferred to Reserves	3,459,466
0	- Amount Transferred to General Reserve	0
	- Transferable Net Profits to the Government in accordance with Article (10) of the Bank of Sudan Act	1,920,688
200,000		
1,015,159		5,380,154

A: Revenue: -

The revenue increased from SDD 7,908 million in 2001 to SDD 17,455 million in 2002 i.e. by 120.7%. This is due to an increase in other income and foreign exchange transactions by an amount of SDD 2,020 million and SDD 1,100 million respectively.

B: Expenditure: -

Bank of Sudan total expenditure increased from SDD 6,893 million in 2001 to SD 12,075 million in 2002 i.e. by 75.2%. This was due to an increase in the expenses of the issue of the currency, the capital & management expenses and provisions including depreciation.

C: Profits: -

The net profit amounted to SDD. 5,380 million in 2002 compared to SDD 1,015million in 2001 i.e. an increase of 430%. This profit has been appropriated as follows: -

- 1- SDD. 3,459 million for reserve account.
- 2- SDD. 1,921 million was transferred to the government account in compliance with Article (10) of Bank of Sudan Act.