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Currency Change in Sudan: Economic Necessity or Weapon of Internal War

Currency change in Sudan has been an old and overdue demand made by leading Sudanese economic and financial experts since late 2019. This important and extremely necessary economic measure has been required to address some of the chronic economic and financial deformities inherited from the disposed former regime, especially the high volume of cash liquidity in circulation outside the banking system. The circulation of cash without regulatory monetary control and the proliferation of counterfeit banknotes of large denominations, some of which believed to be imported across Sudan's international borders, are behind the liquidity crisis in the country. On several occasions, Sudanese economists, including former Finance Minister Dr. Ibrahim El-Badawi "*emphasized the importance of changing the currency to control the liquidity circulating outside the banking system.*"^[1] Despite the plausible evidence about the urgent need for currency change, the military component of Sudan's dissolved transitional authority has systematically delayed action in this respect for unknown reasons.

However, early in November 2024, the military authority in Sudan disclosed its plan to introduce a new 1,000-pound banknote to replace the old one.^[2] Citizens and Sudan's residents in general were instructed to deposit the actual 1,000-pound and 500-pound banknotes currently in circulation into commercial banks within a short period of grace, thereafter, the specified old banknotes denominations will be *null and void*. The banknotes change operation started on 10 December 2024 in seven States (Red Sea, Kassala, Gedareif, Blue Nile, White Nile, River Nile and Northern State) and ended on 30 December 2024. In Sinnar State the process started on 19 December 2024 and ended on 31 December 2024.^[3] Since then, and due to practical difficulties and angry protests by some citizens that were left behind in the currency change process, the deadline has been extended to 6 January 2025. No dates were specified for the remaining 10 States of Sudan, which are fully or partially under the control of the Rapid Support Forces (RSF), including Sudan's capital city Khartoum.

The currency change process is tightly controlled, and it requires that individuals, groups and legal entities already hold accounts in their names with commercial banks. Those who do not have bank accounts are ordered to open new ones to be able to deposit the money in their possession before they are entitled to change the old 1,000-pound and 500-pound banknotes denominations with the new currency. Directives issued by the Central Bank of Sudan (CBoS) allow banks' customers to withdraw up to 200,000 pounds (about US\$80) as a daily ceiling but, in reality, individuals reportedly receive only 50,000 pounds (about US\$20) in cash withdrawal per day. Meanwhile the monetary authority cancelled all financial dispensations that were

previously given to different institutions and entities.^[4] On 11 December 2024, the military authorities decreed that all government institutions – companies and public and private entities, including independent institutions, service providers and medical establishments – not to accept cash payments in exchange of service either from individuals or from legal entities.

As a justification of the currency change plan, the CBoS issued an announcement on Saturday, 9 November 2024 in which it declared that the decision to introduce new banknotes is meant to address the negative effects of the war, deploring that large quantities of banknotes were stolen by *“rebel militias”* from the CBoS’s premises and those of the Sudan Currency Printing Company (SCPC) in Khartoum. The CBoS outlined in its aforementioned announcement that attacks against its premises and those of the SCPC *“... resulted in the spread of large quantities of banknotes of unknown origin and not in conformity with the technical specifications in the 1,000-pound and 500-pound denominations, which has led to a clear increase in the level of cash liquidity and a negative impact on the stability of the overall price level.”*^[5]

For their part, the RSF considered the currency change plan as a matter of paramount importance and issued several media statements rejecting it and prohibiting banks from taking any measures in this respect. The RSF expressed its outrage by dubbing the currency change plan as *“reckless, politically motivated, unlawful”* and *“... a scheme to steal wealth of the people”* and *“to impoverish millions of Sudanese.”*^[6] They incriminated the use of the new banknotes and called on the people in areas under their control not to abide by the CBoS decision and instructed them to continue using the old banknotes as a legal tender. In a Media Statement issued on 10 November 2024, the RSF stated that: *“The decision of the Central Bank ... comes amid nationwide economic collapse and widespread banking dysfunction. This decision lacks any legal basis, disregarding financial protections designed to shield citizens in times of disaster and conflict. Instead, this currency change represents pure economic recklessness in pursuit of political ambitions, showing complete disregard for the well-being of the people.”* The RSF characterized the decision as: *“null and void, issued without rightful jurisdiction. The RSF is fully aware of the political motives behind this illegal currency change — a preliminary step in a broader scheme to fracture Sudan and divide its regions.”*^[7]

The fierce opposition of the RSF as well as the unfavourable security and economy situation, and imminent bankruptcy of the military authority, doom the currency change plan with failure and may generate far-reaching effects on the unity of the country. It is noticed that the CBoS’s decision led to resentment and propagated a sense of injustice among many citizens. The RSF, which is a major party to the ongoing conflict and used to be a key player in Sudan’s financial affairs, is believed to be in control of a significant part of the economy, mining sector, internal and external trade, banking and currency market, including foreign currency transfer since its establishment in 2013. Consequently, the RSF has accumulated considerable amounts of cash liquidity, especially large denominations, which represent about 25% of the total currency in circulation. The vast economic resources at the RSF’s disposal are reasons to take their defiant posture with utmost seriousness. Without a viable solution of this stalemate, the RSF threats could pave the way for the creation of two monetary zones in the country.

Sudan frequently introduces new banknotes and scrapes the old ones often for political and security reasons (1960, 1970, 1992, 2007 and 2024). In February 2019, the CBoS printed new banknotes purporting that the measure had been *“necessitated by hyperinflation, coupled with a chronic shortage of hard currency.”*^[8] However, the preconditions, actual banks’ practices and inopportune timing of the present currency change scheme appear to be largely political in

nature and it is meant to serve military objectives. This currency change plan is introduced after 19 months of military confrontations between the Sudanese Armed Forces (SAF) and the SRF that broke out on 15 April 2023. The decision also comes at a time when the military authority is facing mounting difficulties in securing the necessary financial resources to fund the internal war that ravaged the country for over 20 months.^[9] With a badly weakened economy and the urgent need to replace weapons and ammunitions reserves, SAF depends heavily on external sources to secure military provisions, notably the import of military equipment and ammunition.

It is evident that the introduction of a new 1000-pound banknote denomination comes at a crucial time in Sudan's history amidst a devastating internal armed conflict, rampant insecurity and massive displacement of civilians. The government apparatus is largely dysfunctional, and the economic and financial sectors and key state-owned economic institutions are in the verge of collapse. Over 70% of Sudan's banks – head offices, branches and outlets of commercial banks – were destroyed and the documents and cash liquidity disappeared. It is, therefore, natural that Sudanese banks are no longer in service in many parts of the country while those remained active are overwhelmed by the large volume of work. Commercial banks in 10 states out of Sudan's 18 states – covering about 70% of the country's territory – are especially affected by insecurity and other operational difficulties, including displacement or absence of qualified staff, poor internet connection, loss of identity cards and bank documents etc. In most parts of Sudan, the majority of the people are not used to the banking system and they usually prefer to keep their savings at homes or in other secure saving places, which makes Sudan the record holder of the lowest financial inclusion in Sub-Saharan Africa, with only 15.3% of adults (aged 15+) having bank accounts.^[10] Security measures that curtail freedom of movement such as military checkpoints and widespread insecurity practically prohibit millions of Sudanese from traveling to deliver cash in their possession and deposit it into commercial banks.

The haste with which the change of the old banknotes is executed in some parts of Sudan while they remain valid in other parts has created a situation of uncertainty, mistrust and increased financial corruption and illegal currency trade. Selective application of regulatory controls during cash deposit such as the verification of the source of the banknotes and the risks that the banks freeze the accounts owned by citizens from certain regions of Sudan, pending presentation of additional documents to prove legitimacy of the money sources, have incited many customers to refrain from depositing their old banknotes. Thousands of people who could not open bank accounts or could not deposit the banknotes in their possession resorted to the informal market and they fell victims to exploitation, blackmailing and illegal currency trade. There are reports that thousands of people were forced to trade the old banknotes they possess in the informal market at grossly devalued rates ranging from 15% to 25% of the value of the money changed. Most disturbing is that the CBoS indirectly admitted that some old banknotes collected from customers and destined to be burned have found their way back into the market.^[11]

For the above reasons, the currency change scheme has sparked fears and anger in different parts of Sudan, notably in peripheral areas such as Darfur where banks are inoperable and the people are effectively losing their wealth and cash savings, much of which is held in 1000-pound paper money denominations.^[12] On 20 December 2024, protesters in the Red Sea State closed down the highway linking Sudan's main seaport and war-time administrative capital city with the rest of the country. The protesters complained that there are no commercial banks in their areas and most of them are not in possession of identity cards to open bank accounts. On the other hand, the currency change scheme is expected to negatively affect interstate trade and economic activity in Sudan, especially internal trade on agricultural produce and livestock.

The legitimacy of the currency change scheme is also questionable as the *de facto* military authority, which seized political power in a *coup d'état* on 25th October 2021, is facing regional and international isolation and it is barely recognized by the international financial institutions, development agencies or regional and international inter-governmental organizations. After the overthrow of the transitional government of Dr. Abdalla Hamdok, the military authority is largely considered an outcast regime lacking constitutional legitimacy. As early as 27 October 2021, the African Union's Peace and Security Council (AUPSC) suspended Sudan from participation in all AU activities until the effective restoration of the civilian-led Transitional Authority.^[13] On 26 October 2021, the EU condemned the military *coup d'état* in Sudan and called for immediate release of all people arrested, including the Interim Prime Minister Dr. Hamdok. In its formal statement in this respect, the EU stated that: *"This attempt to undermine Sudan's transition towards democracy is unacceptable. If the situation is not reversed immediately, there will be serious consequences for EU's engagement, including its financial support."*^[14]

The United States immediately condemned the *coup d'état* and characterized the decision of the army chief to dismiss the transitional civilian government officials and dissolve government institutions as a violation of Sudan's Constitutional Declaration and an abandon of the democratic aspirations of the Sudanese people. The US government further indicated that: *"Any change to the transitional government by force risks assistance and our bilateral relationship more broadly"* and added that: *"... the United States is pausing assistance from the \$700 million in emergency assistance appropriations of Economic Support Funds for Sudan."*^[15] On its part the World Bank Group *"... paused disbursements in all of its operations in Sudan on Monday and it has stopped processing any new operations as we closely monitor and assess the situation. We hope that peace and the integrity of the transition process will be restored, so that Sudan can restart its path of economic development and can take its rightful place in the international financial community"*^[16]

Finally, there are doubts about the ability of the Sudanese banks to successfully contain the massive cash liquidity crisis without inflicting harm to the economy or injustice to an important segment of the Sudanese citizens. Since the economic shock caused by the succession of South Sudan in 2011, large quantity of money started circulating outside the official banking system which led to a huge informal economy. In late 2019, the International Monetary Fund (IMF) concluded that the cash to deposit ratio in Sudan rose sharply from about 45% in previous years to 79% in November 2019.^[17] Over the last 20 years, it has also been observed that most commercial transactions inside Sudan and for import/export purposes, the currency transfer operations are often done on "cash-and-carry" basis. Because of the frequent devaluation of the Sudanese pound in recent years and the poor savings and profit rates, Sudanese banks fall short of meeting international customary banking standards, including the Basel Norms that define the regulatory framework on bank capital adequacy and liquidity risks.

Other important constraints that limit the ability of the Sudanese banks to effectively address the cash liquidity crisis are the technological difficulties that severely hinder their plans to modernize the banking sector and the day-to-day operations. For major external commercial transactions, the country seems to depend on middlemen to channel international financial inflows. Sudan is yet to get rid of the effects of the US-imposed economic and commercial sanctions which excluded the country's native banks from the international financial system since early 1990s thus severely limiting their ability to modernize and use official channels for international financial inflow. Due to this long period of isolation, Sudanese native banks are technologically behind their peers in terms of banking service, products and operations.

Conclusion and Recommendations

1. The decision of the *de facto* military authority in Sudan to introduce new banknotes, while the country is facing a devastating internal armed conflict is untimely, divisive, chaotic and unfair. It has created immense difficulties to millions of Sudanese nationals who are ill-prepared to meet the conditions set out by the monetary authority to change the old banknotes currently in their possession. Added to that is the short period during which the money is to be changed under the prevailing poor security conditions.
2. The ongoing currency change measures are counter productive and ill thought. Instead of achieving the declared objectives such as addressing the negative effects of the war, controlling cash liquidity outside the banking system, combating counterfeiting and ensuring stability of prices etc., these measures are expected to create more problems, including economic recession, hyperinflation, proliferation of illegal currency trade, financial corruption, hindering interstate trade and the exchange of goods and service.
3. With Sudan's low financial inclusion rate of 15.3%, the present conditions of currency change through established bank accounts are unfair to millions of poor Sudanese, notably those who do not have or can not open bank accounts. They will be further impoverished and their savings lost. Millions of people in the vast informal economic sector are especially concerned with the loss of savings and purchasing power, and consequently the measures will be harmful to the overall economic activity in the country.
4. The precondition that citizens open bank accounts to change the old banknotes is a coercive measure and violates the contractual obligations of the Sudanese monetary authority toward owners of the 1000-pound and 500-pound banknotes. Money issued by monetary authorities carries with it legal obligations toward its owners and imposing conditions that limit their liberty to withdraw and use it is an illegal measure.
5. The success of the currency change scheme within Sudan's context, which is considered an extremely necessary national project, requires mobilization of citizens in its support and therefore it should be organized under optimal conditions and on fair terms to avoid harming the citizenry or unjustly strip them of their cash savings and economic wealth.
6. Currency change or upgrade is a technical matter that must be driven by monetary and economic reform or security enhancement of the banknotes as a primary objective hence governments should refrain from using this process as a weapon in internal wars as has been affirmed by a high-ranking Sudanese official on 10 January 2025.^[18]
7. Sudanese banks face technological limitations and paucity of competent staff to carry on a major currency change operation. Verification of counterfeit banknotes will also be a problem of its own that requires special technical knowhow. The limited access to the internet and electricity as well as the absence of active banks altogether in about 70% of Sudan's territory is yet another unsurmountable obstacle.
8. Any currency change decision or project under the current circumstances facing Sudan will remain a partial solution to a deep-seated crisis. Such a project is essentially unjust, discriminatory in nature and an exclusionist measure and its results are patchy. This decision should, therefore, be annulled and rectifying measures be taken.

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- ⁴ Sudanese rush to deposit old banknotes as RSF slams “Illegal” currency swap, Sudan Tribune <https://sudantribune.com/article294504/>
- ⁵ Central Bank of Sudan issues new 1,000-Pound banknote, 10 November 2024 <https://www.dabangasudan.org/en/all-news/article/central-bank-of-sudan-issues-new-1000-pound-note>
- ⁶ Statement of the Rapid Support Forces, <https://t.me/RSFSudan/7199>
- ⁷ Statement of the Rapid Support Forces, dated 10 December 2024, <https://t.me/RSFSudan>
- ⁸ 200, 500 Sudanese Pound banknotes now roll off press, Radio Dabanga, 3 February 2019 <https://www.dabangasudan.org/en/all-news/article/200-500-sudanese-pound-banknotes-now-roll-off-press>
- ⁹ Statement attributed to Dr. Jibril Ibrahim, Sudan’s Minister of Finance and Economic Planning in an interview with Reuters, 10 January 2025, news article: “Sudan changes banknotes, boosting coffers but drawing criticism” <https://www.reuters.com/world/africa/sudan-changes-banknotes-boosting-coffers-drawing-criticism-2025-01-10/>
- ¹⁰ Financial System in Sudan, a study by the International Monetary Fund, <file:///C:/Users/abagi/Downloads/002-article-A004-en.pdf>
- ¹¹ On 28 December 2024, the Governor of Sudan’s Central Bank dismissed members of the Committee in charge of the burning of old banknotes among accusations that they leaked some of the collected banknotes destined to be destroyed.
- ¹² Sudan’s new banknote fuels fears of financial exclusion and political division, Sudan Tribune, <https://sudantribune.com/article293136/>
- ¹³ Communiqué PSC/PR/COMM.1041 (2021) adopted by the AUPSC at its 104115st Meeting held in Addis Ababa (Ethiopia) on 26th October 2021 at <https://www.peaceau.org/uploads/eng-final-communicue-of-the-1041st-psc-meeting-in-sudan-26-october-2021.pdf>
- ¹⁴ Declaration by the High Representative on behalf of the EU on Sudan, dated 26 October 2021 <https://www.consilium.europa.eu/en/press/press-releases/2021/10/26/declaration-by-the-high-representative-on-behalf-of-the-eu-on-sudan/>
- ¹⁵ US Government, Department of State, Department Press Briefing – October 25, 2021 <https://www.state.gov/briefings/department-press-briefing-october-25-2021/>
- ¹⁶ Statement on Sudan entitled “World Bank Group Paused All Disbursements to Sudan” issued by Mr. David Malpass, President of the World Bank Group, in Washington on Monday 27 October 2021 <https://www.worldbank.org/en/news/statement/2021/10/27/world-bank-group-paused-all-disbursements-to-sudan-on-monday>
- ¹⁷ Op. Cit. Note 10
- ¹⁸ Op. Cit. Note 9