# Debt Management Performance Assessment (DeMPA)

## Sudan

**Final Draft to Government**

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ECONOMIC POLICY AND DEBT DEPARTMENT
Sound Economics for Growth and Poverty Reduction

THE WORLD BANK

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## LIST OF ACRONYMS

| | |
|---|---|
| Cash Flow Directorate | CFD |
| Central Bank of Sudan | CBoS |
| Comprehensive Peace Agreement | CPA |
| Debt Management | DeM |
| Debt Management and Financial Analysis System | DMFAS |
| Debt Management Performance Assessment | DeMPA |
| Debt Management Performance Indicator | DPI |
| Debt Relief International | DRI |
| Debt Sustainability Analysis | DSA |
| Domestic Debt Unit (in MoFNE) | DDU |
| External Debt Unit | EDU |
| Cash Flow Directorate | CFD |
| Government Investment Certificates | GIC |
| Government Musharaka Certificates | GMC |
| Government Resource Planning | GRP |
| Heavily Indebted Poor Countries | HIPC |
| Internal Audit Department | IAD |
| Ministry of Finance and National Economy | MoFNE |
| National Audit Chamber | NAC |
| State-Owned Enterprise | SOE |
| Sudan Financial Services Company | SFSC |

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# Executive Summary

A World Bank-led team visited Khartoum from January 28 to February 7 2012 to undertake a comprehensive assessment of Sudan's debt management functions, applying the Debt Management Performance Assessment (DeMPA) tool.[1] This report reflects the results of the assessment based on the mission. The team consulted with a broad range of professionals working on debt management in Sudan, including officials from the Ministry of Finance and National Economy, Central Bank of Sudan and other relevant institutions. (See Annex 1 for a complete list of officials that the team met with during the mission.)

The mission confirmed the importance of debt management issues in Sudan's current economic landscape. The country is in debt distress,[2] with external arrears growing rapidly as the majority of obligations are not currently being serviced. The end-2010 stock of total central government debt is estimated at 75 percent of GDP, with external debt comprising 80 percent of this total and domestic debt comprising the remaining 20 percent. Total public and publicly-guaranteed external debt is estimated at US$38.0 billion in nominal terms, or 59 percent of 2010 nominal GDP, of which over US$30.0 billion is in arrears. About 73 percent of the external debt is owed to official bilateral creditors, equally divided between Paris Club and non-Paris Club creditors. The remainder is split almost equally between multilateral institutions and commercial banks/suppliers. The country is potentially eligible for HIPC debt relief and is actively working on fulfilling technical requirements for HIPC decision point (i.e., an I-PRSP). The economic fallout of the July 2011 secession of South Sudan has likely increased Sudan's debt burden relative to the traditional debt ratios. Continuing uncertainties include unsettled arrangements on the treatment of external debt between Sudan and South Sudan, and a large and permanent fiscal shock of uncertain magnitude since negotiations on financial arrangements on oil exports from production in South Sudan through the pipeline to Port Sudan have not been concluded.

The implications of the country's current political and economic transition on debt management are fundamental. The permanent fiscal shock from lower oil revenues has put heavy pressure on the budget, with fewer resources available for debt repayment and with increased needs for borrowing for deficit financing, including monetization. External resources are limited given the arrears Sudan has with many creditors and associated lack of access to concessional financing, plus traditional global markets are stressed from fiscal problems in many countries. The government has already been very active in domestic markets, and the availability of additional resources from the private sector is a concern.

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[1] The mission team comprised Bill Battaile, Team Leader and Luca Bandiera, Economist (both from the Economic Policy and Debt Department, World Bank), Karen Bihr (UNCTAD), Juan Carlos Vilanova (DRI), and Thordur Jonasson (Consultant, World Bank).

[2] The joint World Bank/IMF Debt Sustainability Analysis (DSA) framework classifies countries according to their probability of external debt distress in four broad categories: low risk, moderate risk, high risk and in debt distress. The 2010 DSA confirmed that Sudan was in debt distress, implying it could not service its debt without resort to exceptional financing (such as debt relief) or a major future correction in the balance of income and expenditures. Given continued non-servicing of most external obligations and a deteriorating macroeconomic environment since 2010, the 2010 DSA assessment of debt distress is assumed to continue to reflect the current situation.

**Quality of Debt Management**

**Governance and strategy development.** The governance framework is a critical aspect of developing and efficiently executing a public debt management strategy based on a sound analysis of cost and risk, and taking account of macroeconomic and market constraints. Sudan's governance framework provides the basis for debt management, with primary legislation clearly allocating responsibilities to the executive branch for contracting and managing public debt. Parliament is in charge of ratifying agreements. Debt management in Sudan is characterized by a high degree of institutional fragmentation, both across and within individual entities. Most notably, integrated management of the total debt portfolio, including both external and domestic debt, is missing. Legislation allocating the mandate and the various responsibilities to the different entities involved in debt management is not precise, although in practice the division of responsibilities within the different units at the Ministry of Finance, Sudan Financial Services Company, and the Central Bank work satisfactorily. Debt management does not take place within the framework of a formal debt management strategy, and an articulation of acceptable borrowing purposes is not covered in the legal framework. The annual budget submitted to the National Assembly includes reporting of debt management activities undertaken during the previous fiscal year, and updated debt stock and flows data are also available in quarterly publications. There is an analysis of the evolution of cost and risk indicators of the external debt portfolio as well as regular external audits of debt management activities, policies and operations.

**Coordination with macroeconomic policies.** The urgency of the fiscal situation puts a premium on close coordination of debt and macroeconomic operations. Detailed debt service projections are provided for the annual budget exercise, based on the projected macroeconomic framework. There is clear separation between monetary policy operations and debt management transactions, and regular meetings are held to exchange information on debt and monetary management. Domestic debt instruments and offering mechanisms are well established and follow a regular calendar.

**Borrowing and related financing activities.** Domestic borrowing would benefit from improved transparency regarding the offerings, by providing more detailed information on websites and gradually increasing the share of marketable instruments. A notable feature is the lack of a short-term borrowing instrument that may be developed in line with Sharia principles as has been the case in other countries. Coordination with monetary policy is constrained by the lack of clearer rules regarding the use of overdrafts and the establishment of a formal agreement defining the relationship between MoFNE against the CBoS on the one hand and SFSC on the other.

**Cash flow forecasting and cash balance management.** Cash management will need to be built gradually but specific issues could be addressed in the short-term, such as refining cash flow projections for the month ahead into weekly time periods and analyzing differences between projected and actual figures with the objective of identifying and improving forecasting of the variables that cause the largest discrepancies.

**Operational risk management.** Operational risk management could be strengthened in the near term. Given the fragmented managerial structure, documented policies and procedures are important. This is especially relevant for domestic debt, where there are no formal procedures for data entry, user access and payment procedures. There are separate data systems in MoFNE and CBoS, currently with a significant degree of manual processing that expose the system to data quality risks. There are also inadequate document storage and archiving practices. Back-ups of all debt databases are not kept in a secure and off-site location, and there is no business continuity or disaster recovery plan. Sufficient segregation of duties for loan negotiation, data administration, payments, risk monitoring and compliance are in place. The “four-eyes” principle is applied in CBoS and MoFNE, with payment processing requiring at least two levels of approval. There are also daily backups of debt data.

**Debt records and reporting.** The authorities keep complete and timely debt records for all central government debt and guarantees. There are also complete and timely records of all holders of marketable government securities in a secure registry system maintained by the Sudan Financial Services Company, the Ministry of Finance’s agent in the domestic securities market. Debt reporting to the National Audit Chamber is legally required, in the context of reporting the annual financial accounts of the Ministry of Finance and National Economy. These annual reports are reliably submitted within two months of the end of the fiscal year. There are no statutory requirements for reporting central government debt, nonfinancial public debt or loan guarantees to the National Assembly. Debt reporting to the National Audit Chamber is legally required, but does not include the debt stock and its variations within the period. The annual report only includes external debt. The authorities comply with contractual debt reporting obligations to the Bretton Woods institutions, and there is a detailed external debt annual report. There are documented procedures for external debt recording, debt servicing, validation and reporting but not for domestic debt.

# 1. BACKGROUND

## 1.1 Country Background

The Republic of Sudan is the third largest country in Africa, following the July 2011 secession of South Sudan, with an area of 1.8 million square kilometers and a population of 33.4 million, half of which live in urban areas. It is strategically located between Sub-Saharan Africa and the Middle East, with direct borders with Central African Republic, Chad, Egypt, Eritrea, Ethiopia, Libya, and South Sudan. Sudan is a federal republic, and the vertical structure of government consists of three tiers. The central government is embodied in the office of the President, the Council of Ministers, and the National Assembly, and the two main tiers at the sub-national levels are the state tier (with 17 states) and the locality tier.

**Recent political developments.** Sudan is a country undergoing fundamental political change. The 2005 Comprehensive Peace Agreement (CPA) ended decades of civil war between the Government of Sudan and the Sudan People's Liberation Movement, giving the South autonomy for a six year Interim Period followed by a referendum for secession held in January 2011. This led to the secession of South Sudan, now recognized as a new sovereign state and Sudan as the continuing state.

The political changes have important implications for the debt management environment. Power and wealth sharing arrangements set-up during the Interim Period are no longer valid. The government is establishing a process to write a new constitution, which introduces both uncertainty but also an opportunity to enhance the legal framework for debt management. The secession of South Sudan also raises the question of treatment of the country's assets and liabilities, including a large amount of external debt as discussed below. In 2011, the parties tentatively agreed to a "zero option" whereby Sudan as the continuing state would assume all assets and liabilities including sovereign debt. However, arrangements on the treatment of debt between Sudan and South Sudan have not yet been formalized.

**Recent economic developments.** With the political changes, Sudan is also currently facing a significant economic adjustment and uncertainty over its future. There are a number of economic arrangements that need to be settled with the secession of South Sudan, including most notably the treatment of oil revenues from production in South Sudan transported for export through the pipeline to Port Sudan, with Sudan as a transit country. With roughly 75 percent of pre-secession oil revenues coming from production in South Sudan, the secession implies a large and permanent structural and fiscal shock to Sudan.

Finding a new growth paradigm towards broad-based economic diversification is the key challenge to address the permanent shock posed to the economy by secession. Negotiations on the post-CPA arrangements are not yet concluded, but Sudan is already experiencing a significant loss in oil revenue and exports. The loss of the oil production has already brought with it a significant adverse impact on Sudan's economic growth – largely through weakened government consumption and investment as well as a deteriorating trade balance. An inevitable fiscal adjustment is expected that would significantly reduce public spending, which previously accounted for over 20 percent of nominal GDP. The negative impacts will likely be compounded by a significant deterioration of the trade balance since Sudan stands to lose almost 90 percent of total exports that come from the oil sector through the secession. As a result, recent IMF projections show the real GDP growth of Sudan to be -0.2 percent in 2011 and -0.4 percent in 2012 (*IMF, World Economic Outlook, September 2011*).[3]

The implications for debt management from the recent economic developments are significant. The dramatic shift in fiscal policy, from a strong expansionary position since the export of oil started in 2000, is putting high demands on debt managers. The permanent fiscal shock from lower oil revenues has put heavy pressure on the budget, with fewer resources available for debt repayment and with increased needs for borrowing for deficit financing, including monetization. External resources are limited given the arrears Sudan has with many creditors and associated lack of access to concessional financing, plus traditional global markets are stressed from fiscal problems in many countries. The government has already been very active in domestic markets,[4] and the availability of additional resources from the private sector is a concern.

## 1.2 Debt Situation and Previous Technical Assistance

The latest World Bank/IMF DSA (2010) estimates total public debt of 79 percent of GDP at end-2009, with 80 percent of this debt foreign-currency denominated and 20 percent domestic. Sudan's large total external debt is mostly in arrears, and its structure has remained unchanged since 2000. Based on available data, the end-2010 stock of total public and publicly-guaranteed external debt is estimated at US$38.0 billion in nominal terms, or 59 percent of nominal GDP, of which over US$30.0 billion was in arrears. About 73 percent of the external debt is owed to official bilateral creditors, equally divided between Paris Club and non-Paris Club creditors. The remainder is split almost equally between multilateral institutions (14 percent) and commercial banks and suppliers (13 percent).

The 2010 DSA confirmed that Sudan continues to be in debt distress, and that there is limited possibility of significant improvement over the medium and long term without significant debt relief. Under the baseline scenario, all debt ratios, except for external debt service, remained above their indicative thresholds due largely to the country's massive arrears and despite reasonably prudent macroeconomic policies over the projection period. These assumptions assumed a continued unified Sudan, and it is expected that recent economic developments have increased Sudan's debt burden relative to the traditional debt ratios. The authorities believe that debt relief under the Heavily Indebted Poor Countries (HIPC) initiative and the Multilateral Debt Relief Initiative (MDRI) will play a crucial part in helping Sudan assume a path to achieving sustainable development goals. The country is potentially eligible for debt relief and is actively working on fulfilling technical requirements for HIPC decision point (i.e., an Interim-PRSP).

**Technical assistance.** Sudan has received technical assistance on debt issues from Debt Management Facility (DMF) partners. In January 2012, one staff from the Central Bank and one staff from the Ministry of Finance and National Economy participated in training on debt management performance assessment offered by the World Bank-managed Debt Management Facility in Vienna, Austria. The World Bank, together with the IMF, formed a Technical Working Group on Debt comprised of Sudan's major creditors. This group facilitates discussion of debt-related technical issues and aims to keep

[3] These estimates are less optimistic than those of the authorities, which estimate real growth to have been [XX] percent in 2010 and [XX] percent in 2011.

[4] Government securities totaled SDG 577 million (0.4 percent of GDP) in 2009, rising to an estimated SDG 1,083 million (0.7 percent of GDP) in 2010 (source *IMF Second Review Under the 2009-10 Staff-Monitored Program*, January 2011).

momentum among multilateral and bilateral creditors on the debt relief process. Members include the IFIs, Paris Club and other bilateral creditors (e.g., China, India, Kuwait, Saudi Arabia). The group convened four times last year, including most recently on September 22, 2011 in Washington DC.

In 2011, Debt Relief International (DRI) implemented a Swiss-financed project to provide technical and advisory inputs on debt apportionment between Sudan and South Sudan, and prospects for debt relief and arrears clearance under HIPC and MDRI. The project also included a training seminar for government staff on various financial and debt indicators and the use of Debt Pro©. UNCTAD's DMFAS Program has provided technical support to the Central Bank of Sudan (CBoS) since 1998 in the area of external debt management. The DMFAS was upgraded to its current version (5.3) at the External Debt Unit (EDU) of the CBoS in 2005 and the EDU staff was trained in the use of the system. Under this project, debt data validation procedures were formalized, the staff produced a draft debt statistical bulletin, a draft procedures manual for back-office functions and a debt portfolio analysis review. The staff also participated in study tours in foreign debt management offices and attended international seminars on debt management. CBoS authorities expressed interest in installing the latest DMFAS version (DMFAS 6) as part of a new project.

### 1.3 Relation to the 2010 PEFA

In 2010, the World Bank conducted a Country Integrated Fiduciary Assessment (CIFA) for Sudan. This assessment of public financial management was completed using the Public Expenditure and Financial Accountability (PEFA) performance measurement framework. The CIFA evaluated the public financial management (PFM) system of Sudan for the financial years 2005 to 2007.

The CIFA includes generally higher scores (C or more) for performance indicators (PI) assessing the availability of a debt sustainability analysis (PI-12), cash flow monitoring and forecasting (PI-16), the regularity of reconciliations with bank accounts (PI-22), the completeness of financial statements (PI-25), the conduct of external audits and the commitment to address audit recommendations (PI-26). The CIFA reports insufficient scores (D) for indicators assessing the quality of debt data recording and the system for contracting loans and issuing guarantees (PI-17) and the effectiveness of internal audits (PI-21).

The DeMPA agrees with the high scores of the CIFA with respect to the conduct of external audits of debt management operations and the regular follow-up on the recommendations of those audits (DPI-5), and the fulfillment of statutory requirements for debt data reporting as in the case of the availability of financial statements (DPI-15). As in the CIFA, the DeMPA also finds that the legal framework underpinning borrowing operations is not fully defined (DPI-1), external and domestic borrowing practices do not fully meet minimum requirements (DPI-8 and 9) and the issuance of loan guarantees is not properly documented (DPI-10).

Departing from the CIFA assessment, the DeMPA finds that the government currently maintains complete external and domestic debt data records (DPI-14). The DeMPA also finds that minimum requirements are not met with respect of the capacity of the government to autonomously prepare a DSA (DPI-6), to provide detailed cash flow forecasts and to actively manage cash balances (DPI-11), and to publish a comprehensive debt bulletin on total public debt (DPI-15).

Usually, DeMPA scores are lower than those of the corresponding PEFA indicators, because the DeMPA drills down with greater detail on activities related to public debt management. The DeMPA has generally higher and more precisely defined requirements than PEFA on comparable indicators for debt management.

# 2. DEMPA ASSESSMENT

## 2.1 Scoring Methodology

The DeMPA comprises a set of 15 debt performance indicators (DPIs), which aim to encompass the complete spectrum of government debt management (DeM) operations, as well as the overall environment in which these operations are conducted. While the DeMPA does not specify recommendations on reforms and/or capacity and institution building, the performance indicators do stipulate a minimum level that should be met. Consequently, if the assessment shows that the minimum requirements are not met, this clearly indicates an area requiring attention and a priority for reform.

The DeMPA focuses on central government debt management activities and closely-related functions, such as the issuance of loan guarantees, on-lending, cash flow forecasting, and cash balance management. Thus, the DeMPA does not assess the ability to manage the wider public debt portfolio, including implicit contingent liabilities (such as liabilities of the pension system) or the debt of state-owned enterprises (SOEs), if these are not guaranteed by the central government.

Each DPI has one or more dimensions linked to the subject of the DPI, and each dimension is assessed separately. The scoring methodology assesses each dimension and assigns a score of either “A”, “B”, or “C” based on the criteria listed. The evaluation starts by checking whether the minimum requirement for that dimension has been met, corresponding to a score of “C”. Meeting the minimum requirements is the necessary condition for effective performance under the dimension being assessed. If the minimum requirements set out in “C” are not met, then a score of “D” is assigned. In the cases where a dimension cannot be assessed, a score of “N/R” (not rated or assessed) is assigned. The “A” score reflects sound practice for that particular dimension of the indicator. The “B” score is an intermediate score, falling between the minimum requirements and sound practices.

## 2.2 Summary of Assessment

This table summarizes the assessed score for each dimension within the fifteen indicators.

| Performance Indicators and Dimensions | | Score |
|---|---|---|
| DPI-1 Legal Framework | 1. The existence, coverage and content of the legal framework. | D |
| DPI-2 Managerial Structure | 1. The managerial structure for borrowings and debt-related transactions. | D |
| | 2. The managerial structure for preparation and issuance of loan guarantees. | D |
| DPI-3 DeM Strategy | 1. The quality of the DMS document. | D |
| | 2. The decision-making process, updating, publication of the DeM strategy. | N/R |
| DPI-4 Evaluation of DeM Operations | 1. Level of disclosure of government DeM activities, central government debt, evaluation of outcomes, and compliance with the government’s DMS. | D |
| DPI-5 Audit | 1. Frequency of internal/external audit of central government DeM activities, policies, operations, publication of external audit reports. | C |
| | 2. Degree of commitment to address the outcomes from audits. | D |
| DPI-6 Fiscal Policy Coordination | 1. Coordination with fiscal policy—through the provision of accurate and timely forecasts on total and debt service under different scenarios. | C |
| | 2. Availability of key fiscal variables and a DSA, and the frequency of DSA. | D |

| | | |
|---|---|---|
| DPI-7<br>Monetary Policy Coordination | 1. Separation between monetary policy operations and DeM transactions. | N/R |
| | 2. Coordination, regular information sharing on debt transactions and government's cash flows with the central bank. | C |
| | 3. Extent of a limit to direct access of resources from the Central Bank. | D |
| DPI-8<br>Domestic Borrowing | 1. Market-based mechanisms to issue debt, preparation and publication of a borrowing plan for government bonds—wholesale and retail markets. | D |
| | 2. Availability and quality of documented procedures for domestic borrowing. | C |
| DPI-9<br>External Borrowing | 1. Assessment of most beneficial/cost-effective borrowing terms/conditions. | D |
| | 2. Availability and quality of documented procedures for external borrowings. | D |
| | 3. Degree of involvement of legal advisers before signing the loan contract. | B |
| DPI-10<br>Loan guarantees, On-lending, Derivatives | 1. Availability and quality of documented policies and procedures for approval and issuance of central government loan guarantees. | D |
| | 2. Availability/quality of documented policies/procedures for on-lending. | D |
| | 3. Availability/quality of a DeM system, procedures to handle derivatives. | N/R |
| DPI-11<br>Cash Flow Forecasting, Cash Balance Management | 1. Effectiveness of forecasting aggregate cash balances in government bank accounts. | D |
| | 2. Effectiveness of managing aggregate cash balance in government bank account(s), including integration with the domestic debt borrowing program. | D |
| DPI-12<br>Debt Administration and Data Security | 1. Availability/quality of documented procedures for processing debt service. | D |
| | 2. Availability/quality of documented procedures for debt data recording, validation, storing of agreements and debt administration. | D |
| | 3. Availability/quality of documented procedures for controlling access to government debt recording and management systems. | D |
| | 4. Frequency and off-site, secure storage of debt recording system backups. | D |
| DPI-13<br>Segregation of Duties, Capacity, Business Continuity | 1. Segregation of duties, presence of risk-monitoring and compliance function. | D |
| | 2. Staff capacity and human resource management. | D |
| | 3. Presence of an operational risk management plan, business-continuity, disaster- recovery arrangements. | D |
| DPI-14<br>Debt Records | 1. Completeness and timeliness of central government debt records. | B |
| | 2. Complete and up-to-date records of all holders of government securities in a secure registry system. | A |
| DPI-15<br>Debt Reporting | 1. Meet statutory/contractual reporting requirements of central government debt. | B |
| | 2. Meet statutory and contractual reporting requirements for total nonfinancial public sector debt and loan guarantees to all entities. | N/R |
| | 3. Quality/timeliness of debt statistical bulletin covering central government debt. | D |

## 2.3 Assessment of Each Indicator

### 2.3.1 DPI-1 Legal Framework

| Dimension | Score |
|---|---|
| 1. The existence, coverage and content of the legal framework. | D |

Primary legislation under the Interim Constitution delegates the authority to initiate bilateral and multilateral agreements to the National Council of Ministers.[5] Under the Interim Constitution, the National Assembly is given the responsibility to ratify all international treaties and agreements.[6] Furthermore, the Interim Constitution clearly states that the National Government may legislate for raising revenues from grants and foreign financial assistance as well as from loans, including borrowing from the Central Bank and the public.[7]

The Financial and Accounting Act of 2005 further regulates external debt management. The law states that the Ministry of Finance and National Economy (MoFNE) shall be in charge of regulating and managing external loans as well as responsible for maintaining records of loans, grants and all external liabilities.[8] Legislation giving the same authority to regulate and manage domestic debt to MoFNE does not currently exist. The only regulation found at the domestic debt level is the Sukuk Law of 2007, which describes the different domestic debt instruments available to the Government. The existing legal framework is not considered a clear authorization for MoFNE to borrow.

The Bank of Sudan Act of 2002 regulates CBoS' relations with the Government, including its role as banker and fiscal agent and the possibility of providing temporary advances to the Ministry of Finance and National Economy.[9]

A ministerial decree in 2000 established an External Debt Unit (EDU) at CBoS.[10] The decree entrusted the CBoS EDU with the responsibilities to analyze, to carry out studies and to report on the external debt of the country as well as to participate in external loan negotiations. According to the decree, this unit shall be the solely recognized agency for Sudan's external debt portfolio.

Currently, there is no legislation to regulate issuance of loan guarantees. These instruments are debt instruments issued in lieu of cash transfers. Their uses and practices are described in detail in Text Box 3 in DPI-10. Existing legislation does not include borrowing purposes nor does the legislation establish the

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[5] See Article 72 c of the 2005 Interim Constitution.

[6] See Article 91 3 d of the 2005 Interim Constitution.

[7] See Article 193 h and k of the constitution.

[8] See Section 4.22 a and b of the Financial and Accounting Act.

[9] See Chapter VIII of the Central Bank of Sudan Act.

[10] There are two External Debt Units (EDUs) and one Domestic Debt Unit (DDU) in the debt management structure in Sudan. There are separate EDUs in MoFNE and CBoS, distinguished in this report as 'MoFNE EDU' and 'CBoS EDU', respectively. The single DDU is located in MoFNE.

need to report on debt policies and execution to the National Assembly. The minimum requirements for this indicator have therefore not been met, because minimum requirements for a C score would require that the existing legislation include specific borrowing purposes and that that the authority to execute debt related-transaction and loan guarantees be clearly defined within MoFNE competences.

### 2.3.2 DPI-2 Managerial Structure

| Dimension | Score |
|---|---|
| 1. The managerial structure for central government borrowings and debt-related transactions. | D |
| 2. The managerial structure for preparation and issuance of central government loan guarantees. | D |

Dimension 1

Debt management in Sudan is characterized by a high degree of institutional fragmentation, both across the government and within individual entities. Legislation allocating responsibilities to the various entities involved in debt management is not precise, although in practice the division of back and front office responsibilities within the different units at MoFNE, the Sudan Financial Services Company (SFSC),[11] and CBoS work satisfactorily, as evidenced by a domestic and external debt registry that is up to date and front office functions that are implemented by two units (one for external and one for domestic debt). Middle office functions are currently not allocated and therefore not being implemented.

There are at least four different units carrying out back office functions, these are:

At MoFNE:

- the MoFNE EDU maintains an external debt data base
- the Domestic Debt Unit (DDU) maintains a domestic debt database
- the Chamber of Accounts maintains the development bonds database

At CBoS:

- the CBoS EDU maintains an external debt data base

At SFSC:

- the SFSC keeps a registry of the sukuk issued for MoFNE

Although not a middle office, the High Committee for Budget Preparation is the only entity carrying out any overall coordination of public debt (both external and domestic) during the budget preparation period. The High Committee for Budget Preparation is comprised by different units from MoFNE and CBoS.[12] It is a decision-making body, which establishes the borrowing mix (external versus domestic) and maximum amounts for the budget year. The MoFNE DDU and EDU submit different financing combinations and recommendations which serve as the basis for the High Committee's decisions. In the

[11] The SFSC acts as an agent for MoFNE in the domestic market.

[12] The High Committee for Budget Preparation is chaired by the Minister of Finance and comprised of numerous sub-committees covering key aspects of fiscal policy (e.g., macroeconomic forecasts and scenarios, investments for real sector growth, social sector support, etc…).

past two years, the CBoS EDU has undertaken some external debt analysis and has prepared an annual external debt portfolio review.

Once the borrowing mix is approved, the front office units implement the recommendations without political interference. Front office functions are carried out by the International Cooperation Department at the MoFNE for external debt and the SFSC for domestic debt.[13] Because of the existing institutional fragmentation, some back and middle office functions are being duplicated. These will be analyzed in other DPIs.

Even though the High Committee for Budget Preparation carries out a basic coordination role between activities related to the management of external and domestic debt, this role, however, takes place only as part of the budgetary process and not as part of an integrated debt management strategy. Although no formal requirements among the different debt management units for information or data sharing exist, the existing flow of data and information has proven to be sufficient to allow the different units to carry out borrowing and debt related transactions. Existing coordination practices and roles in Sudan have not been formalized nor are carried out by a debt coordination body, therefore the minimum requirements for this dimension are not met. In order to get a higher score, debt related activities would need to take place within the framework of a formal debt management strategy and coordination between the different debt management entities should be formalized.

<u>Dimension 2</u>

Loan guarantees are initiated by the Letter of Guarantees Desk at the DDU. This unit comprises four staff members. It keeps a registry of all letters of guarantees and loan guarantees issued by Government.[14] The total number of letters of guarantees is determined by the High Committee for Budget Preparation under recommendation from the DDU. With regards to loan guarantees, currently there is only a single outstanding loan guarantee which was extended to Khartoum State. Criteria have not been established for issuing loan guarantees other than the fact that they are ultimately approved and signed by the Ministry of Finance and National Economy (see DPI-10). There is no evidence that loan guarantees are being issued by any other agency nor that there are any other outstanding loan guarantee as two previous guarantees issued to two companies have already been repaid.

Although rarely used, preparing loan guarantees is the responsibility of the DDU in MoFNE. However, issuance of guarantees does not take place within a formal coordination framework. As described in the previous DPI, this formal framework does not currently exist and therefore the minimum criteria for this dimension are not met. In order to reach the minimum criteria, the issuance of loan guarantees would need to take place within an environment in which formal exchange of information and coordination of activities exist.

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[13] The Central Bank is also involved in the domestic securities market, but only for monetary policy purposes which are carried out in coordination with MoFNE.

[14] Letters of guarantees are promissory notes issued by the MoFNE to the CBoS for the latter to provide advance financing to projects already approved and budgeted.

### 2.3.3 DPI-3 Debt Management Strategy

| Dimension | Score |
|---|---|
| 1. Quality of the debt strategy document. | D |
| 2. The decision making process, updating, and publication of the DeM Strategy. | N/R |

<u>Dimension 1</u>

This dimension assesses the quality of the debt management strategy which guides government borrowing. The International Cooperation Department of MoFNE in collaboration with the CBoS EDU, prepares the annual debt management strategies. The 2010 debt management strategy for external debt was included in the annual Sudan External Debt Position report. This strategy defines debt management objectives, including meeting the financing needs of the government at the minimum cost and acceptable degree of risk, developing the domestic market for securities, and reaching a resolution for the high level of arrears on the external debt. The strategy reports the results of the debt sustainability analysis conducted jointly by the IMF and the World Bank, a detailed analysis of the evolution of the cost and risk indicators of the external debt portfolio over the past five years, and the maturity profile of the external debt as of end-2009.

The 2010 debt management strategy in the Sudan External Debt Position report includes an analysis of the key risk indicators of the external debt portfolio, but compared to minimum requirements of the DeMPA it lacks: (1) an explicit recommendation of a preferred debt management strategy, based on the evolution, at least qualitative, over the medium term (3 to 5 years), of the key debt risk indicators; (2) consideration of the entire public debt portfolio (i.e. external and domestic debt); (3) presentation of the analytical framework on which the analysis is based, including the macroeconomic framework, the evolution of the reference interest rates and exchange rates, and alternative scenarios (see Box 1).

A draft debt strategy for 2011 has been prepared that updates the content of the 2010 strategy. Also this strategy lacks the recommendation of a preferred debt management strategy over the medium term for the domestic and external public debt, a discussion of the evolution of macro and market variables and a sensitivity analysis. Therefore, the quality of the debt management strategy does not meet the minimum requirements for the first dimension of the indicator.

<u>Dimension 2</u>

This dimension assesses the process leading to the formulation, update and approval of the debt management strategy. This dimension is not rated, because the government does not yet formulate a debt management strategy which meets minimum requirements according to the first dimension of this DPI.

However, the process of approval followed for the 2010 debt strategy would not meet minimum requirements according to the second dimension. Minimum requirements for this dimension require that the strategy: (i) is formulated jointly by the DeM entities, (ii) is approved by the Council of Ministers or the Minister of Finance; and (iii) the views of the central bank have been obtained. The 2010 strategy has been prepared by the CBoS EDU in collaboration with the International Cooperation and other departments of MoFNE and of CBoS. As domestic debt was not considered in the strategy, there was no collaboration with those DeM entities which are responsible for the management of domestic debt (namely the DDU and the Chamber of Accounts in MoFNE). The 2010 strategy was approved by the Minister of Finance and published in the 2010 Sudan External Debt Position report. The 2011 strategy is in draft form, but it is expected to follow the same update and approval process of the 2010 strategy.

**Box 1. Standard Components of a Debt Management Strategy**[1]

In order to meet a country's long-term objectives of contracting debt at the lowest cost and risk, the government should prepare and publish a debt management strategy. A document outlining this strategy should preferably include the following issues:

- a description of the market risks being managed (currency, interest rate, and refinancing or rollover risks) and the historical context of the debt portfolio;
- a description of the future environment for debt management, including fiscal and debt projections; assumptions about interest and exchange rates and constraints related to portfolio choice, including those relating to market development priorities and the implementation of monetary policy;
- a description of the analysis undertaken to support the recommended debt management strategy, clarifying the assumptions used and the limitations of the analysis; and,
- a recommended strategy and its rationale.

The strategy should be guided by an analysis of the major risk indicators, including the following:

- total debt service under different scenarios, particularly sensitivity to interest and exchange rates;
- the maturity profile of the debt under different scenarios; and,
- strategic benchmarks, such as the currency composition of the debt portfolio, etc.

[1]This Box draws from the DeMPA Guide, which contains additional information regarding the structure and composition of DeM strategies.

### 2.3.4 DPI-4 Evaluation of Debt Management Operations

| Dimension | Score |
| --- | --- |
| 1. Level of disclosure—in an annual report or its equivalent—of government DeM activities, central government debt, evaluation of outcomes against stated objectives, and compliance with the government's debt management strategy. | D |

There is currently no debt management strategy in Sudan. The High Committee for the Budget Preparation sets targets for borrowing for the year and establishes the composition for new borrowing between domestic and external debt. Due to the existing arrears to many bilateral creditors and multilateral organizations and the international sanctions against Sudan, external borrowing options are currently very limited for the government. Within this context, different internal reports on stock and flows of debt are regularly prepared and distributed within the MoFNE and the CBoS. These reports, however, are not submitted to the National Assembly. The MoFNE Budget Department, as part of the reporting to the National Assembly on the budget implementation, does report on the execution of the budget including debt service payments and new borrowings and disbursements. These reports, however, do not include information on the stocks on public debt and their evolution during the period.

The minimum requirements for this indicator have therefore not been met, because minimum requirements for a C score would require that a report, providing details on debt management activities and outstanding central government debt is submitted annually to the National Assembly.

### 2.3.5 DPI-5 Audit

| Dimension | Score |
| --- | --- |
| 1. Frequency of internal and external audit of central government debt management activities, policies, and operations, as well as publication of external audit reports. | C |
| 2. Degree of commitment to address the outcomes from internal and external audits. | D |

Dimension 1

This dimension assesses the frequency and scope of audits conducted on all aspects of debt management operations, including, processes, regulations and the reliability of the debt management systems.

The supreme audit institution of Sudan is the National Audit Chamber (NAC), a constitutional body which reports directly to the National Assembly. The National Audit Chamber Act of 2007 states that the NAC is responsible to inspect, audit, and report all public accounts and the use of public resources. The NAC is responsible to conduct financial, performance and compliance audits and any special assignment as directed by the President or the National Assembly. Its mandate reaches all public entities at the federal and state levels, including state-owned enterprises and private companies in which the government has a stake of at least 20 percent.

According to the NAC Act, the NAC budget envelope is approved by the President as a single amount.[15] The Auditor General has complete autonomy to define the use of allocated resources. Resources are

[15] Before approval, the budget is negotiated with the High Committee of the Budget Preparation, headed by the Minister of Finance, and it is eventually included as an expenditure item in the budget.

considered adequate to carry out the activities of the NAC, as independently defined in an annual audit plan. The plan is consistent with an annual risk assessment, conducted according to INTOSAI standards.

The NAC employs about 860 qualified staff. The Chamber has been recently reorganized in three main departments: 1) National Government, States and Office Administration; 2) Corporations; and 3) Quality Insurance, Training and International Cooperation. The third department, recently introduced in the NAC, is responsible to improve the qualification of the staff and broaden the scope of the audits.

The NAC conducts mainly financial audits. According to the NAC Act (Section 6, Art. 2), all government entities must provide their financial statements within six months of the end of financial year and the Auditor General must present to Parliament the annual report of the audited financial statements within a period of no more than nine months since the end of financial year. These reports have been submitted in a timely manner.[16]

The 2011 annual report of the NAC is more than a financial audit. It also verifies the compliance of debt management operations with regulations and procedures. The annual audit report notes several areas of concern, including discrepancies between CBoS and MoFNE debt records, the lack of proper documentation to allow reconciliation of the domestic debt issued in 2010 and the lack of compliance of repayments with the procedures governing the bonds issued by the Chamber of Accounts. The annual audit report also recommends improving the security features of the bonds through the inclusion of a serial number and a watermark on the paper title. Once approved by the National Assembly, the annual audits reports are freely available in the NAC library and on the NAC website, which is currently under maintenance. The National Assembly also releases excerpts of the annual reports to the press.

Staff of the NAC is not currently capable of auditing the reliability of operations conducted through the DMFAS and the Government Resource Planning (GRP) system, used to manage public debt by the CBoS and the MoFNE. A new Information System Audit Department, created in 2012, will be responsible to conduct audit of those systems in the future. In 2008, the DMFAS, which is located in the CBoS, was audited by an external audit firm, which conducted an audit of the entirety of the IT systems of the CBoS. Because of the sanctions imposed on the Government of Sudan, the CBoS cannot be subject to regular external audits by international qualified firms. However, a new audit of IT systems is scheduled for this year. The GRP system has not been audited yet.

The Internal Audit Department (IAD) is responsible for auditing all government entities at the federal and state level. Its mandate is defined in the Internal Audit Act of 2011, which establishes that the IAD: (i) is responsible to conduct financial and performance audits; (ii) independently determines its annual work plan; and (iii) reports directly to the Minister of Finance. Each ministry, department or agency (MDA) has its own internal audit unit. The unit responsible for auditing the MoFNE has competence for the audit of the public debt.

The IAD prepares an annual report, which is submitted to the Accounting Office in each MDA. The main findings are summarized and presented to the Minister of Finance. Reports are also copied to the National Audit Chamber. While the IAD has conducted performance audits in line ministries, with respect to public debt, the IAD role is limited to control/compliance function, which is not an audit function. The IAD is primarily responsible for transaction testing. There is currently no risk-based or similar methodology in place. Because of limited resources, the IAD branch of MoFNE does not currently audit

[16] See also "Sudan - Country Integrated Fiduciary Assessment (CIFA) 2005-2007", May 2010, The World Bank.

the activities of the CBoS EDU. However, since the CBoS EDU is formally part of MoFNE and not of the CBoS, the unit is also outside the mandate of the IAD of CBoS and subject only to external audits. The IAD staff is not qualified to perform audits of the DMFAS or the GRP.

The minimum requirements for the conduct of audits at least every 5 years of debt management activities, policies and operations are met, because the NAC conducts annual audits of public debt which go beyond the narrow scope of financial audits and the DMFAS in the CBoS was audited five years ago, in 2008. Higher scores would require more frequent internal and external audits of policies and operations of government debt management activities.

Dimension 2

Each external audit report contains recommendations and the management response to those recommendations, including an agreed time frame to implement corrective actions. Each annual audit report follows up on the status of implementation of the recommendations issues in the previous year. This system allows scrutiny by the National Assembly, which according to the NAC Act can impose administrative sanctions (e.g. delay promotions or suspend employees) upon recommendation of the Auditor General.

This system should ensure strong commitment on following up on audit recommendations, but no evidence was provided to the mission by MoFNE and CBoS of recommendations issued in previous audits and actions undertaken to implement them. IAD provides recommendations with respect to debt transactions to the Undersecretary of MoFNE responsible for the IAD. Corrective actions are implemented immediately by the concerned division, after the IAD verification of debt transactions, but no evidence was provided to the mission. Given the lack of evidence of commitment to address internal and external audits recommendations, the second dimension is scored D.

### 2.3.6 DPI-6 Coordination with Fiscal Policy

| Dimension | Score |
|---|---|
| 1. Coordination with fiscal policy through the provision of accurate and timely forecasts on total central government debt service under different scenarios. | C |
| 2. Availability of key fiscal variables and an analysis of debt sustainability, and the frequency with which debt sustainability analysis is undertaken. | D |

Dimension 1

The annual national budget process is well established and followed on a timely basis. MoFNE is responsible for preparation of the budget under the guidance of the High Committee for Budget Preparation. The general budget and appropriation bills are cleared by the Council of Ministers and approved by the National Assembly before the start of the fiscal year. Budget parameters are based on a medium term macroeconomic framework developed by the MoFNE Planning and Macroeconomic Policies Directorate in consultation with CBoS, line ministries, and outside experts. The macroeconomic framework includes forecasts for gross domestic product and its growth, sector contributions to growth, inflation, exchange rate, revenue, expenditure, external sector and other key fiscal variables which are shared with relevant entities. Additional guidance for the 2012 budget framework was provided by a Three Year Economic Emergency Program for 2011-2013, prepared in 2011 in light of the political and economic transition.

Given the magnitude of outstanding debt obligations and increasing pressure for new financing, forecasts of debt-related transactions are an important input to the formulation of fiscal policy. Debt service estimates are provided in a timely manner to the MoFNE Budget Directorate, separately by the DDU and the CBoS EDU. The estimates from the latter are conveyed via MoFNE's International Cooperation Directorate. Forecasts are based on assumptions about the terms of new debt instruments expected to be contracted, repayments for previously contracted debt and exchange rates. Sensitivity analyses of the debt service forecasts to changes in exchange rates and interest rates are not provided as part of the annual budget process, for either external or domestic debt.

During the fiscal year, there is a regular flow of information on desired domestic borrowing and realized issuances between the fiscal authorities in MoFNE and the SFSC, the entity the government uses to sell government securities in the market.

The minimum requirement for this dimension specifies that forecasts on total central government debt service are provided as part of the yearly budget preparation. This requirement is met. A higher score requires the forecasts of all debt service to include sensitivity analyses to changes in profit payments and exchange rates, which is not met at this time.

Dimension 2

Over the past five years, DSAs were jointly prepared by the World Bank and the IMF in August 2007, November 2008 and June 2010. These analyses were based on inputs on debt information from CBoS and MoFNE, with interaction and participation of the CBoS EDU increasing over time. However, the government currently does not conduct a full debt sustainability analysis on their own, though capacity could be developed to conduct this analysis in future. Thus the minimum requirement for this dimension is not met.

### 2.3.7 DPI-7 Coordination with Monetary Policy

| Dimension | Score |
|---|---|
| 1. Clarity of separation between monetary policy operations and DeM transactions. | N/R |
| 2. Coordination through regular information sharing on current and future debt transactions and the central government's cash flows with the central bank. | C |
| 3. Extent of the limit to direct access of resources from the central bank. | D |

Dimension 1

The government issues securities in the domestic market through the issuance of Government Musharaka Securities (GMCs) and Government Investment Securities (GICs) through regular auctions using SFSC as an agent in the primary market for the purpose of financing the projected borrowing requirement. The CBoS issues its own Ijarah Certificates for the purposes of monetary policy implementation. The CBoS also holds Government securities in its portfolio (approximately 10 percent of the outstanding stock as of end-2011) and can use them for monetary policy implementation through CBoS auctions. The CBoS can purchase these securities either in the primary or the secondary market.

Overall, the domestic operations of the Government of Sudan and CBoS are well separated. Nonetheless, CBoS sterilization operations using Government securities can be challenging during periods when the Government of Sudan is selling its securities in the primary market. These selling periods can take up to 10-days, and a complementary security may be offered by the CBoS at a more attractive price than the Government. Furthermore, the CBoS has defined a ceiling for Government securities holdings of commercial banks that limits their investment, directly affecting their demand for Government securities.

The CBoS provides a number of services for the MoFNE that relate to both domestic and external debt operations. The relationship for external debt is governed by a Ministerial Decree that delegates the recording and management of external debt to the CBoS EDU. Although located in the CBoS, this EDU is considered to be a part of the MoFNE with reporting lines both to the Governor of CBoS and the Minister of Finance. For domestic debt, coordination between CBoS and MoFNE is less formal and no specific agreement exists between the CBoS and MoFNE either for the management of Government Accounts or domestic debt functions such as issuance and payments of Letter of Guarantees.

As the SFSC acts as an agent for MoFNE in the domestic market, an agency agreement describing the debt management activities delegated to SFSC is important. The contract that exists between SFSC and MoFNE that describes SFSC's authority as a selling agent is made for each offering but does not specify, on a standing basis, reporting or other functions undertaken on behalf of MoFNE such as management of sales proceeds, registry services and reporting.

Monetary policy operations are kept formally separate from DeM transactions and the CBoS implements its monetary policy operations through its own auctions. However, given the fact that this dimension only assesses the relationship between the CBoS and the MoFNE (and not other agents such as SFSC), dimension 1 is not rated.

Dimension 2

The Cash Flow Directorate (CFD) within the MoFNE prepares a cash flow forecast on the basis of the Financial Budget that covers the entire fiscal year (projecting monthly balances). The CFD's cash flow projections contain both expected debt service and expected future issuances and are shared on a monthly basis with the CBoS Foreign Exchange Department. This practice meets the minimum requirements. For a higher score, the cash flow projection would need to be shared at least every two weeks.

Dimension 3

The Central Bank is the government’s fiscal agent under the Central Bank of Sudan Act (Art. 44) and as such, manages the government’s accounts and payments (Art. 45). The CBoS charges an administrative charge for the use of overdrafts but does not remunerate the government's surplus balances.

The Government of Sudan may borrow from the CBoS through an overdraft facility (Bank of Sudan Act Article 48(1)) for up to 15 percent of expected current revenues that should be repaid within six months of the succeeding fiscal year. Article 48(2), however, provides an option to convert the overdraft into a longer-term loan if mutually agreed between the CBoS and the Government of Sudan. In practice, the 15 percent rule is not observed and overdrafts are rolled into 20 and 30-year interest free loans. Another channel for financing from the CBoS is through Letter of Guarantees. As the CBoS also guarantees timely payment for the Letters of Guarantees such payments may become a claim on the CBoS and ultimately the MoFNE in case there are insufficient funds available on the Government Account.

Access to CBoS financing has an imposed ceiling in the Bank of Sudan Act, but due to the fact that this is routinely not observed and the Bank of Sudan Act also provides for the possibility that the MoFNE and CBoS to negotiate temporary overdrafts into longer term financing, dimension 3 does not meet the minimum requirements.

### 2.3.8 DPI-8 Domestic Borrowing

| Dimension | Score |
|---|---|
| 1. The extent to which market-based mechanisms are used to issue debt; the publication of a borrowing plan for T-bills and T-bonds; and the preparation of an annual plan for aggregate amount of local currency borrowing in the domestic market, divided between the wholesale and retail markets. | D |
| 2. The availability and quality of documented procedures for local currency borrowing in the domestic market. | C |

Dimension 1

A particular feature of Sudan's borrowing instruments is that they are all compliant with Sharia principles that prohibit the use of interest rates (see Box 1).[17]

According to the Financial Budget for 2012, marketable securities (GMC's and GIC's) account for 58 percent of domestic borrowing. Marketable securities are issued through fixed price auctions that take place every quarter, according to a pre-announced auction calendar that also has firm amounts and a maturity range. The annual auction calendar (with quarterly information) is announced when the Financial Budget is presented and is included in the GMC and GIC term sheets. Term sheets for instruments are issued by the MoFNE and are available in hard copy from the MoFNE. Auctions are announced in newspapers 10 days before bidding commences along with the asset pool and expected return of the investment. Auctions are open to all types of investors that may be both resident and non-residents. The auctions can take up to 10 days to close, but no announcement is made upon the auction closure as it is always assumed to have been successful and a public announcement is not considered necessary. Winning bidders are contacted after all bids have been allocated.

The Government of Sudan borrows on the domestic market using market based instruments through fixed price auctions, but given that less than 90 percent of the projected domestic borrowing amount is issued through marketable securities, dimension 1 does not meet the minimum requirements. To receive a higher score the share of market based instruments would need to increase to at least 90 percent.

[17] Sukuks must be able to link the returns and cash flows of the financing to the assets purchased, or the returns generated from an asset purchased. This is because paying interest on debt is prohibited under Sharia. As such, financing must only be raised for identifiable assets that can generate a return.

**Box 2. Domestic Instruments in Sudan**

The government issues a variety of instruments for government financing:

Marketable securities include GMCs, and GICs for government financing. These instruments are traded on the Khartoum Stock Exchange.

- GMCs pay a profit rate of 14 to 17 percent and have a maturity of seven years. The underlying asset is based on ownership in profitable and joint venture enterprises.
- GICs pay a profit rate of 14 to 17 percent rate per annum and have a maturity between two and seven years. The underlying asset is based on contracts that produce assets, such as leasing contracts, contracts to manufacture and produce certain assets that are later sold at a profit.

Non-marketable loans are Letter of Guarantees, Chamber of Account Bonds, CBoS overdrafts and arrears.

- A Letter of Guarantee is a promissory note to pay in the future contractual payment for capital investment to both third parties and also to spending entities. A Letter of Guarantee is non-tradable and can be short or medium-term.
- Chamber of Account Bonds are similar to Letters of Guarantees but differ in the respect that the bonds are only issued to finance capital investments. The Chamber of Account Bonds are non-tradable.
- CBoS overdrafts (temporary and permanent) can only be used to finance salaries. The overdrafts are subject to a 1 percent, one-off, charge.
- Supplier credits (arrears) may also be considered as short-term domestic debt and may be used to finance budget expenditure.

Dimension 2

Terms and conditions for each instrument, borrowing procedures and criteria for access to the primary market are all available on request from both the MoFNE and the SFSC, and this meets the minimum requirement for dimension 2. To reach a higher score this information would need to be publicly available in printed media or on the websites of either MoFNE or SFSC.

### 2.3.9 DPI-9 External Borrowing

| Dimension | Score |
|---|---|
| 1. Degree of assessment of the most beneficial/cost-effective borrowing terms and conditions (lender or source of funds, currency, interest rate, and maturity). | D |
| 2. Availability and quality of documented procedures for external borrowings. | D |
| 3. Availability and degree of involvement of legal advisers before signing of the loan contract. | B |

Dimension 1

The two units responsible for external borrowing (the International Cooperation Directorate of MoFNE and the CBoS EDU) prepare an annual borrowing plan included in the budget document, which reports creditors and borrowing amounts. In 2010 and 2011 new external loans contracted by the Government of Sudan amounted to US$418 and US$574 million, from bilateral official lenders (China, Algeria, Turkey, Saudi Arabia and Kuwait) and multilateral creditors (the Arab Fund for Economic and Social Development). According to the 2012 budget document, the government expects to substantially increase foreign financing to US$1.9 billion.

The borrowing amounts are consistent with the external financing needs that are identified for the priority projects included in the five year plan.[18] The sources of external financing are currently limited to only those creditors that still lend to Sudan. The expected terms and concessionality of the new loans are based on:

- a ceiling of US$700 million on non-concessional borrowing, that was included in the IMF staff monitored program concluded in 2011;
- the 2011 Principles Governing External Borrowing, a draft circular of the CBoS, which defines grace period, maturity and grant element of the new loans to be contracted;
- expected availability of resources of the government in future years.

This borrowing plan reported in the 2012 budget does not formally include an assessment of the most beneficial terms and conditions obtainable from potential creditors. The plan includes, in an undistinguished fashion, both borrowing already identified as part of multi-year programs of Sudan's development partners (a standard feature of low income countries) and possible additional sources of external financing. The preparation of the plan does not meet minimum requirements for the first dimension of the indicator because the mission could not confirm the assessment by staff of the most beneficial terms obtainable from potential creditors.

Dimension 2

The International Cooperation Directorate of the MoFNE conducts negotiations with all external creditors. During negotiations, the concessionality of the loans and the consistency of the proposed repayment terms with the future capacity of repayment of the government are controlled by the CBoS EDU. After negotiations are concluded, the loan agreement with a cover memo including the financial terms of the negotiated loan is submitted to the undersecretaries of the MoFNE and of the relevant line ministries. After approval at this level, the loan is then considered at the ministerial level and eventually

[18] The five year plan is prepared by the National Strategic Planning Council under the Office of the President.

by the National Council of Ministers for approval and signature. The loan is subsequently sent to Parliament for final ratification. After ratification a copy of the loan agreement, but not the cover memo, is sent to the CBoS EDU, which updates the debt database maintained in DMFAS. The MoFNE's International Cooperation Directorate and Macro Policies Directorate also inputs the terms of the new loan agreement in the GRP, which is the system used by the MoFNE to prepare and monitor the execution of the budget.

Even though procedures are very well defined, they are not sufficiently documented. A manual of procedures was drafted in 1994, but it is not available to staff. The 2011 Principles Governing External Debt includes guidelines on how loans are contracted at the federal and state level, but there are not specific guideline for each type of creditors (e.g. market-based or non-market borrowing sources). Therefore, the minimum requirements for this dimension are not met.

Dimension 3

MoFNE's legal advisers review the initial draft loan agreements. Based on availability, legal advisers also participate in the negotiations. Before the transmittal of the loan agreements to the relevant undersecretaries the legal advisers prepare a legal certificate. Before ratification by Parliament, legal advisers of the Ministry of Justice provide the final legal certificate.

The involvement of legal advisers since the early stages of negotiations meets the requirements for score B. Best practice requires the systematic inclusion of legal advisers in the negotiating team.

### 2.3.10 DPI-10 Loan Guarantees, On-lending and Debt-related Transactions

| Dimension | Score |
|---|---|
| 1. Availability and quality of documented policies and procedures for approval and issuance of central government loan guarantees. | D |
| 2. Availability and quality of documented policies and procedures for on-lending of borrowed funds. | D |
| 3. Availability of a debt management system with functionalities for handling derivatives and availability and quality of documented procedures for the use of derivatives. | N/R |

Loan guarantees are issued by the CBoS upon Ministerial Instructions from the DDU (see DPI-1).[19] Loan guarantees may be issued at the specific request of a State. In such cases, the CBoS may charge a commission to state governments for this task. In case of state default, these loan guarantees would be deducted from state budget transfers. In addition there are loan guarantees that are issued for specific purposes, such as to guarantee the loans taken by White Nile Sugar Corporation or the Cotton Corporation. On-lending is rarely used and only one case exists where a loan was provided to the White Nile Sugar Corporation. The Government of Sudan does not use derivatives, and there are no legal disciplines, regulations, policies, or documented procedures regarding such instruments at this time.

The DDU in the MoFNE is responsible for assessing loan guarantees and on-lending for both domestic and external guarantees. No formal processes or procedures, however, exist for this function. No charge is levied to recipients of loan guarantees but the CBoS charges an administrative fee of 2 percent to the

[19] A variety of instruments are referred to as guarantees in Sudan but only loan guarantees are assessed for the purpose of the DeMPA.

MoFNE. The loan guarantee administrative fee is not applied consistently and it is not based on a risk assessment.

In summary, given the absence of documented policies or procedures related to the approval of loan guarantees and lending of borrowed funds, dimensions 1 and 2 do not meet the minimum requirements. Dimension 3 is not rated.

**Box 3. Guarantees in Sudan**

Guarantees in Sudan are issued by the CBoS upon instructions from the Minister of Finance. This practice does not have an immediate or direct impact on the Government's balance sheet since losses assumed by CBoS from invoked guarantees would result in either lower or negative profits from the CBoS to the Government. Invoked guarantees can, however, have the same impact as monetary financing in a way that it increases the money supply and leads to inflation.

Guarantees have been issued to the Agriculture Bank for financing the needs of farmers but these are, however, not loan-guarantees.

Letters of Guarantees, except for the category Guarantees to Others, and payment guarantees for Chamber of Account bonds are debt instruments issued in lieu of cash transfers. In recent years, instead of advancing cash, MoFNE had provided guarantees for a large share of the amounts due to be transferred to states. The States request these guarantees according to their ceilings. Letters of Guarantee are also issued in lieu of future payments to contractors that are then essentially a promise to pay upon project completion and can be used by contractors as collateral against project financing from commercial banks.

Prudent implementation requires robust legislative and regulatory disciplines on guarantees and on-lending (see DPI-1), legal capacity within the government (see DPI-1) and analytical capacity for risk assessment and management. In this context, sound credit and financial assessments would be required to consider the viability of projects, their potential financial and economic returns, and the possible impact that related contingent liabilities could have on government finances.

### 2.3.11 DPI-11 Cash Flow Forecasting and Cash Balance Management

| Dimension | Score |
|---|---|
| 1. Effectiveness of forecasting the aggregate level of cash balances in government bank accounts. | D |
| 2. Effectiveness of managing the aggregate cash balance in government bank accounts, including the integration with the domestic debt borrowing program. | D |

<u>Dimension 1</u>

The Cash Flow Directorate within the MoFNE prepares cash flow forecasts on the basis of the Financial Budget for the fiscal year. The CFD's monthly cash flow forecast contains both debt service and budget projections and is shared within the MoFNE. The CFD also prepares an intra month cash flow forecast that is updated three-times during the month. The month is broken into three intra-month periods (1-15, 16-25 and 26-31).

The CFD's cash flow forecast is based on an annual cash plan derived from budget implementation plans received from line ministries/agencies. In line with their budget implementation plan, the line ministries/agencies submit requests for funding every month to the MoFNE. Requests for cash releases are first examined by the MoFNE Budget Department and then considered by the cash management committee for a decision on cash releases to the respective line ministries/agencies. As a consequence, budget execution is implemented through cash rationing and for other than salary payments, there is a large amount of unpredictability regarding resource flows to line ministries/agencies and flows for capital investments. The MoFNE access to short-term liquidity is limited as there is no short-term debt instrument and overdrafts are both limited in size and can only be used for financing salaries.

Given Sudan's need for cash rationing the main controls of the MoFNE are related to ensuring that budget execution is managed within agreed financial limits. This covers aspects from control over cash releases linked to resource availability, to ensuring that releases are in line with spending commitments, and delegation of budget management to line ministries. By contrast, cash management is concerned with ensuring that the government has the liquidity available to fund its expenditure in a timely manner and to meet its obligations as they fall due. This requires planning ahead and making cost-effective use of the government's available cash. Cutting planned expenditure because of a lack of cash is cash rationing, not cash management. Effective cash management removes the need for cash rationing.[20]

At the cash management committee meetings, the MoFNE Revenue Directorate provides information on taxes and customs receipts, the MoFNE Budget Directorate provides the expenditure plan, and Budget Execution Department provides information on payments that have been made and carryovers. The DDU, located within the MoFNE Budget Directorate, provides domestic debt service estimates; the International Cooperation Department provides debt service projections for external debt. On the basis of this information, the CFD prepares a monthly cash flow forecast that is updated every month. Cash flow forecasts are then monitored through execution reports within the CFD but these are not consistently updated.

The authorities do not meet the minimum requirements for dimension 1 since the cash flow projections are not broken into weekly periods.

Dimension 2

A Treasury Single Account System is not yet operational in Sudan and full consolidation of government bank balances does not exist. The government maintains around 400 bank accounts in the CBoS, and MoFNE monitors these bank balances daily. According to the Bank of Sudan Act (Art. 45(1)), government funds shall be deposited with the CBoS but there remain nonetheless accounts in commercial banks.

The CFD does not calculate an average balance for the Government Accounts but estimates that the balance is on average SGD 1.3 million which is low (in relation to Sudan's peer group) compared to an overall monthly expense of approximately SGD 1.6 billion. The CFD may make use of temporary borrowing from the CBoS for salaries, only. The MoFNE pays a one-off administrative fee to the CBoS of 1 percent for overdrafts.

[20] For further information on sound practices in cash management, refer to M. Williams (2010), "Government Cash Management: Its Interaction with Other Financial Policies," IMF Technical Note and Manual 10/13 (available on the internet site of the IMF).

The CFD attempts to target a zero cash balance but this target balance is not documented, officially recognized nor practical. Moreover, it is not possible for the CFD to undertake cash management transactions (such as issuance and buyback of instruments ahead of maturity) as it does not have a basis for when to undertake such transactions and secondly there are no marketable short-term instruments (except longer-term instruments close to maturity) that could be used for this purpose. If excess cash existed, the overdraft at the Central Bank might be lowered but given that the costs of maintaining the existing overdraft are nil and that a new overdraft attracts a 1 percent administrative fee, actively managing the overdraft balance makes limited financial sense for the CFD.

**Box 4: Cash Management**

To further improve cash forecasting and cash balance management, the following areas should be the focus of attention:

**Pooling cash and improving accounting systems by extending the reach of the TSA.** The closing of project accounts in commercial banks may also assist in this area. This should be followed by bringing all important government bank accounts under the treasury control and beginning to implement the zero end-day balance principle for accounts that remain open.

**Increasing the frequency for short-term projections of cash flows.** The CFD should focus on analyzing recent projection performance, updating the database, and revising short-term projections. It is also essential to ensure that the timing and amounts of large inflows or outflows are as accurate as possible. Increasing frequency should lead to newer information to be included in the forecasts, which would have a positive effect on their accuracy. Some countries also use an early warning system for larger flows.

**The cash management committee should, as the budget situation normalizes, transform itself from a cash rationing body**, which approves specific expenses and their priority, to a body that monitors forecasts and is forward looking in terms of ensuring sufficient cash balances in the government's accounts.

For dimension 2, the minimum requirements are not met. To meet the minimum requirements CFD would need to define a target cash balance and manage its excess cash either through investments in the market or receive a market return from the CBoS.

### 2.3.12 DPI-12 Debt Administration and Data Security

| Dimension | Score |
| --- | --- |
| 1. Availability and quality of documented procedures for the processing of debt service. | D |
| 2. Availability and quality of documented procedures for debt data recording and validation, as well as storage of agreements and debt administration records. | D |
| 3. Availability and quality of documented procedures for controlling access to central government's debt data recording and management system. | D |
| 4. Frequency and off-site secure storage, secure storage of debt recording and management backups. | D |

Dimension 1

The MoFNE processes debt service payments for active loans[21] in accordance with the budget execution plan and monthly payment projections sent by the CBoS (see Annex 2 on debt service payments business flows). Creditors' payment requests are checked by the CBoS against the entries in the DMFAS database. At least one month before a payment's due date, the MoFNE EDU prepares a debt payment notification, which is signed by the Director and sent to the relevant unit (Bilateral, Multilateral, Arab Fund or Islamic Development Bank Unit) for approval. The Undersecretary of Finance then checks the information against the cash flow program, signs the payment order and forwards it to the MoFNE Budget Department. All these processes are done manually.[22] The MoFNE Expenditure Directorate verifies that the payment is scheduled in the budget plan before issuing a payment order, which is forwarded electronically to the Chamber of Accounts. On the payment due date, the payment order is transmitted manually to the CBoS for effecting payment on the same day. The Forex Department sends the confirmation (swift) to the MoFNE and to the CBoS EDU for registration into DMFAS. The MoFNE allocates the funds for domestic debt service. The DDU, through its units for sukuks and for letters of guarantees, initiates the payment process based on the budget plan and repayment schedules of each sukuk and letter of guarantees. The payment order then undergoes the same procedures as for external debt payments. The CBoS provides the funds for servicing sukuks either in cash or checks to the SFSC, who processes the payments to investors based on the information contained in their registry. Once the payment is confirmed, the DDU registers the information into the GRP and in the Excel databases. The Chamber of Commerce at the MoFNE processes the payment of the bonds they issue based on their own database and GRP information.

The absence of a readily accessible procedures manual for the processing of debt service implies that minimum requirements for this dimension are not met.

Dimension 2

Procedures for data recording and data validation are documented in a procedures manual at the CBoS, but no such formal procedures exist at the MoFNE. Debt data validation is performed regularly at the CBoS and the external database is reconciled with creditors on an annual basis. Information on disbursements, debt service for active external loans and debt outstanding of loans in arrears is reconciled monthly between the CBoS and the MoFNE. All disbursement notifications received by the MoFNE EDU from creditors are cross-checked with the MoFNE Development Directorate which monitors project implementation (including disbursements) with line ministries. On a monthly basis, the MoFNE sends to CBoS a list of disbursements that occurred during the previous month. Domestic debt payments are cross-checked with the SFSC during the payment process, and meetings between the two institutions are organized weekly to reconcile the data.

Original loan agreements and related documentations for active loans are kept and filed at the MoFNE's International Cooperation Department under the responsibility of the designated filing person. Domestic debt documents, including prospectuses on issuance and SFS reports, are kept in the DDU. Documents deemed sensitive are stored in locked, fireproof cabinets while documents of lesser sensitivity are stored in open cabinets. Since 2010, at the end of each year, loan agreements that are fully repaid are transferred

[21] As opposed to "frozen" loans, about 30 percent of the total external debt portfolio, for which debt service payments are in arrears.

[22] The processes include both hardcopy and electronic copies.

to the MoFNE's Archive Unit. However this unit lacks the resources to store, file and preserve archives in a safe and secure environment[23]. In regards to archiving practices at the CBoS, EDU keeps copies of loan agreements in three open cabinets and sends disbursements notifications and payment requests for filing in the CBoS' Archive Unit. Both the MoFNE EDU and CBoS EDU plan to produce and keep electronic files in the future. The absence of secure and documented archiving procedures in either institution, as well as the absence of written procedures for debt recording and validation at the MoFNE implies that also minimum requirements for the second dimension are not met.

Dimension 3

Multiple databases are currently used simultaneously for managing public debt: (i) the GRP was installed at the MoFNE in 2010 to track budget preparation and execution, including debt management operations (mainly domestic debt at this stage) (ii) Excel sheets containing information on domestic debt and active external loans, (iii) an Oracle-based database managed by the Chamber of Account to manage Chamber of Account bonds, and (iv) the DMFAS system used to record external debt, which is installed at the CBoS. The GRP as well as the Oracle-based database for Chamber of Account bonds allow for different user profiles and access rights, which are determined by the respective debt management directors. User profiles are managed and timely updated by the technical coordinator at the IT unit. The IT department at the MoFNE consists of 29 staff members, all trained in GRP maintenance. The GRP system can generate audit trails. Databases kept in Excel sheets will still be used by the MoFNE EDU and the DDU until the GRP becomes fully operational, which is expected mid 2012. Staffs' computers are password-protected in both the MoFNE and the CBoS but control over user access to MoFNE's data in is limited. User access rights to the DMFAS system installed at the CBoS are determined by the Director General of the CBoS EDU and managed by the designated database administrators, as instructed in documented procedures. This dimension does not meet the minimum requirements since access to the Excel databases cannot be considered as secure, and no written instructions on access rights are in place for any of the systems used for debt management at the MoFNE.

Dimension 4

The MoFNE's IT Center performs daily back-ups of the GRP and Chamber of Account's database that are kept for 30 days on a rolling basis. The servers and back-up information are located inside the MoFNE's IT Center in a locked office, which lacks basic security features such as a smoke detector and fire extinguishers. A proposal to upgrade the data center is being considered by MoFNE. Domestic and external databases managed in Excel files are not backed up. The DMFAS database at the CBoS is backed up on a daily basis (incremental data) and on a weekly basis (full database). Back-ups and servers are kept in a secure data center in the CBoS' basement, with a digitally controlled, authorized personal-only access, CCTV surveillance and protection against fire hazard. The data security section of the CBoS IT department was audited in 2008. In addition, the data are sent electronically on a weekly basis to the CBoS's state branch located in Khartoum. Back-ups at the state branch are kept in a secure and safe data center.[24] As domestic debt is not backed up and MoFNE data storage is not secure, minimum requirements for this dimension are not met.

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[23] This partly explains why a significant number of loan agreements cannot be retrieved and are deemed lost.

[24] The data center at the Khartoum state branch is equipped with the following features: secure authorized personal only access, fireproof walls, fire extinguisher, air conditioning, video surveillance etc. It is a windowless room located on the 4$^{th}$ floor of the building.

**2.3.13 DPI -13 Segregation of Duties, Staff Capacity, and Business Continuity**

| Dimension | Score |
|---|---|
| 1. Segregation of duties for some key functions as well as the presence of a risk monitoring and compliance function. | D |
| 2. Staff capacity and human resource management. | D |
| 3. Presence of an operational risk management plan, including business-continuity and disaster-recovery arrangements. | D |

Dimension 1

The director of the relevant MoFNE debt unit[25] participates in the loan negotiations led by the signing authority while the responsibility for registering the debt information throughout the life cycle of the loan is conducted by one debt officer in that same unit. The payment process is initiated at the MoFNE by the MoFNE EDU for external loans and by the DDU for domestic debt issuances. Payments are checked and approved by multiple units and departments as described in DPI 12 and in annex 2. Debt records are checked by units' directors upon entry into the database and also on a monthly basis. The Director General of the International Cooperation also regularly verifies the quality of data. The CBoS EDU acts as a separate back office for external debt, although some EDU staff members are responsible for conducting external debt analysis and are occasionally invited to join the negotiating team for advice and loan analysis. Each recording debt officer at the CBoS EDU is in charge of managing a specific debt portfolio covering the entire loan cycle. Data entries into the DMFAS system are validated by a designated debt officer. To summarize, the organizational structure for debt management does not clearly reflect the partition into back, middle and front office functions, and there is no clear distinction between debt officers in charge of negotiations and those in charge of checking the data, as both tasks are mainly done by unit directors. EDD and EDU's Directors are responsible for monitoring their unit's respective borrowing ceilings but no staff member is responsible for compliance and risk monitoring. One of the financial officers at the CBoS' EDU monitors external borrowing ceilings and verifies that the loan's grant element is within the limit set by the government. This dimension does not meet the minimum requirements because of some overlapping of back office and front office tasks.

Dimension 2

With a total of 23 staff members at the DDU and 10 at the MoFNE EDU, staff capacity at the MoFNE is deemed adequate and relatively stable. There are minimum qualification and language skills requirements for hiring civil servants. Internal training is provided to new staff, and training on systems such as the GRP is also provided to users. There are however no individual training and development plans. No formal code of conduct nor conflict of interest guideline is in place, but the 2007 Financial and Accounting Procedures Act contains a section that establishes the penalties associated with misuse of public funds. CBoS staffs define their own training needs for the upcoming year. Staff capacity at CBoS EDU is adequate and stable with 10 staff members. There is an updated code of conduct for CBoS employees but no formal conflict of interest guidelines. Both the MoFNE and CBoS conduct individual yearly performance assessments. There are specific job descriptions for CBoS EDU staff, but only general terms of reference for each directorate or unit at the MoFNE. For these reasons, minimum requirements for this dimension are not met.

[25] The units are: the Bilateral Unit, the Multilateral Unit, the Arab Fund Unit, the Islamic Dev. Bank Unit, or the MoFNE EDU for restructured loans.

Dimension 3

Currently there are neither business-continuity nor disaster recovery plans at the MoFNE or at the CBoS. Plans are in place to design such procedures in a near future. This dimension does not meet minimum requirements.

**2.3.14 DPI-14 Debt Records**

| Dimension | Score |
|---|---|
| 1. Completeness and timeliness of central government debt records. | B |
| 2. Complete and up-to-date records of all holders of government securities in a secure registry system. | A |

Dimension 1

The CBoS keeps and manages complete and up to date records of all external loans, including guaranteed loans and rescheduled loans. The database information is validated weekly, monthly and annually according to a data validation calendar, and it is reconciled yearly with all creditors. A list of disbursements made during the previous month is sent by the MoFNE to the CBoS on a monthly basis. The CBoS updates the DMFAS system immediately upon reception of this list of disbursements, with late disbursements reported infrequently. Debt service payments are registered by the MoFNE and the CBoS in their respective databases within a few days upon reception of payment confirmation from the CBoS. Regarding the domestic debt databases in the MoFNE, each unit under the DDU records their respective debt instruments in Excel databases, which are complete, and into the GRP, which will reportedly be fully populated in the coming months. The Chamber of Accounts registers the bonds they issue in the Oracle-based database and into the GRP, which is now complete for Chamber of Accounts bonds. For other domestic debt instruments the GRP is about 80 percent complete and it is expected to be finalized by mid 2012. Currently the SFSC's registry and the original databases in Excel sheets at the MoFNE contain all historical and current information on redeemed and outstanding Sukuk and letters of guarantees. The domestic debt databases in Excel and GRP are promptly updated after SFSC reports on auction results are received, usually within five days after the auction closing date. Furthermore, the MoFNE maintains an Excel database for external loans contracted since 2011 as well as older loans that are still amortizing and are being repaid by the government.[26] Other loans are not registered into the GRP. Registration lags for external and domestic debt information at the MoFNE do not exceed one month, and registration lags for external debt at the CBoS do not exceed two months. Further, the databases will remain somewhat fragmented until the migration to the GRP is completed, but the mission found the information to be comprehensive, accurate and consistent. Therefore, the requirements for score B of this dimension are met. Scoring an A would require that all databases be updated with at most a one month lag.

Dimension 2

Domestic instruments that are issued through auctions (mainly GMCs and GICs) are registered in an electronic book entry system which is managed by the SFSC, the private sector company that acts as MoFNE's agent in the domestic market. Auctions are conducted four times a year. Investors are informed on auction results right after the auction closes, and new registry entries are completed within a few days thereafter. The registry includes information on the final beneficiary - no nominee accounts -

[26] This does not include “frozen” loans that are not being repaid, and whose updated and complete information is kept at the CBoS in the DMFAS database.

including residency to allow determination of domestic versus foreign ownership. The SFSC also updates its records for secondary market transactions through its electronic link to the Khartoum Stock Exchange. The registry system is secure, with password-protected access and access rights tailored to the 35 users at the SFSC depending on their business need. Registry information is backed up on a daily basis and transferred daily off-site to the CBoS' data center. Issuance and recording of issuances at SFSC are governed by formal regulations. Samples of investors and operations recorded in the registry are audited yearly by the General Audit, hence this dimension satisfies the requirements for a score A.

### 2.3.15 DPI-15 Debt Reporting

| Dimension | Score |
|---|---|
| 1. Meeting of statutory and contractual requirements of central government debt to all domestic and external entities. | B |
| 2. Meeting of statutory and contractual reporting requirements for total nonfinancial public sector debt and loan guarantees to all domestic and external entities. | N/R |
| 3. Quality and timeliness of the publication of a debt statistical bulletin (or its equivalent) covering central government debt. | D |

Dimension 1

There are currently no statutory requirements on reporting central government debt (i.e., legally required reporting to the National Assembly). However, there are contractual requirements for Sudan to regularly report debt data as a member of the World Bank and the IMF. For the World Bank, this includes an annual submission to the World Bank Debt Reporting System. These reports are considered of good quality and submitted on time. For the IMF, the government has set up a Committee to collect and report monthly to the IMF on various macroeconomic data including debt. The CBoS EDU reports, on a monthly basis, any activities reported during the previous month to the Committee on disbursements, repayments and stocks of debt (current and in arrears). Since the Ministry's contractual requirements for submitting debt data to the Bretton Woods institutions are fulfilled within a two month timeframe, requirements for a B score are met. In order to improve this score to an A, fulfillment of debt reporting requirements would need to take place with a one month lag.

Dimension 2

There are no statutory or contractual reporting requirements for total nonfinancial public sector debt and loan guarantees to all domestic and external entities. Therefore this dimension is not being rated.

Dimension 3

A high quality external debt statistical bulletin is produced annually by the CBoS EDU. The document includes stock and debt service projections on a loan by loan basis as well as by creditor. It also includes basic debt ratios as well as risk indicators. Finally, it contains debt classifications by currency and interest rates basis. Although debt service projections on a loan by loan basis only cover the period until 2015, information on the various loans include the signature date, first amortization date and the final amortization date. Additionally, information about the average time to maturity and a complete redemption profile is included in the debt portfolio section, therefore fulfilling the remaining maturity criteria. As this report however is limited to external debt, the minimum requirements for this dimension are not met. In order to get a C score, the annual bulleting or report should be comprehensive and include both external and domestic debt data and analysis.

**Box 5. Standard Requirement of a Debt Statistical Bulletin**[1]

A debt statistical bulletin (or its equivalent) covering domestic and external central government debt and loan guarantees could be in the form of regular MoFNE or CBoS publications, statistical tables produced by a bureau of statistics, or tables published in the government financial accounts.

The bulletin should be published at least annually (preferably quarterly or semi-annually) and provide information on:

- central government debt stocks (by creditor, residency classification, instrument, currency, interest rate basis, and residual maturity);
- debt flows (principal and interest payments);
- key debt ratios and indicators;
- basic risk measures of the debt portfolio.

Basic risk measures would include the following:

- share of fixed rate to floating rate debt
- share of short-term to long-term debt
- average time to interest rate re-fixing
- share of foreign currency to domestic debt
- currency composition of foreign currency debt
- average maturity of the debt
- maturity profile of the debt

[1]Guide to the DeMPA Tool (December 2009).

# ANNEX 1: LIST OF MISSION CONTACTS

| Name | Department | Unit/Directorate | Title |
|---|---|---|---|
| **Ministry of Finance** | | | |
| Yousif Abdalla Alhussein | | | Undersecretary |
| Al-Sham Abdalla | Public Budget Directorate | Public Budget Directorate | Director General |
| Fiza Awad Mohammed | International Cooperation Directorate | International Cooperation Directorate | Director General |
| Mona Elsaied Abu-Haraz | Revenue Department | Public Budget Directorate | Director |
| Somia Siddig | Cash Flow Department | Public Budget Directorate | Director |
| Madina Mohammed Ahmed | Domestic Debt Unit | Public Budget Directorate | Director |
| Nadia Shukralla | Chamber of Account | Chamber of Account | Deputy Manager |
| Maki Mohammed Abdel Rahim | Bilateral Creditors | International Cooperation Directorate | Deputy Manager |
| Wedad Abdel Mutaal | External Debt Unit | International Cooperation Directorate | Manager |
| Said Hamadani | Organization Department | International Cooperation Directorate | Manager |
| Ibrahim Hillo Nagi | Bonds Section | Chamber of Account | Section Head |
| Osman Dafallah | Domestic Debt Unit | Public Budget Directorate | Section Head |
| Yousif Mohammed Ahmed | Minister Front Office | Executive Offices | Manager |
| Abdel Rahman Medani | National Revenue Fund | Chamber of Account | Section Head |
| Mr. Satish Kumar | GRP | Information Technology Center | Project Director |
| Mr. Huzefa Asif | GRP | Information Technology Center | Project Consultant |
| Nagwa Abdel Rahman | Internal Auditing Directorate | Internal Auditing Directorate | Director |
| Sawsan Ismail | External Debt Unit | International Cooperation Directorate | Staff |
| Fadul Abd Elatif | Development Monitoring and Coordination | Development Directorate | Staff |
| Mohammed Eisa Alfaki | Revenue Department | Public Budget Directorate | Staff |
| Khalid Khidir | Executive Office of Undersecretary | Executive Offices | Staff |
| Nada Khalifa Ismail | GRP | Information Technology Center | Staff |
| Manahil Abbashar Bakheet | GRP | Information Technology Center | Staff |
| Wedad Abdel Rahim | GRP | GRP - IT Unit | Staff |
| **Office of the Auditor General** | | | |
| Abdalla Hamed | Auditor General | Auditor General | Deputy Manager |
| Salah Mohamed Osman | Auditor General | Auditor General | Deputy Manager |
| Awad Mohamed | Executive Office | Auditor General | Director |
| **Central Bank of Sudan** | | | |
| Nagem Eldein Hassan Ibrahim | External Debt Unit | External Debt Unit | Director |
| Nagla Abdel Aziz | External Debt Unit | External Debt Unit | Assistant Manager |
| Abdel Hadi M. Mohamed Suliman | Risk Analysis | External Debt Unit | Section Head |
| Dr. Mutasim Yousif Albadri | Statistics | External Debt Unit | Section Head |
| Aida Awad Mohamed | Risk Analysis | External Debt Unit | Finance Supervisor |
| Salwa Abdel Kheir | Statistics | External Debt Unit | Staff (Economist) |
| Abdel Rahman Mohamed Abdel Rahman | Policies Division | Policies, Statistics and Research General Directorate | Division Chief |

| | | | |
|---|---|---|---|
| Abdel Mouneim Nowralgalil Elbashir | Balance of Payment | Policies, Statistics and Research General Directorate | Division Chief |
| Fatima Mohamed | Policies Division | Policies, Statistics and Research General Directorate | Staff (Economist) |
| Elwaleed Ahmed Talha | Balance of Payment | Policies, Statistics and Research General Directorate | Staff (Economist) |
| Hanan Mohamed Alhassan | Statistics | Policies, Statistics and Research General Directorate | Staff (Statistician) |
| Sawsan Elzubair Ibrahim | Statistics | Policies, Statistics and Research General Directorate | Staff (Statistician) |
| Bader Eldein Hussein Jubralla Hamed | Monetary Operations | Financial Markets and Foreign Exchange General Directorate | Staff (Economist) |
| Amin Ali Mohamed Ali | Monetary Operations | Financial Markets and Foreign Exchange General Directorate | Staff (Economist) |
| Elham Abdalla Elhag | Balance of Payment | Policies, Statistics and Research General Directorate | Staff (Statistician) |
| Hyam Ezzeldin | Balance of Payment | Policies, Statistics and Research General Directorate | Staff (Statistician) |
| Nahid Omer Hassan | Balance of Payment | Policies, Statistics and Research General Directorate | Staff (Statistician) |
| Eissa Ahmed | Research | Policies, Statistics and Research General Directorate | Researcher |
| Bushra Khair Elhag | Research | Policies, Statistics and Research General Directorate | Researcher |
| Marwa Bushra Omer | Finance Department | Financial Markets and Foreign Exchange General Directorate | Staff (Economist) |
| Kamal Edein Abbass | Finance Department | Financial Markets and Foreign Exchange General Directorate | Staff (Economist) |
| Suleiman Eldasougi Mohamed | Finance Department | Financial Markets and Foreign Exchange General Directorate | Staff (Economist) |
| Hashim Mustafa Omer | Foreign Exchange Department | Financial Markets and Foreign Exchange General Directorate | Staff (Economist) |
| Abubakar Yousif Abdalla | Information Technology Department | Information Technology Directorate | Director General |
| Manahil Mohamed | Development Department | Information Technology Directorate | Section Head |
| Waleed Mohamed | Projects Management Office | Information Technology Directorate | Project Manager |
| Hatim Mohamed Elhag | Security Department | Information Technology Directorate | Section Head |
| Abdein Sayed Mohamed | Information Technology Department | Information Technology Directorate | IT Assistant Manager |
| Sami Muhi Eldein | Database Administration | Information Technology Directorate | Database Administrator |

The World Bank

| | | | |
|---|---|---|---|
| Alassane Sow | Africa Region | Country Management Unit | Country Manager |
| Mosllem Alamir | Africa Region | PREM | Economist |
| Mohamed Yehia Abd El Karim | Africa Region | Financial Management | Financial Management Specialist |

Other

| | | | |
|---|---|---|---|
| Osama Mohamed Saeed | Research and Statistics | Sudan Financial Services Company | Section Head |
| Mohamed Alhassn Ziada | Securities Promotion Company | Securities Promotion Company | Manager |
| Dr. Fateh Alrahman Hassan | Financial Investment Bank | Financial Investment Bank | Manager |

# ANNEX 2: EXTERNAL DEBT SERVICE PAYMENT FLOWS