

Sudan

Technical Assistance in Fiscal Year 2017

Sudan is facing significant domestic and international constraints and large macroeconomic imbalances despite efforts made toward macroeconomic stability and growth. Institutional reforms over the last few years strengthened tax collections and PFM. The IMF's staff report for the 2016 Article IV Consultation urged the authorities to accelerate policy consolidation and reforms to achieve macroeconomic stability, address vulnerabilities, and promote inclusive growth. In this context, METAC continued to support the authorities' efforts to strengthen the financial sector and PFM, and to improve national account statistics.

Banking Regulation and Supervision

December 4-8, March 12-16:

METAC continued its support to the Credit Information and Scoring Agency (CIASA), which is owned by the CBoS, to help them improve the credit registry system and develop a credit scoring system, and strengthen the authorities' capacity to monitor credit risk concentration and to detect non-performing loans at an early stage. The mission followed up on progress made in implementing METAC's earlier recommendations (February and March 2016). It also determined the status of installation and effectiveness of the CIASA credit scoring system, and advised on some key technical components related to credit scoring.

A second METAC mission marked the start of a series of TA missions to help the CBoS implement its reform strategy to strengthen banking supervision. The mission reviewed the current inspection manual and provided recommendations to align it with risk-based supervision. This assistance is expected to continue throughout FY18, with a view to establish a risk-based supervision framework in Sudan.

Public Financial Management

August 14-25, April 2-6:

FAD and METAC have been supporting the Ministry of Finance and Economic Planning

(MoFEP) of Sudan in designing and implementing PFM reforms that are essential for helping Sudan cope with its macroeconomic challenges arising inter alia from internal conflict, the considerable loss of oil revenues following the secession of South Sudan in 2011, and US sanctions. In this context, joint FAD and METAC TA mission took stock of progress in the areas of TSA, cash management, budget preparation, and macro-fiscal analysis and advised on further reforms, including a realistic implementation plan. The mission observed that PFM reforms have gained momentum: the authorities have centralized cash balances for the central government at the Central Bank and reduced idle balances, which have spurred other associated key reforms, including (i) centralized payment processing and (ii) activation of the payment processing module of the information technology system and roll-out to all ministries. These reforms have important benefits for fiscal policy, including real time view on actual cash expenditures and payments for financing items; close follow-up on budget implementation; and improvement of

fiscal reports. The mission developed another 12-month action plan to improve budget planning and preparation, which continues to be an essential reform area considering Sudan's macroeconomic challenges.

METAC also organized a five-day national workshop to facilitate the uptake of the macroeconomic guidance provided by the Medium Term Fiscal Framework (MTFF) into the budget process. This was a follow-up to the FAD/METAC mission of August 2015, which had recommended developing a basic MTBF in parallel to the MTFF, to demonstrate the linkage between the MTFF work and the existing budget work. The workshop focused on how to develop an MTFF that provides three year aggregate fiscal targets and projections of revenue and expenditure by main economic categories.

Revenue Administration

April 16-27:

A METAC mission discussed with the Sudanese custom authorities improved custom administration functions, including concept and practice of post-clearance audits (PCA) and a framework for their implementation. The authorities are considering PCA as a priority, with further work on intelligence, and setting up an Authorized Economic Operator regime, all under the rubric of Risk Management necessary. The pilot risk management at Khartoum airport was reviewed and advice was given on how to extend risk management to Port Sudan.

Statistics

July 24-28, April 2-6, April 24-27:

Two METAC missions supported the Central Bureau of Statistics in upgrading the methodological basis of the national accounts, improving the data sources, and addressing the institutional challenges that hinder data collection.

- The first mission assisted the authorities in verifying, organizing, and integrating the ongoing survey results in national accounts compilation, notably the 2014/15 household budget and poverty survey, the 2014/15 regional surveys, and the 2015/16 agricultural census. The mission encouraged the authorities (including the CBoS and Tax Chamber at the MoF) to enhance the inter-institutional cooperation and to establish a coordinated data exchange mechanism for efficient use of administrative data for statistical purposes, in particular for regular compilation of national accounts and other macro-economic statistics.
- The second mission continued with integrating the available source data in the national accounts compilation framework, following the requirements of 2008 SNA. The mission supported the efforts of national accounts staff in assessing and organizing the results of the 2014 household expenditure and poverty survey for measuring the informal economy, as well as to estimate final consumption expenditures of the households.

METAC also assisted the Central Bureau of Statistics in updating the weights of CPI, based on the results from 2014 HEPS. It also helped to enhance the index calculations in compliance with the international methodological requirements, particularly: to apply appropriate index calculations at the elementary aggregation level; to update the sample and organize the rents

collection, and to adopt appropriate procedures for treating missing prices and replacing product items.

Legal Framework

March 21-30:

Building upon the 2015 preliminary desk review by the IMF's Legal Department (LEG), a joint LEG/METAC team assisted the authorities in drafting the amendments of the Banking Business Act, to align it to relevant international good practices the legal framework related to Bank Supervision and Resolution. In particular the following topics were discussed : i) supervisory powers and responsibilities; ii) objectives, functions and legal powers of the supervisors; iii) legal nature and hierarchy of the norms; iv) licensing requirements; v) ongoing requirements; vi) corporate governance; vii) power to control ownership changes; viii) off and on site supervision and supervisory reporting; ix) consolidated supervision; x) sharing of information and inter-agency cooperation; xi) restrictions on lending activities; xii) early intervention, resolution, liquidation; xiii) sanctions; xiv) legal protection and judicial review.