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The Debt Manager and Transparency: Capacity Building Needs

by

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Debt Management & Transparency Capacity Building needs in Sudan

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Sudan



Land Area	1.8 Million km ²
Population	33.4 Million
GDP	\$ 68 Billion
Total Debt	\$43.74 Billion
External Debt	\$42.04 Billion
Domestic Debt	\$1.7 Billion
PV Debt/GDP	64%
PV Debt/Exports	1181%
PV Debt/Revenues	664%

Debt Management

The main objective of debt management in Sudan is:

To meet government financing needs within lower possible cost and acceptable level of risk using Shari's compliant instruments .

Transparency and Debt Management

Transparency is mainly linked to accountability, disclosure policies, accounting standards and institutional setup

- ✓ Legal frame work
- ✓ Institutional Frame work
- ✓ Procedures
- ✓ Recording & Reporting
- ✓ Auditing
- ✓ Challenges
- ✓ Government and International community efforts
- ✓ Capacity building needs

Legal frame work

The Constitution (2005) stipulates that :

- ❖ The authority Of initiating bilateral and multilateral agreements lies within the National Council of Ministers.
- ❖ The responsibilities of contracting , managing and auditing public debt are allocated to the executive body.
- ❖ Parliament is in charge of ratifying agreements.

Legal frame work

❖ **Financial and Accounts procedures Act of 1977:**

- Section 10: The Minister for Finance shall be responsible for laying down the public policy for foreign exchange and securities and administration and settlement of foreign loans
- Section 12: No unit of public organization shall engage in any obligations concerning foreign exchange without obtaining approval from the Minister.

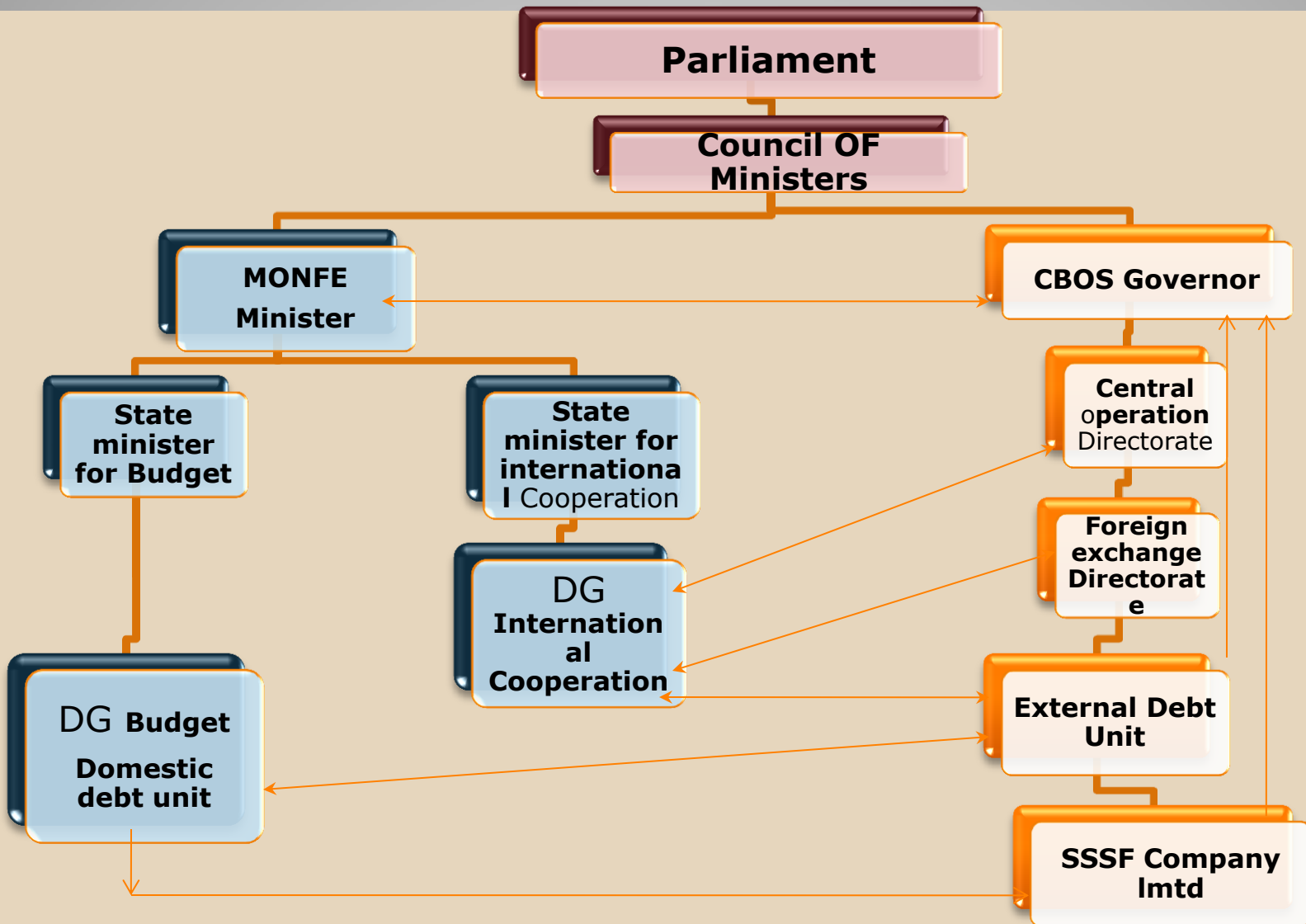
❖ **Bank of Sudan Amendment Bill (2005) for Domestic debt:**

- Regarding the issuance of Government securities the CBOS shall be entrusted with the function of issuing and managing Government securities in accordance with the provisions agreed between the Government and the Bank.
- The CBOS may grant temporary financing to the Government up to 15% of the total projected public revenues for the fiscal year in which the finance is granted.

❖ **Auditor General Law :**

Emphasizes annual audit practice for all government financial activities

Institutional Frame work



Procedures

- ❑ The Debt units submit financing options and recommendations which serve as the basis for the High Committee for Budget Preparation.
- ❑ The High Committee for Budget Preparation is the only body carrying out the role of coordinating of public debt, it consists of (MOFNE, CBOS , Academicians , private sector).
- ❑ Budget Preparation Committee establishes the borrowing mix and the limits of the year.
- ❑ The annual budget submitted to the National Assembly including report on debt.
- ❑ Once the borrowing mix is approved, the front office units start to implement the recommendations for both external & domestic.

Recording & Reporting

- **Domestic Debt:**

- Records were used to be kept manually at the MoFNE (Domestic debt department)
- After introduction of Government Resource Planning system (GRP), records are computerized yet it is not functioning well.
- Periodic reports are simultaneously produced within the budget reports (i.e. monthly quarterly and annually).

- **External Debt :**

- Updating records concerning schedules of disbursements, repayments, arrears, etc
- Producing Comprehensive and accurate statistical report about external debt position since 2000. the primary objective of the report is to provide reliable and regular external debt data for both government and the relevant stakeholders .
- The data produced is generated using DMFAS (DMFAS was used for the first time 2000)



Central Bank of Sudan
External Debt Unit

Sudan External Debt Position
As of 31st Dec. 2012



12th
Annual Report

- The first part of the report is analytical tables includes a debt portfolio analysis. DPA s considered to be extremely important as it shows the external debt dynamics in recent years and explains them in terms of changes in the debt structure . It also addresses the seriousness of the impact of arrears on Sudan external debt position showing the importance of adopting a prudent debt management policies . The standards risk indicators derived and analyzed carefully and policy conclusions are drawn .
- The second part of the document presents statistical information managerial tables that should be used primarily for routine analysis of debt profile therefore emphasis is placed on the size of external debt and it's breakdown in various standard classification

- Besides that quarterly and ad-hoc reports are produced.
- Sharing reports with the World Bank and IMF in different format generated directly from DMFAS.
- Debt stock and debt flows reports are also available in quarterly basis.
- Procedure Manual.
- Data validation process including validation of loan terms and codes, validation of (pipeline debt) and validation of transactions .

Auditing

- Domestic debts are subject to annual auditing procedures by the Chamber of Auditor General annually.

External debt :

- Regular reconciliation with creditors.
- Collecting source data (copy of agreements , payments notifications etc...)
- Auditor General audited external debt for the first time last year.

Challenges

- Sudan is in transitional stage where most of its public debt is subject to apportionment with South Sudan due to secession (the two States agreed on A zero option in sep 2012)
- Strengthening the legal and institutional framework to ensure disciplined process of borrowing at different levels domestically and externally.

- Effective debt management policy is been challenged by :
 - lack of coordination between different entities involved in debt management .
 - Large size of debt (largest in HIPCs eligible countries)
 - Political constraints which has unpredictable Targets .
 - Strengthening the role of the EDU in debt management as a operational and technical unit at the service of the decision making process. (functionalizing its mandate).

- Lack of suitable analytical tools for public debt.
- Weak capacities in debt risk management.
- High turnover of the staff in the front and back offices of public debt.

Government & International Community efforts

- The government exerted many efforts together with the international community to address these challenges such as :
 - Forming the Joint outreach committee in coordination with South Sudan and with the lead of AU to strengthen the Zero option .
 - Requesting DEMPA and reform plan from World Bank.
 - Coordination with UNCTAD for formation of EDU – CBOS, installation of DMFAS 5.2 which was a turnover in debt management in Sudan (financed by ADBgroup).
 - UNCTAD computerization of debt data , upgrading of DMFAS 5.3 financed by Norwegian Tech Support.

- Switzerland provided technical and advisory inputs on debt apportionment, and prospects for debt relief and arrears clearance under HIPC and MDRI(through Debt Relief International (DRI))
- ADB group granted capacity building programmes in debt management .
- IMF & WB granted many technical assistance in debt management.
- Institutes like Crown agents, MEFMI , WAIFEM, Joint Vienna Institute also extended their support to us (some of them we are not even in their region)

Capacity building needs

Public Debt Management

- Analytical Capacities.
- Financial and securities market development.

Borrowing Strategies

- Formulating borrowing policies.
- Institutional requirements for designing borrowing strategies.

Risk Analysis and Risk Management

- How to forecast cost in the International Capital Markets .
- Cost / risk analysis

Debt Relief

- Processing .
- Negotiation .

**Data recording
& reporting for
both External
and domestic**

- Installation of DMFAS V6 .
- Training in DMFAS V6.

THANK YOU