



**Global
Partnership**
for Effective Development
Co-operation

Country brief

Sudan

Creating horizontal partnerships

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Country Profile: Political and socio-economic context

Resumé

At the time when the international community was preparing for the Busan 4th High Level Forum on Aid Effectiveness, Sudan was suddenly split in two, producing the separate countries of Sudan and South Sudan. The secession of South Sudan in July 2011 resulted in the loss of a sizeable portion of Sudan's economic potential: some three-quarters of oil production, half of fiscal revenues and about two-thirds of international payment capacity.

The secession of South Sudan and the shutdown of oil pipelines have led to severe macroeconomic imbalances and a significant deterioration in economic conditions in Sudan. During the period 2008-2010, real GDP growth averaged 5.4%, compared with a growth rate of 2.8% in 2011. Real GDP was projected to contract by 7.35% in 2012. The falling oil revenue also contributed to a slight deterioration in the fiscal deficit of 3.1% of GDP in 2010, to 4.3% in 2011, and was projected to decline further to 8.6% of GDP in 2012. Similarly, the current account deficit of 7.5% of GDP in 2011 was projected to deteriorate further, with a deficit of 8.6% of GDP projected for 2012.

It was recognised that a comprehensive response was required to the political and economic impact of South Sudan's secession. In this context, the government adopted a three-year emergency plan (2012–14). The plan was centred on: (i) consolidating public finances to address the loss of fiscal revenue, including by enhancing tax revenue, streamlining transfers to states and phasing out fuel subsidies by the end of 2017, while strengthening the existing social protection schemes; (ii) reforming the exchange rate regime; and (iii) laying the groundwork for sustained and inclusive economic growth and economic diversification (IMF, 2014).

Following the signing of the Comprehensive Peace Agreement (CPA) in 2005 by the government of Sudan and the Sudan People's Liberation Movement/Army (SPLM/A), the international community had intensified efforts to re-engage with Sudan. These re-engagement efforts were predicated on the need to prevent and mitigate violent conflicts, support on-going reforms and address the key development challenges of Sudan. The state of peace, together with macroeconomic stability and considerable natural resources, offered a tremendous opportunity to increase broad-based economic growth and access to social services for many people.

Sudan has implemented a range of macroeconomic and structural reforms over the past decade under successive IMF Staff Monitored Programmes (SMPs). These reforms have included the adoption of banking sector reforms, the liberalization of the exchange system and other structural measures. They have helped to restore macroeconomic and financial stability, thereby creating the conditions for sustained growth in the country.

Although Sudan has been able to maintain a credible Staff Monitored Program with the IMF for the past decade, its accumulated arrears and the political fallout associated with Darfur have prevented it from developing strategic relationships with donors. It has, in the meantime, been able to extend its relationships with non-traditional creditors, including China, India and the Arab Funds.

The resolution of Sudan's debt issues will require closer collaboration and coordination with the donor community. In this regard, a good working relationship with donors will be a prerequisite, as well as a clear understanding of the process. The joint IMF/WB debt sustainability analysis conducted at the time of the 2013 Article IV discussions classified Sudan as being in debt distress. This highlights the importance of arrears clearance and debt relief in bringing Sudan's external debt to a sustainable level and facilitating the country's access to external concessional financing. Reaching out to creditors will build broad support for

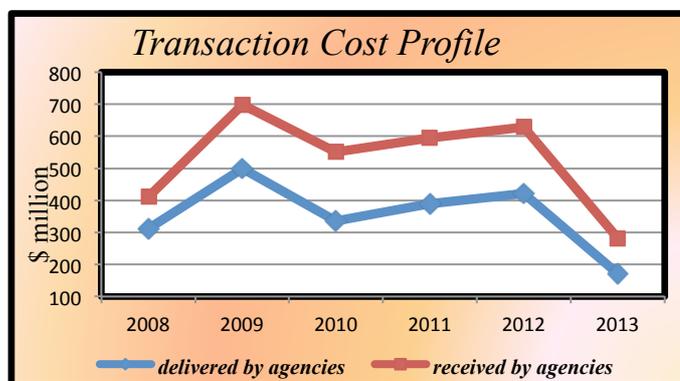
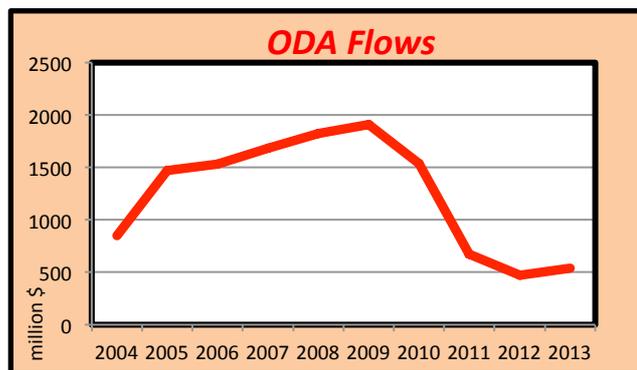
debt relief and needs thus to remain a top priority for the government. External debt resolution requires considerable preparatory work; it will be important to bring donors on board at the domestic level, through intensified dialogue between donors and the government.

Sudan's Aid Architecture (Profile)

Sudan only receives a small amount of Official Development Assistance (ODA), characterized by donor fragmentation. (See e.g. a fragmentation index value (HHI) of 0.91 based on 2012 data.)¹ There is low use of country systems, with donors using parallel systems instead. Donors often take the lead in matters of design and appraisal, determining the inputs to be provided and using their own disbursement and accounting procedures. Donors have tended to avoid cooperating with governments by channelling funds through decentralized actors, such as NGOs. However, bypassing the government has a negative impact on aid effectiveness.

The evidence from Sudan's aid landscape is that the bulk of aid continues to be channelled outside the budget (off-budget aid), incurring high transaction costs, and that there is continuing mistrust between the government and Development Partners (DPs). Direct execution (DEX) is widely used by most DPs, and aid is predominantly both unpredictable and subject to tying conditions.

Moreover, Sudan's relationship with the majority of International Financial Institutions (IFIs) has yet to return to a normal basis. The World Bank's International Development Association (IDA) has no active lending portfolio in Sudan because of the country's default on its financial obligations to the IDA, which led to the suspension of disbursements in April 1993. The AfDB has not been in a position to carry out much needed regular investment activities in the country since 1995, because of arrears. The US has not taken a lead role in development coordination. It has dominated activities in the South, but has played a much less significant role in the North, where its influence is not proportionate to its size. The EU defined Sudan as eligible for aid from the 10th and 11th EDF aid allocations, due to its failure to ratify the revised 2005 Cotonou Agreement. Alongside other donors, DFID stopped its long term development assistance programme to Sudan in 1991. It continued a humanitarian programme.



What progress has been made since Busan?

Based on the aid architecture described above, the government is deeply committed to the Global Partnership principles, and shows political will to implement the Busan commitments, in addition to its efforts to reintegrate with the international community. It has sought to maximize development assistance by designing viable strategies and development plans, and in particular by:

- channelling ODA through Multi-Donor Trust Funds and other bilateral arrangements to rebuild the war-torn country and establish social infrastructure for economic growth, while making efforts to mobilize other sources of development finance and to achieve fiscal independence;
- focusing on the effective use of development resources. The government's five-year national economic development plans, initiated after South Sudan's secession, effectively aligned ODA and

¹Herfindahl-Hirschman index, calculated by author using IATI data 2012.

- other development resources to Sudan's national priorities for economic development, enabling the country to overcome abject poverty and build a strong foundation for sustainable development; and
- introducing policies to promote private investment and systematically build human capital.

Since the Busan High-Level Forum on Aid Effectiveness in 2011 and its endorsement of the Busan Partnership Agreement, Sudan has made considerable efforts to implement each of the principles set out in the Agreement. These principles are:

Principle I: Country Ownership

Country ownership has been the subject of international consensus for more than a decade, and the Busan meeting reaffirmed its importance. The government of Sudan has therefore taken steps to strengthen ownership of all strategies and development programmes, on the basis that country ownership remains very much relevant to effective development cooperation. Aligning resources to country priorities and strengthening existing country systems can increase national ownership and foster more country-oriented solutions.

1.1 Alignment with country priorities and plans

The Five Year Development Plan (2012-2016), the Three Year Medium Term Salvation Program (2012-2014) and the Five Year Economic Program (2015-2019), as well as other sectoral strategies and plans, were adopted to lay the groundwork for a short to long term programme aimed at supporting the peace process, settlement of external debt and arrears, and post conflict reconstruction, as well as achieving the MDGs. They urged DPs to align assistance accordingly. Some donors proved highly responsive to these strategies, as evidenced by activities such as the following:

1.1.1 World Bank Interim Strategy Note (ISN) for Sudan

The WB Interim Strategy Note (ISN) for Sudan is focused on assisting the authorities to achieve results in two areas:

- ✓ First, the Bank will support policy and institutional reforms at the national level to support economic management to achieve fiscal adjustment, proper debt management and readiness for debt relief and to promote new sources of growth and to accelerate growth that empowers citizens, and to carry out institutional reforms to ensure equitable distribution of fiscal resources across regions.
- ✓ Second, the Bank will support national and local programmes for service delivery focusing on key human development outcomes, to establish mechanisms that minimize the impact of the fiscal shock transmitted to households through cutbacks in services or through inflation, and to build systems for service delivery and accountability, especially in areas emerging from conflict.

This is fully aligned with the government's priorities of eradicating extreme poverty, promoting shared prosperity, managing the economic transition to promote fiscal adjustment and diversification of the economy, and improving service delivery to address the socio-economic roots of conflict.

1.1.2 United Nations Development Assistance Framework

The United Nations Development Assistance Framework (UNDAF) 2013-2016 is a collective, coherent and integrated response by the United Nations System to national priorities set out in the Five-Year National Development Plan 2012-2016; these priorities address the situation resulting for Sudan from recent major political and socio-economic developments. The UNDAF also reflects the aspirations of the Millennium Development Goals (MDGs) as well as the broader Millennium Declaration.

1.1.3 African Development Bank's Ten Year Strategy (2012-2022)

The AfDB's interventions were aligned and consistent with the areas of focus spelt out in the Sudan Country Brief 2012-2014, which focuses on the critical and emerging capacity-building needs of the country, particularly in the areas of public financial management (PFM), planning, monitoring and evaluation of policies and programmes. Most of the projects were aligned to pillar 1 of the I-PRSP (2011-2014) and pillar two of the NDP (2012-2016), both of which seek to strengthen governance and institutional capacity in the public sector.

1.1.4 Sudan Multi-Partner Fund (SMPF)

The SMPF took into consideration the objectives of these guideline documents in its programming orientation and priorities. It is the general consensus of stakeholders that the SMPF activities supported the development priorities identified in the CPA and the Five Year Plan.

1.1.5 Sudan Protection Sector Strategy

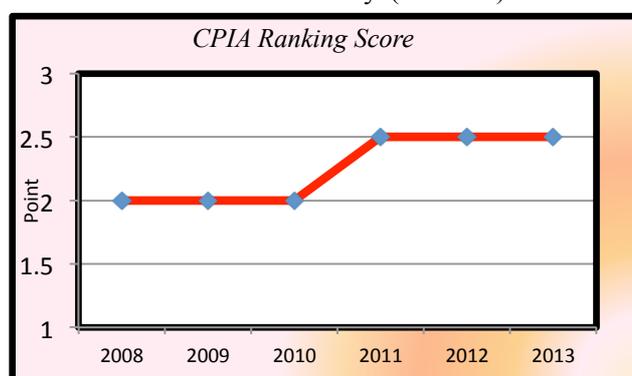
This strategy paper was drafted in view of the Sudanese Protection Sector's responsibility to assist the Government of Sudan (GoS) in addressing existing security and human rights concerns, including those resulting from the continuous decline in the humanitarian and security situation in the country. Through this document, the Protection Sector aims to redouble its efforts to protect citizens through the unified promotion of rights, especially for those touched by the conflict and violence in Sudan.

1.2 Country systems

Respect and use of country systems is at the centre of effective and sustainable development cooperation. This implies more use of country PFM laws and regulations, monitoring and evaluation frameworks, procurement systems, budget processes, country led coordination arrangements and joint programming.

The government is taking numerous steps to strengthen PFM, along with other measures such as the adoption of Treasury Single Account (TSA), in parallel with the introduction of Accrual-based, instead of Cash-based, budgetary accounting. The Ministry of Finance and National Economy (MoFNE) has thus indicated that it wishes to re-engineer the PFM business process, through the acquisition of an Integrated Financial Management Information System (IFMIS), as part of its PFM reform agenda. The government considers the implementation of IFMIS to be an essential element of the PFM reform. Putting in place an IFMIS at Federal level would enable the government to control spending and deficits and achieve greater efficiencies and accountability in the budgetary process.

These measures have led to an improvement in Sudan's PFM average in the Country Policy and Institution Assessment (CPIA), and PFM quality has also increased by one unit since the Paris Survey in 2010.



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1.3 Institutional frameworks

The government reviewed and revised aid coordination mechanisms and institutions, and devised a framework which involved the dissolution of the Ministry of International Cooperation (MIC), which was previously responsible for following-up on grants from bilateral and multilateral partners. Thus coordination of aid and donors now falls under the responsibility of two ministries: the Ministry of Finance and National Economy (MoFNE) and the Humanitarian Aid Commission (HAC).

The MoFNE has taken the lead in the coordination of all external assistance and ensured efficient allocation in line with national plans and priorities. Currently the MoFNE is the Government's central focal point for the overall coordination of international development cooperation and strategic management

of ODA. The MoFNE is mandated to lead and formulate international cooperation policies such as the Sudan Aid Strategy, which was prepared by the now dissolved MIC.

Principle II: Global partnerships

Global partnerships aim to go beyond the traditional means and methods of development aid. Acting alone, states can no longer respond effectively to today's development challenges, as these are becoming increasingly transnational and complex. States must not only cooperate more to tackle them; they must also work together with key partners from civil society, the private sector, local governments, regional organizations, trade unions, international and national development banks, and so on. These actors have indispensable knowledge and expertise that can make all the difference².

One of the new avenues on which the government wants to embark is the design of policies and expanded instruments to fully engage with the global partnership for development framework. Some of the experiences and successes of this framework are as follows:

2.1. Global Partnership for Education (GPE)

The mission of the Global Partnership for Education (GPE) is to “galvanize and coordinate a global effort to deliver good quality education to all girls and boys, prioritizing the poorest and most vulnerable.” It is designed to strengthen national education plans, improve aid effectiveness, coordinate donor support and galvanize financing for education. It does this through a partnership of developing-country governments, donor agencies, civil society organizations and private organizations, aiming to make the whole add up to more than the sum of its parts.

The government received US\$76.5 million from GPE to:

- ✓ improve the learning environment;
- ✓ increase the availability of text books and learning materials; and
- ✓ strengthen the monitoring and management mechanisms of the education system.

2.2. Sudan Multi - Partner Fund (SMPF)

The Sudan Multi-Partner Fund (SMPF) is the result of the work of the Sudan National Multi-Donor Trust Fund (MDTF-NS), which convinced donors across its portfolio to engage with the government in a new deal. The SMPF will be administered by the International Development Association (IDA) and will operate in close partnership with the government, donors and international agencies.

The principal objective of the SMPF is to provide a platform for coordinated financing to support the Government of Sudan's implementation of the I-PRSP as well as to support the development and implementation of the full PRSP, through:

- strengthening core government functions to help manage the economic transition following the economic shock arising from the secession of South Sudan, and to improve equitable basic service delivery so as to reduce the inequality that fuels conflict;
- increasing the coordination of international financial support and its alignment to the implementation of the I-PRSP (and, in addition, through the SMPF, donors will be able to continue to leverage the Bank's convening strength as well as its expertise in reform for inclusive growth and its focus on long-term institution building); and
- facilitating policy dialogue between international and domestic actors to help lend further depth to the government's poverty-reduction strategic paper.

²Lilianne Ploumen, Minister for Foreign Trade and Development Cooperation of the Netherlands

2.3 Global Partnership for Health

The National Health Sector Strategic Plan (NHSSP 2012-16) was developed in close collaboration with WHO and is fully aligned with the government's national development plan. The NHSSP 2012-2016 went through a long and participative process involving various departments within national and state Ministries of Health (FMOH and SMOH), and other key national institutions and associations, with involvement from international partners and INGOs and CSOs.

Principle III: Focus on results

Development cooperation is most effective when it is focused on its intended outcome. Deliberate attention must thus be paid to its results. There must be an effective country-level results framework, with indicators drawn from the country's development priorities/strategies, which have been jointly developed or agreed with DPs, and a coherent mechanism for assessing and tracking performance.

The country lacked an effective monitoring and evaluation framework to facilitate a focus on results. The government is therefore now trying to establish a national integrated system of monitoring and evaluation (M&E) and has taken a number of steps to achieve this:

1. Setting up an M&E Association, a task force which is centred around the Ministry of Finance and National Economy (MoFNE) and other line Ministries, and led by UNICEF in collaboration with other DPs.
2. Developing an M&E Module in the Sudan Aid Information Database (SAID), a system which is financed by the UNDP and tracks the flow of foreign aid.
3. Conducting brain storming workshops and seminars to:
 - identify performance questions, information needed and indicators;
 - establish the purpose and scope of the M&E system and how comprehensive it should be;
 - develop benchmark indicators to guide the measurement of results;
 - consider how the necessary information will be gathered and organized; and
 - consider what is needed to ensure that the M&E system is effective in practice.

The UNDAF and the MDTF-NS/SMPF are the only results-focused development cooperation programmes. The UNDAF sets out results expected from the partnership between the Government of Sudan and the United Nations System for the period 2013-2016. Outcomes are articulated in terms of specific development results that support national development priorities. The MDTF-NS and the SMPF, meanwhile, both have results-driven operational experience throughout Sudan.

Principle IV: Mutual accountability

Accountability and transparency have been touted as key drivers for effective development cooperation. At Busan, stakeholders committed to bolstering mutual accountability, including by encouraging joint action between recipient countries and development partners in monitoring execution and evaluation of outcomes of development cooperation.

Although there is no effective mutual accountability framework, the government has made substantial progress towards enhancing mutual accountability, through the new budget classification system (GFS) and managing expenditure in line with its budget, both of which bring greater transparency to the government side and help to provide consolidated spending figures.

4.1. Busan Action Plan for Statistics

In terms of the HLF4-endorsed Busan Partnership, the stakeholders agreed to implement an Action Plan for Statistics. The Busan Action Plan has three principal objectives: (1) to fully integrate statistics in decision making; (2) to promote open access to statistics; and (3) to increase resources for statistical systems.

The Action Plan includes the following action of relevance to the national statistics system (NSS): “Strengthen and re-focus national and regional statistical strategies with particular emphasis on improving statistical systems that address country-level development priorities. [The NSS should thus be] updated to reflect new challenges and opportunities and integrate international and domestic data collection activities.”

The Action Plan also sets out the following by way of sub-actions to be taken in pursuit of the principal action above:

- Building on existing national plans, prioritize implementation to ensure that crucial domestic policy priorities are addressed first. Early small successes achieved through gradual implementation will help build up to larger successes at a later stage.
- Establish partnerships of national users and producers of data through Communities of Practice at both the national and regional level to enhance communication and encourage innovation.
- Grounded in country priorities, ensure gender statistics are fully mainstreamed into the national statistical system. This will require improving existing data collection approaches and developing new ones that are implemented on a regular basis. Multi-purpose household surveys will be particularly important for measurement of female entrepreneurship, time use, access to finance, and gender-based violence.
- Address weaknesses in vital registration systems and data critical for monitoring program performance – including administrative data, sex disaggregated data, and geospatial

The government of Sudan and the UNDP collaborated on a harmonized approach, aligned with the Busan Action Plan for Statistics, and together they prepared the Sudan National Strategy for the Development of Statistics (SNSDS) (2012-2016).

The SNSDS was developed as a framework for strengthening statistical capacity uniformly across the entire NSS, such that each of the sub-systems will be empowered to manage development results and outcomes. It serves as an integrated framework within which sub-systems and different stakeholders generate, disseminate and use statistics that are trustworthy, meet their individual requirements and provide a sound basis for national planning and development. In particular the SNSDS aims to:

- strengthen the production of quality and timely statistics in line with the Fundamental Principles of Official Statistics, based on international best practices and guidelines, to support national development initiatives and programmes;
- improve coordination and promote integration and collaboration among and between data producers and users;
- strengthen national capacity to produce, analyse and use reliable statistics generated by an integrated NSS; and
- ensure long-term sustainability of the NSS by securing funding for priority data production, analysis and dissemination.

The process for formulating the NSDS was an inclusive, consultative and participatory one, involving various stakeholders reflecting the data requirements of national, state and local level governments, non-state actors (private sector and NGOs/CSOs), as well as international development partners.

To promote open access to statistics, the government participates in the General Data Dissemination System (GDSS), and GDSS metadata is updated. Annual data is reported for the purposes of the Government Finance Statistics Yearbook (GFS), and is up-to-date as at 2013, and national accounts data are provided for publication as part of the IMF’s International Financial Statistics (IFS).

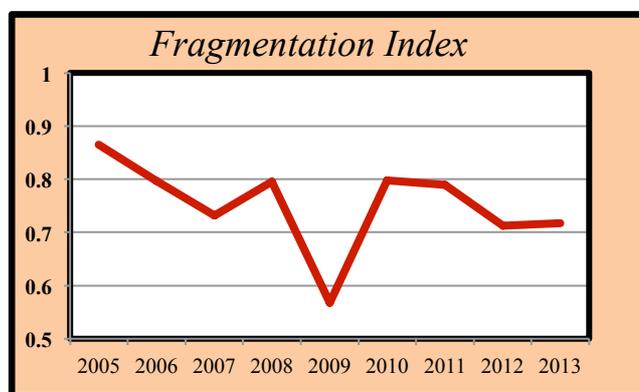
The government has now adopted the Data Portal for Sudan as a means of providing open access to statistics. The Sudan Data Portal was developed in response to the increasing demand for statistical data and indicators. The Portal provides multiple, customized tools to gather and analyse indicators, and export them into multiple formats. The Data Portal allows the user to form a picture of socio-economic indicators over a period of time, access presentation-ready graphics and perform comprehensive analysis on both a country and regional level.

4.2 Aid Management Information System

Ideally, donors should provide partner governments with full information on aid flows. This should be done regularly and in a timely manner. This enables governments to integrate aid into macroeconomic and budgetary management and to publish details of aid received. An important condition for aid management is the availability of reliable data on aid activities. In order to make effective use of aid information, the Government of Sudan developed the Sudan Aid Information Database System (SAID). A lot of work has been done to encourage development partners to report their cooperation through SAID.

4.3 Managing Diversity: Pooling Resources

Whilst diversity-management activities do not necessarily result in a reduced number of donors, in the long run they are expected to reduce transaction costs and other undesirable consequences of a fragmented aid landscape.³ Pooling of resources is one of the mechanisms adopted by the government to manage diversity and to reduce fragmentation. The Government of Sudan has sought to reduce aid fragmentation by means of fund pooling, through the Sudan Multi-Partner Fund (SMPF), the Common Humanitarian Fund (CHF) and the Kuwait Donor Fund for Eastern Sudan. Sudan's fragmentation index value has shown a general downward trend, but the average value is still greater than 0.7, indicating that more effort is required in this regard.



³ Managing Diversity: Elena Pietschman

Conclusion

Sudan's arrears to several bilateral and multilateral creditors, including the IDA, severely limit the country's access to concessional development finance.

The government has made considerable progress in introducing country systems to ensure that resources are administered appropriately. The level of use of these systems, however, remains unsatisfactory. DPs still prefer to use their own procurement, evaluation and reporting frameworks.

The government is planning to adopt numerous reforms to strengthen transparency and accountability of country systems. This includes efforts at the national level as well as at the State level.

Pooling resources is one of the best means of managing diversity and reducing aid fragmentation, and produces strong results.

Fragmentation of aid delivery: the bulk of aid continues to be channelled outside the budget. This can undermine budget effectiveness by causing duplication of aid and wasting resources on the administration costs of implementing entities. Trust funds and NGOs are the principal aid delivery mechanisms in use.

Not all development partners are reporting on their activities. All donors must be brought on board. In addition, the existing reporting mechanism needs to be improved, through the acquisition of an aid information management system for ease of aid data monitoring and reporting.

Recognizing the need to better solicit, coordinate, manage, account and report on aid, to achieve better results, the government formulated the Sudan Aid Strategy (AS), which espoused the Paris Principles of Aid Effectiveness as well as the Accra Agenda for Action and the Busan commitments. It provides a basic framework for improving the effectiveness of development assistance by outlining structures for coordinating development partner funding, and processes for aligning it with government priorities.

With regard to mutual accountability, we believe there should be a joint report, summarizing progress on the development agenda from both sides.

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