MIGRANT MONEY

Regional Harmonization of Remittance Policies in the Intergovernmental Authority on Development (IGAD)

SUDAN POLICY DIAGNOSTIC REPORT

February 2023

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On behalf of the migrant women and men originating from, and receiving remittances in, their wider communities in least developed countries, the UNCDF Migration and Remittances programme team would like to thank the many partners and collaborators who are contributing to our efforts to advance the work on the regional harmonization of remittance policies in the Intergovernmental Authority on Development (IGAD) region. This appreciation is not their endorsement of this paper and is extended to the IGAD Secretariat team for coordinating these efforts and the teams at the Central Bank of Sudan, Ministry of Finance and Economic Planning of the Republic of Sudan, Ministry of Foreign Affairs of the Republic of Sudan, Ministry of Investment of the Republic of Sudan, and the remittance service providers that have been involved since the inception and have contributed substantively to the report.

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ABOUT THIS REPORT

This is a diagnostic report for Sudan as part of a wider project on harmonizing remittance policies in the Intergovernmental Authority on Development (IGAD) region, prepared by the United Nations Capital Development Fund (UNCDF) and the IGAD Secretariat, with the objective of improving the IGAD countries' current and ongoing policy and regulatory framework development and other initiatives relating to remittances.

The United Nations Capital Development Fund makes public and private finance work for underserved communities in the world's 46 least developed countries. With its capital mandate and instruments, UNCDF offers last-mile finance models that unlock public and private resources, especially at the domestic level, to reduce poverty and support local economic development. UNCDF's digital agenda for migration and remittances falls within the organization's broader corporate strategy, set forth in 2019, of Leaving No One Behind in the Digital Era. On the other hand, the Intergovernmental Authority on Development (IGAD) is a regional economic community (REC) created by its Member States—Djibouti, Eritrea, Ethiopia, Kenya, Somalia, South Sudan, Sudan, and Uganda—to enhance regional cooperation in three priority areas of food security and environmental protection, economic cooperation, regional integration, and social development peace and security. The founding leaders of IGAD were motivated by a vision where the people of the region would develop a regional identity, live in peace, and enjoy a safe environment alleviating poverty through appropriate and effective sustainable development programmes.

Remittances can act as a catalyst for sustainable development at the individual, household, community and national levels as a source of greater disposable income for migrant families that can lead to increased consumption and investment. The size and scale of global remittances create the possibility of harnessing these flows through digital channels toward productive investment in health, education and local businesses, thus contributing to the long-term development of countries around the world. An effective policy and regulatory framework that balances innovation and risk will be critical to this transition from cash to digital.

This diagnostic report has been prepared through a desk research review of relevant policies, laws and regulations followed by extensive stakeholder consultations and benchmarking with relevant countries' initiatives, policies, and regulatory frameworks. The authors of this report have prepared a roadmap with a country-level mapping of possible enablers, inhibitors and policy options. It is recognized that implementation of the roadmap requires further engagements with the regulatory and policymaking bodies to determine what options can be taken up.

ACRONYMS

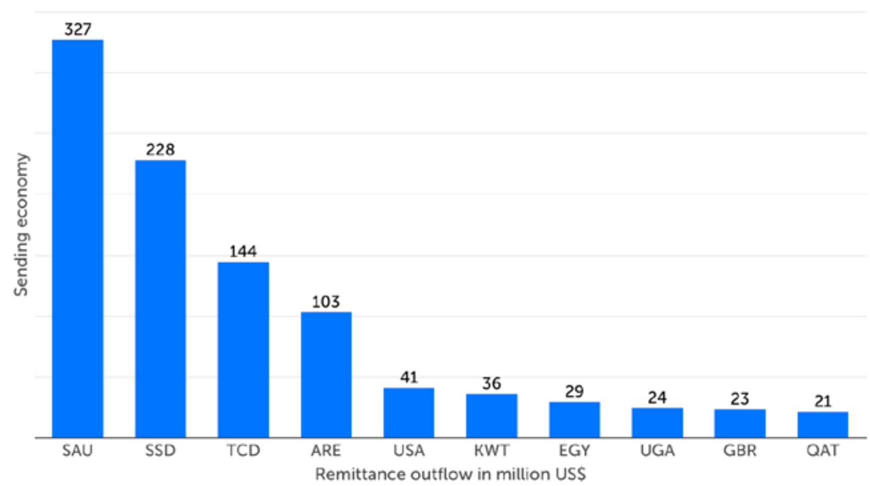
ACH	automated clearing house
AML/CFT	anti-money laundering/combating the financing of terrorism
API	application programming interface
ATM	automated teller machine
BLA	bilateral labour agreement
CBOS	Central Bank of Sudan
CDD	customer due diligence
COMESA	Common Market for Eastern and Southern Africa
CSD	central securities depository
EBS	electronic banking service company
ECC	electronic cheque clearing
EFTPOS	electronic funds transfer at point of sale
e-KYC	electronic know your customer
FATF/GAFI	Financial Action Task Force/groupe d'action financière
GDP	gross domestic product
HIES	household income and expenditure surveys
IGAD	Intergovernmental Authority on Development
IMF	International Monetary Fund
ISO	International Organization for Standardization
KYC	know your customer
MFI	microfinance institution
NID	national identification
NPS	national payment system
PIN	personal identification number
POS	point of sale
PSP	payment system provider

QR code	quick response code
RSP	remittance service provider
RTGS	real-time gross settlement system
SIM	subscriber identity module
SMS	short message service
SSWA	Secretariat of Sudanese Working Abroad
SRAG	Sudanese Real-Time Automated Gross Settlement System
STP	straight-through processing
PIN	personal identification number
UNCDF	United Nations Capital Development Fund
USSD	unstructured supplementary service data

COUNTRY CONTEXT

In 2021, formal inbound remittances to Sudan totaled US$465 million, or 1.3 percent of the country's total gross domestic product (GDP).[1] Most remittances are from Saudi Arabia, South Sudan and Chad. The reported remittances for Sudan understate the actual transfers, as they exclude amounts sent through informal channels. Information about the diaspora's technical capacity is limited, as is data to estimate the impact of remittances on poverty rates in the country due to insufficient attention on the issue of remittances in the Household Income and Expenditure Surveys (HIES) carried out in 2009 and 2014. Anecdotal evidence suggests that remittances play a key role in allowing the many low-income earners in Sudan to maintain a minimal level of consumption and avoid poverty.[2]

Figure 1: Remittance outflow by sending economy – Top 2021



Source: *KNOMAD (Accessed on 5 April 2023)*

SAU=Saudi Arabia, SSD= South Sudan, TCD= Chad, ARE=United Arab Emirates, USA= United States of America, KWT=Kuwait, EGY=Egypt, UGA=Uganda, GBR= United Kingdom, QAT=Qatar

1 KNOMAD, *Remittances Data*, www.knomad.org/data/remittances. (Accessed on 18 September 2022)
2 United Nations Development Programme, *The Potential of Sudanese Diaspora Remittances* (2020), www.sd.undp.org/content/sudan/en/home/library/Research_Knowledge_resources/the-potential-of-sudanese-diaspora-remittances.html. (Accessed on 18 September 2022)

Figure 2a: Migrant stock in destination economy – 2021

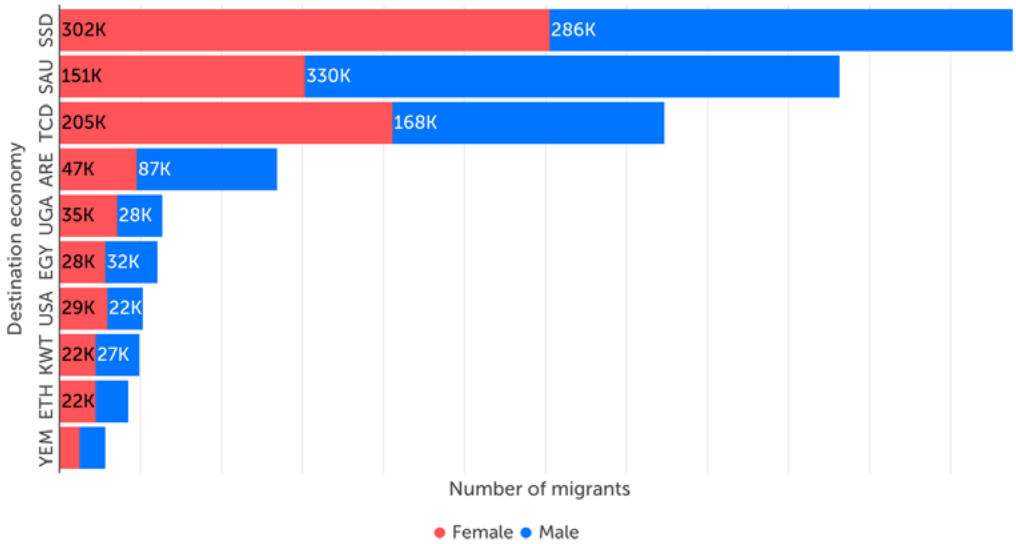
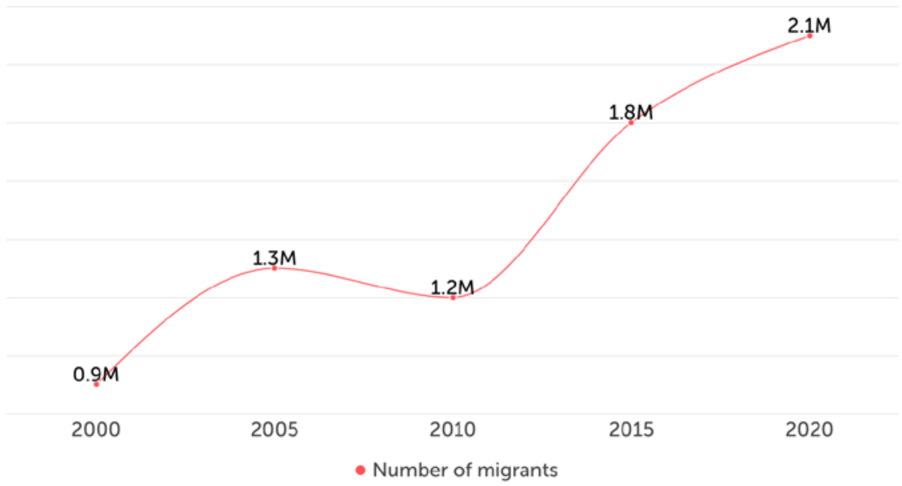


Figure 2b: Migrant stock over time (in million US$)



Source: *UNDESA, International Migrant Stock Data (Accessed on 5 April 2023)*

Sudan is an origin, destination and, most important, transit country for mixed migration flows. The number of migrants is 2 million, representing around 5 percent of the total population. Large numbers of migrants are in the neighbouring countries of South Sudan (28 percent) and Saudi Arabia (23 percent), some working as professional medical staff, engineers and university lecturers.[3] In recent years, immigrants from Bangladesh, China, the Philippines, Sri Lanka, and Turkey have sought economic opportunities in Sudan. Sudan has initiatives to leverage remittances from the Sudanese working abroad, such as establishing the Secretariat of Sudanese Working Abroad (SSWA).

3 United Nations Economic and Social Commission for West Asia, *Remittances in Sudan*, https://archive.unescwa.org/sites/www.unescwa.org/files/page_attachments/remittances_in_sudan.pdf. (Accessed on 18 September 2022)

Political economy

Since 1970, migrants' remittances have been an important source of external funding in Sudan, significantly helping to finance imports and development. However, their importance has been overlooked due to a lack of reliable estimates of total remittances, given the substantial informal transfers and the variable share of remittances sent through official channels. There are several reasons why substantial transfers flow through unofficial channels, including the parallel market premium and lower cost, greater ease of such transfers compared to those sent through the banking system,[4] and economic sanctions from the United States of America.

Bank transfers to and from Sudan have become more accessible since lifting these economic sanctions, enabling a smoother flow of remittances. However, transfers through the *hawala* system are still high. On 31 December 2017, the government announced that special rates for foreign currency transfer to Sudan would be introduced to encourage the Sudanese diaspora to transfer foreign currency through the country's banking system. However, there is a lack of trust, which is a key stumbling block preventing the Sudanese diaspora from using formal channels to remit.[5] According to the 2018 Draft Guidelines for a Migration Strategy in Sudan, Sudan has signed bilateral labour agreements (BLAs) with Ethiopia, Jordan, Kuwait, Libya, Oman, Qatar, the United Arab Emirates, Yemen and Djibouti.[6] The Ministry of Labour and Administrative Reform is tasked with negotiating BLAs and has been developing BLAs with Egypt, Kuwait, and Qatar. According to the Ministry of Labour and Administrative Reform, the BLAs cover labour exchanges, annual leave, and social and health insurance, and they cater to different skill levels and sectors.[7]

Sudan has sought to engage its diaspora to increase financial flows (remittances and investments), skills transfer and productive return since the late 1990s, partly in response to international sanctions on the country. The SSWA serves as a point of contact with the diaspora.

4 United Nations Development Programme, *The Potential of Sudanese Diaspora Remittances* (2020), www.sd.undp.org/content/sudan/en/home/library/Research_Knowledge_resources/the-potential-of-sudanese-diaspora-remittances.html. (Accessed on 18 September 2022)
5 International Labour Organization, *An Assessment of Labour Migration and Mobility Governance in the IGAD Region: Country report for Sudan* (2020), www.ilo.org/wcmsp5/groups/public/---africa/---ro-abidjan/---sro-addis_ababa/documents/publication/wcms_743322.pdf. (Accessed on 18 September 2022)
6 United Nations Economic and Social Commission for West Asia and NPC, 2018 *Draft Guidelines for a Migration Strategy in Sudan* (2018), p. 14.
7 International Labour Organization, *An Assessment of Labour Migration and Mobility Governance in the IGAD Region: Country report for Suda*n (2020), www.ilo.org/wcmsp5/groups/public/---africa/---ro-abidjan/---sro-addis_ababa/documents/publication/wcms_743322.pdf. (Accessed on 18 September 2022)

Remittance landscape

MARKET

Banks: The Sudanese financial system is dominated by a banking sector that constitutes more than 90 percent of the financial system. The system has been a fully-fledged Islamic system since 2011. Sudan has 38 banks as of January 2023, with five specialized and 33 commercial banks.[8]

Microfinance institutions: As of 31 December 2020, Sudan has 36 non-banking financial institutions. According to central bank data, there were 51 regulated microfinance institutions (MFIs) as of the end of January 2023.

Mobile network operators (MNO): Sudan has four licensed operators/service providers in charge of the operation of licensed networks and the provision of services, namely Zain, MTN, Sudatel Group, and Canar Communications.

Sudan has a relatively well-equipped telecommunications infrastructure by regional standards, including a core national fibre optic system and international fibre connections. Sudatel has invested in rural tower infrastructure to improve connectivity and contracted Nokia to upgrade mobile infrastructure, and Liquid Telecom to build a fibre broadband network across the country.

Remittance service providers: Exchange bureaux are the primary remittance service providers (RSPs). There are 18 exchange bureaux[9] and 10 external transfer companies.

POS machines: According to the CBOS, the country has 60,000 POS serving the banking industry, with 80 percent of these being active. However, MTN mobile money provider has 200,000 POS for its agents, serving mobile money transactions for MTN only. The MTN-held POS are not interoperable with other products such as domestic or international card scheme.

Agents: There is no agent law in place. However, some RSPs have agents. The statistics on the number of agents are unavailable.

8 Central Bank of Sudan, *58th Annual Report* (2018), https://cbos.gov.sd/sites/default/files/CBOS%20-%20 58th%20Annual%20Report%202018.pdf. (Accessed in February 2022)

9 https://cbos.gov.sd/en/content/authorized-exchange-bureaus. (Accessed on 23 September 2022)

PAYMENT INFRASTRUCTURE

Payment system: The Central Bank of Sudan (CBOS) owns and operates the Sudanese Real-time Automated Gross Settlement System (SRAG) and has full responsibility and control of the day-to-day business operations of the Settlement Accounts and the day-to-day management of all routine daily activities.

Sudan also has an electronic cheque clearing (ECC) system, which settles in three currencies: the Riyal, the domestic Sudanese pound, and the US dollar. The ECC was launched in 2006 and is integrated with the RTGS.

Sudan also has a domestic national switch, the Electronic Banking Service Company (EBS). The EBS has 51 licensed MFIs, and 37 banks integrated as direct participants. Five banks have private propriety switches providing ATM connectivity to only their branded cards. These are Durman, Khartoum, Faical, Baraka, and Salam. However, all banks are members of EBS, the National Switch infrastructure.

However, Sudan has shown interest in joining the Common Market for Eastern and Southern Africa (COMESA) and the Buna payment platform. The Buna payment platform is the cross-border payment stem owned by the Arab Monetary Fund. It aims to enable financial institutions and central banks in the Arab region and beyond, to send and receive payments in local and key international currencies. For now, Sudan is a member of COMESA but is not integrated into the regional payment system of the COMESA, the REPPS. Regarding core banking operations, Straight Through Processing (STP) is not in place because of a lack of integration between the core banking system and the RTGS. Application Programming Interfaces (APIs) are used on the EBS. The CBOS does not currently host a Central Securities Depository (CSD).

Interoperability of Mobile Money Operators (MMOs): The CBOS implemented a central mobile payments platform. However, this did not become popular with users, as its business case needed to be revised and streamlined with a unique offering. The central mobile platform was also monopolized in the e-money space; however, the product did not take off as projected. Since then, the CBOS has opened the retail space and allowed MMOs to participate. MTN Fintech was awarded a fintech license and rolled out the MTN Mobile Money product. The same case is true for Zain, as it applied for a similar fintech license like MTN. Each MMO has a POS-type device used for cash-in and cash-out utility payments. However, the POS owned by MMOs is standalone and not interoperable with card systems.

Personal identification cards: The Department of Passports, Immigration, Nationality and National ID Cards of the Ministry of Interior Affairs is responsible for issuing Sudanese national identification (NID) cards. Application for the NID cards must be made in person. The NID card is mandatory and contains the cardholder's name, date of birth, address, fingerprint, signature, and blood group. The primary identity documents in Sudan include the NID card, citizenship identity document, driving licence, birth certificate, and passport. Payment Systems are yet to be integrated with National Identity systems.

PRODUCTS

The bulk of remittances is sent to Sudan through informal channels because of the difficulty of accessing international banking and multiple exchange rates. The ratio of remittances sent through formal channels is estimated to vary between 6 and 16 percent. The bulk of remittances meets the daily needs of family and friends in Sudan. Between 20 to 30 percent are devoted to investments, primarily in real estate.

Only 12.3 percent of the population enjoys financial inclusion, and this is one of the reasons why informal remittance channels remain popular.[10]

10 International Labour Organization, *An Assessment of Labour Migration and Mobility Governance in the IGAD Region: Country report for Sudan* (2020), www.ilo.org/wcmsp5/groups/public/---africa/---ro-abidjan/---sro-addis_ababa/documents/publication/wcms_743322.pdf. (Accessed on 18 September 2022)

ROADMAP

The assessment and stakeholders' consultations have resulted in developing remittance-related enablers, inhibitors and recommendations for reform. Enablers are factors that contribute to the enhancement of remittance flows, while inhibitors are factors that restrict efficient remittance flows, and recommendations are options to improve the current enabling policy, regulatory and payment infrastructure environment to increase remittance flows. All of these have been categorized under five key areas:

i. **Legal and regulatory framework**: This includes options for reform relating to authorities, roles, responsibilities and mechanisms for coordination, including legal and regulatory factors that support cross-border remittances.

ii. **Financial and payment system infrastructure**: This includes options for reforming policies, standards and rules related to national payment systems, improving the network of access points, promoting access to interoperable systems and platforms, and establishing national ID systems that support e-ID and ID requirements adjusted on a risk basis.

iii. **Market practices**: This includes options for reforms supporting cross-border remittances, especially on a foreign exchange regime that provides clear guidance and mechanisms to capture remittance-related data at the transaction level, as well as data analysis and sharing.

iv. **Consumer protection**: This includes options for reforms related to data protection, privacy and confidentiality for remittance-related data and relevant components of consumer protection laws that guide consumer protection and complaints resolution mechanisms for financial services, including cross-border remittances.

v. **Cooperation and collaboration**: This includes recommendations on establishing mechanisms and processes to foster coordination between different stakeholders, including through memoranda of understanding and bilateral (or multilateral) agreements; public-private collaboration mechanisms on matters related to the development and implementation of cross-border remittance policies; harmonization of laws and regulations; and establishment of regional bodies to coordinate regional initiatives, and mechanisms for coordinating and implementing policy issues at the regional level. This aspect includes leverage and consistency with other regional and subregional instruments and institutions.

Tables (a)–(e) present enablers, inhibitors, and recommendations for reform across the five key areas listed above.

(a) Legal and regulatory framework

Enabler(s)	Inhibitor(s)	Recommendation(s)	Timeframe
In 2012, Sudan adopted the Central Bank of Sudan Payment and Banking and Financial Technology Systems policies. In addition, Sudan has the 2007 Electronic Transactions Act.	The CBOS manages the e-money central processing platform, making the CBOS a significant player in the market of mobile money business. Foreign RSPs are not allowed to establish domestic operations and branches legally. E-money issuance can only be carried out by a legal person who must reside in Sudan. This limits passporting, which does not enable entities authorized in another country within the Intergovernmental Authority on Development (IGAD) region to conduct business freely among the Member States. It may limit RSPs' ease of entry, competition, efficiency and quality of service to the final consumer.	The CBOS may consider decentralizing e-money processing platforms. Allowing non-banks to be major players in e-money issuance and access payment systems can improve investment and the efficiency of the retail payments system by increasing competition that can lower fees and broaden the set of alternatives open to end-users. In other situations, non-banks can contribute expertise that the incumbent lacks and cooperate with banks to provide innovative services. The CBOS may consider introducing mutual recognition criteria in the regulatory frameworks. A certain level of confidence may be placed on the partner states' regulatory regimes such that minimum requirements for operation and supervision are put in place for establishing branches and subsidiaries from partner states. In this case, a licence issued by a central bank in one of the partner states is recognized by the CBOS, and the licensed RSP can be allowed to operate in other partner states upon simple notification to the supervisory authority. Supervision of the RSP can be mutually agreed upon among the Member States with a preference toward supervision by the migrant's country of origin or shared by the migrant's country of destination and origin.	Short-term: can be implemented within one year

Enabler(s)	Inhibitor(s)	Recommendation(s)	Timeframe
Sudan has the 2009 Anti-Money Laundering and Terrorism Financing Act, which requires the CBOS to enlist and control the size and movement of the money transmitted outside the State, or coming from outside the State through the financial institutions to inquire and know any unfamiliar exit of the movement of such money, i.e., not proportionate to the natural, or ordinary rates, or to the economic reality of the State. Sudan is part of FATF/GAFI and was removed from the grey list in 2016.	The law recognizes the need for risk-based know-your-customer (KYC)/customer due diligence (CDD). Still, there are no guidelines for proportional CDD to the specific risks of the remittance services. A lack of proportionate risk management levels can help avoid placing barriers to new entrants or unwarranted burdens on lower-risk RSPs and remittance activities. There are no established guidelines for e-KYC. Irregular migration excludes migrants from accessing remittance channels due to a lack of formal KYC requirements. Although the legal instruments are in place to combat AML and terrorist financing, their operationalization is challenging, given that the bulk of remittances is sent to Sudan through informal channels. There are few correspondent banks, and most are from the Gulf region. This is an immediate consequence of the international sanctions the country has been subjected to for almost two decades. Even though the sanctions were removed five years ago, the country's financial sector is still considered high risk. This heavily impacts the use of formal remittances.	The CBOS can introduce guidelines for proportionate CDD to implement the already existing AML/CFT legal provision on risk-based customer supervision so that the market players do not place an unwarranted burden on lower-risk customers. Consider guidelines that will clarify that compliance with AML/CFT obligations in the law does not require financial institutions to refuse, or terminate, business relationships with entire categories of customers that they consider present a higher overall money laundering/terrorist-financing risk. The guidelines can also allow for e-KYC to help women and men migrants and their families open bank accounts remotely in their country of origin. The CBOS can introduce guidelines for conducting outreach and education for risks covered under AML/CFT regulatory frameworks. The guidelines can provide for outreach and educational programmes to raise awareness among the entities and the wider community of the risks associated with money laundering and the financing of terrorism and proliferation and to avoid prohibitive implementation of some legal clauses. Capacity-building programmes would improve the oversight capabilities of the CBOS and the Financial Inquires Unit to improve their ability to carry out investigative and supervisory functions and collect and analyse basic financial intelligence. Sudan can fast-track the plans to introduce conventional banking in the financial sector (banking and insurance) to open the Sudanese market to international banks, often refrained by the Islamic banking model. This may bring in more players and drive costs down.	Short-term: can be implemented within one year

Enabler(s)	Inhibitor(s)	Recommendation(s)	Timeframe
Sudan has the 2002 Business of Foreign Exchange Bureaux regulatory framework. One of the permitted businesses of the exchange bureau is dealing in transfers (incoming and outgoing) after getting the prior approval of the CBOS. In addition, there are internal guidelines that help the CBOS with the supervision and monitoring of non-bank RSPs.	The regulations governing foreign exchange operations do not cover consumer protection, transparency and use of agents. There is no dedicated team to handle RSP supervision and monitoring at the CBOS.	The CBOS may consider introducing separate legislation for licensing/ authorizing and regulating RSPs or amend the existing regulation to stipulate the licensing/authorization requirements; minimum capital requirements based on risk and scope of operations; provision encouraging competition and fostering the use of technology; and provision covering consumer protection and dispute resolution mechanisms. The CBOS can consider championing a regulatory framework for remittance services applied proportionately to reduce the compliance burden for RSPs and ensure that a level-playing field is created for all types of RSPs. The regulations should allow non-deposit-taking RSPs to provide remittance services to increase competition. Fees for licensing or registering RSPs need to be not too high. Non-deposit-taking RSPs provide only a minority of a sender's overall payment needs and do not apply heavy prudential requirements to them, as a failure of an RSP is unlikely to cause systemic risk. The CBOS can consider introducing an agent regulation to: • define activities that an agent can carry out; • provide a framework for offering agency business services; • set minimum standards of customer protection and risk management for the conduct of agency business services; and • allow RSPs to use MFI outlets to provide their services and financial service providers to use non-financial service providers' agents for service provisions. The agent regulations should discourage exclusivity conditions. An RSP should allow its agents to offer remittance services to allow wider choices and eliminate monopolies where financial infrastructure may be underdeveloped. Note: Agent regulations can be standalone or part of the RSPs regulation. The CBOS can consider appointing a dedicated team to handle RSP support and supervision. This will ensure that the industry is formally recognized and becomes better managed.	Short-term: can be implemented within one year

Enabler(s)	Inhibitor(s)	Recommendation(s)	Timeframe
Existence of fintechs that are rapidly growing in the financial sector within the country. Through the Electronic Banking Service (EBS) under specific procedures, fintechs are allowed to test their solutions. Only after EBS validation can the fintech go back to the CBOS for licensing.	There is a lack of a comprehensive regulatory framework for fintech that allows market participants to test new financial services or models with live customers, subject to certain safeguards and oversight. The EBS is inadequate to support digital innovations. The CBOS capacity restricts remittance market support, and slow regulatory approval rates weaken innovation.	The CBOS can consider having comprehensive regulatory sandboxes to encourage market entry. This regulatory and authorization framework supports experimentation, test-and-learn, and deployment processes. It is a temporary experiment of innovative financial products, services, and business models or delivery mechanisms in the NPS ecosystem. This framework can provide a conducive environment for innovation in payment services while ensuring the protection of consumers and public interest is upheld. The aim is to introduce new service offerings targeting fintech, innovation among existing RSPs, and, subject to a detailed review, consideration of the need to widen the scope of players who can be authorized to participate in the payment ecosystem to increase competition and choice.	Medium-term: can be implemented within 2-3 years
The law also allows microfinance to engage in micro-international remittances	There is no comprehensive microfinance regulations framework in place. MFIs are not allowed to partner with RSPs as their readiness for such business is still considered low. There are no regulatory provisions on how MFIs can partner with MTOs to disburse funds.	The CBOS can promulgate regulations for MFI businesses in the country. Regulation and supervision may help create an enabling environment for establishing specialized formal financial institutions that provide financial services to underserved communities. They may also encourage MFIs to offer a wide range of products, including domestic and international remittances, as many are not offering this service even if they are allowed to do so and foster standardization and transparency in the sector. To maximize the uptake of migrant financial products, the CBOS may consider allowing MFIs to become agents of RSPs for terminating the remittances as long as they already have a microfinance license without the need to obtain an additional and separate money remittance license. This will leverage their existing distribution networks while taking advantage of the existing payment infrastructure to extend networks into and across rural and peri-urban areas for enhanced distribution channels for inward remittances.	Short-term: can be implemented within one year

(b) Payment infrastructure

Enabler(s)	Inhibitor(s)	Recommendation(s)	Timeframe
Mobile Financial Services (MFS): The CBOS introduced a single mobile payment platform that connected several stakeholders to the same payment ecosystem. On that platform, two MNOs, namely MTN and Sudatel, and eight banks were connected. Although it initially seemed a success, they all provided the same products and services without any diversification through innovation. The CBOS, therefore, changed its approach and has encouraged fintechs to apply for licenses.	The model developed by the Central Bank was 50 percent owned by the CBOS, 20 percent by MNO, and 30 percent by Commercial banks. This model faced the challenges of agent deployment and liquidity management. Although a new model allowing all fintechs to apply for a license has been approved, only one MNO (MTN) has a fintech license. This model still has challenges when fintech works in isolation to implement payments infrastructure. Likewise, the different fintechs will have to enter multiple bilateral agreements with several players. Propriety payment systems and networks are implemented in silos presenting capital and operational costs when duplicating efforts.	The CBOS can consider enhancing the existing mobile money platform to establish a mobile payments interoperable hub that will resolve domestic mobile money interoperability challenges that may come up in the future as more fintechs get licensed and establish themselves. The interoperable infrastructure can be shared among different stakeholders to reduce costs related to implementing standalone infrastructure. The relevant authorities, including the CBOS, can collaborate to provide an environment where shared infrastructure can be implemented and adopted. Consider facilitating mobile money providers to work together to reduce the cost of improving the infrastructure by agreeing on a shared telecommunication infrastructure.	Medium-term: can be implemented within 2-3 years
Sudan has a banking network and access points, including ATMs and POS.	Banking networks are subject to power and network connectivity interruptions, especially in rural areas.	The CBOS can work with banks and non-banks to strengthen business continuity and disaster recovery capabilities. The CBOS can introduce shared and open digital payment infrastructures compatible with both banks and non-bank retail payment systems. This will encourage the private sector to provide financial services to a larger geographical area competitively.	Medium-term: can be implemented within 2-3 years

Enabler(s)	Inhibitor(s)	Recommendation(s)	Timeframe
To manage the risks associated with cyber security, Sudan has passed the following regulatory frameworks: (1) The Anti-money laundering and the financing of terrorism Act 2014, (2) Circular No (8/2014): regulatory and supervisory requirements for the Institutions under the Supervision of Central Bank of Sudan on Anti-money Laundering and Combating the Financing of Terrorism, (3) The Electronic Transactions Act, 2007, and (4) Licensing Payment systems services regulations.	Financial services are continuously faced with risks from breaches in cyber security. To manage cyber security risks, different institutions implement different strategies creating silos in information sharing and adding more costs.	The CBOS, in collaboration with other central banks, can agree on a harmonized and coordinated cyber-reporting framework as the first step for collective efforts and sharing of experiences necessary to put in place sufficient safeguards. A standard security framework, ISO/IEC 27001, can be adopted. The CBOS can consider introducing guidelines for business continuity plans. The guidelines should also make business continuity plans mandatory for all PSPs. This includes requiring RSPs to put in place appropriate governance and risk management practices to improve the safety and soundness of remittance services and help protect consumers.	Medium-term: can be implemented within 2-3 years

Enabler(s)	Inhibitor(s)	Recommendation(s)	Timeframe
Interoperability of card-based and mobile-based transactions exists through bilateral arrangements. Banks, MFIs, and PSPs connect bilaterally for push and/or pull services between wallets and accounts. Settlement takes place between the banks/settlement banks of both entities.	Partial domestic interoperability is achieved between MNOs, as they need several bilateral agreements, which sometimes introduce complexity to integration and end-user experience. Partial interoperability can result from common standards for key payment technologies not being harmonized. For example, quick response code (QR code) payments from two different PSPs are not often compatible (a QR code is a type of barcode that stores information and can be read by a digital terminal, such as a mobile phone). Closed-loop systems also make it difficult and sometimes costly to integrate new innovators into the payments ecosystem. No industry-wide standard open API arrangements allow technology providers to integrate with each other's platforms. This has the effect of entrenching prominent participants and excluding small participants. The opening of APIs has been bilateral, thereby limiting competition, innovation and choice.	The CBOS can consider issuing guidelines on improvements in transaction infrastructures through the adoption of common and internationally agreed standards for messaging (ISO 20022), equipment and software standards to allow interoperability at POS among competing networks and the facilitation of interconnectivity among the proprietary networks for handling the transactions. Standardized formats could do much to enable RSPs to process payment instructions without requiring expensive manual intervention. The CBOS can consider introducing guidelines to harmonize API protocols for data exchange across payment infrastructures to enable more efficient payment data and digital identifier exchange in cross-border payments. Such action could help achieve improved coverage and reduce the cost to end-users of remittance services. The guidelines could encourage technology providers to provide standard open APIs to enable other players to develop interoperable applications.	Long-term: can be implemented within a period of 3 years or longer
NID system: The Department of Passports, Immigration, Nationality and National ID Cards of the Ministry of Interior Affairs is responsible for issuing Sudanese NID cards.	The existing payments infrastructure is not integrated with identity systems, thus adding a manual KYC process when opening bank or mobile money accounts. The systems are implemented in silos for different purposes than e-KYC for financial services. National identity card penetration is low. Only a small number of the Sudanese population possess one.	The relevant authorities, including the CBOS and the Ministry of Interior Affairs, can collaborate on policy to digitize National IDs and integrate them with payment systems. The policy could encourage the use of open digital payment systems. The CBOS and the Ministry of Interior Affairs can consider adopting shared infrastructure as a solution to decentralized information systems. This reduces both capital and operational costs of e-KYC-related infrastructure and improves the speed of decision-making during customer onboarding.	Long-term: can be implemented within a period of 3 years or longer

(c) Market aspects

Enabler(s)	Inhibitor(s)	Recommendation(s)	Timeframe
There are provisions in various laws aiming at protecting consumers. The CBOS emphasizes that RSPs should foster financial education and awareness. The National Financial Inclusion Strategy is being developed at the Ministry of Finance, and this strategy may include remittances. USSD access to financial services has been availed to financial institutions recently.	Low financial and digital literacy levels affect consumers' ability to use digital payments, particularly among women. (65% male literacy versus 56% female literacy, World Bank 2018). This is further exacerbated by complex and non-intuitive steps to effect payments, thereby inhibiting the use of digital payment services. They also lack the financial literacy to identify and compare alternative remittance services. This significantly limits the accessibility of remittance services, even if the market is potentially competitive. At the same time, RSPs lack market knowledge, such as the market size in key corridors. With little knowledge, they regard remittances as unattractive because senders typically have relatively low incomes. Senders find that some services (such as those based on bank accounts) are not readily available to them.	The ministries responsible for foreign affairs can hire a liaison officer who will communicate with and inform the diaspora and the associations of women and men migrants on the one hand, and the administrations involved in the promotion of investment in the country on the other hand. They should also liaise with RSPs of interest to their country to disseminate literacy courses. The liaison officer can prepare public education and awareness programmes, particularly for women and men migrants. The education seminars should cover customer-journey mappings, such as steps involved in sending remittances, pre-departure opening of a bank account and/or mobile wallets to be used by the remittance recipients, electronic cards security and other important features such as safety, practicality and ease of use, and available financial products. The education and awareness initiative should involve the central banks, informing how various payment mechanisms and products can easily be accessed. The liaison officer should coordinate with embassies and consulates to participate in developing databases, including names, jobs, and contacts. Online communication and virtual meetings can be organized to strengthen proximity with migrants in the long term and better understand their concerns and expectations. Networking with non-governmental organizations and associations of women and men migrants abroad will ensure a better channeling of remittances to projects in their country of origin. The liaison officer can also develop online tools. This makes it possible to network migrant skills abroad to mobilize them for advice, expertise, and remittances to their country of origin. The liaison officer can encourage the entry of new operators into the remittance space. One of the easiest ways to lower transaction costs is to encourage the entry of new legitimate operators in a given corridor and to inform migrants about their ability to choose among existing remittance-transfer mechanisms. This supports increased competition among RSPs, thereby improving efficiency and lowering costs.	Medium-term: can be implemented within 2-3 years

Enabler(s)	Inhibitor(s)	Recommendation(s)	Timeframe
Financial markets have competing service providers with access points such as mobile phones, other electronic/digital terminals, and transaction points (cash-in/cash-out agents, online/offline payment points, branches, etc.). The post office license allows them to do remittances in the country, but they are not active.	There is a significant market concentration in a few banks within Khartoum. This limits the choice to consumers. Different payment streams and channels provide viable choices, but these tend to be costly and out of reach for most consumers. For example, off-US ATM pricing is very high for most banks. In addition, consumers cannot migrate their payment history from one payment provider to another. Individuals are bound to incumbent providers even when cheaper options exist. This is also due to the limited acceptance of competitor payment instruments. The complexity of onboarding for different payment platforms also affects competitiveness within different platforms.	The CBOS can champion efforts to encourage institutions with extensive branch and agent networks or de facto local monopolies (e.g., major retailers, MFIs) to apply for licences to offer multiple services, including remittance services. The government can promote e-payments to reduce transactional costs to consumers of financial services: the government's ministries, departments, and agencies can also encourage its citizens to electronically pay the government their taxes, social security contributions and loan payments, health insurance contributions, and licences (driving licences, business licences, etc.). This has the potential to introduce and sustain the unbanked in mainstream banking or regulated systems. This, in turn, can drive down costs to operators and, ultimately, reduce transactional costs for consumers of financial services, including women and men migrants. To further entice the use of electronic payments, an incentive/reward system can be adopted. Rewards and incentives can effectively attract new women and men migrants or convince existing ones to use a specific payment instrument for their purchases and borrowing. Some reward schemes that could foster financial inclusion among women and men migrants include rewards for using cards and other electronic means of payment. The CBOS can consider maintaining information on its website that compares the transaction costs charged by various RSPs to increase transparency and competition. Central bank involvement and support will increase diaspora members' trust in formal channels.	Medium-term: can be implemented within 2-3 years
Sudan has a foreign exchange dealing regulation. Liberalization of the exchange rate has helped to reduce the difference between the official and parallel forex exchange rates.	No legislation governs the disclosure of applicable exchange rates used by RSPs. Informal remittance channels are prevalent, given the gap between the official and parallel exchange rates.	The industry could be encouraged to agree on a common reference exchange rate (e.g., the interbank market rate at a certain time of day) to be used to calculate the price of remittance services. Senders could then be quoted a total price that includes both the explicit fees/costs and the effect of any difference between the reference exchange rate and the actual exchange rate applied by the RSP. This would make it easier for senders to compare services.	Medium-term: can be implemented within 2-3 years

Enabler(s)	Inhibitor(s)	Recommendation(s)	Timeframe
Some partnership arrangements between banks and international money remittance agents enhance the inflow of remittances. Some incentives to mobilize remittances from the diaspora in the Gulf have been drafted. These include allowing banks to grant real estate financing to migrants with more favourable terms and forward-looking policies to open free foreign currency exchange savings accounts for immigrants at local banks. Banks take the initiative to go and have their representatives work for a few days from the Sudanese embassy in a country with a large number of Sudanese migrants to ensure that accounts are opened up for them.	Inadequate migrant-centric products, that is, products that are attractive to women and men migrants for them to be motivated to send money to their country of origin. The lack of migrant-centric products results in low uptake and usage of digital remittance services. Migrants cannot transfer amounts exceeding their monthly salary as officially declared.	The CBOS, philanthropists, and the private sector, including fintechs, can adopt a broader view of how to tap financing for development through remittances by designing varieties of appropriate products that will attract women and men migrants. Women and men migrants' direct investment is potentially valuable. Financial institutions should also develop a broader range of investment products targeting diaspora investors, such as basic low-cost payment accounts and services for retail clients, diaspora micro-savings bonds, endowment accounts, pension schemes and insurance policies, which could then be used for remittances.	Short-term: can be implemented within one year
Existence of consulates in major remittance-sending corridors.	Women and men migrants generally have difficulty accessing many financial services in their destination countries as they do not necessarily have the ID documentations that RSPs require.	The ministries responsible for foreign affairs can consider issuing consular identity cards to women and men migrants, especially those who do not necessarily have the ID documentations that RSPs require so they can use formal remittance channels. Such cards may encourage women and men migrants (regardless of immigration status) to use formal remittance services and open bank accounts. In this endeavour, cooperation with the destination government is critical so that banks and government offices may accept the cards. The CBOS can make it possible to open bank accounts online using consular cards. At the outset, women and men migrants could be given consular identity cards issued by the ministry of foreign affairs and approved by the central bank, deemed compliant with national rules and regulations. The central bank should require that each migrant opens a domestic bank account, which facilitates the monitoring of financial practices and the prevention of illegal activities. Online bank account openings can be allowed using these consular cards without any additional ID.	Medium-term: can be implemented within 2-3 years

Enabler(s)	Inhibitor(s)	Recommendation(s)	Timeframe
Existence of some data on remittances.	Inadequate data collection mechanisms/ systems on remittances. The available data are not comprehensive enough to be relied upon for decision-making, and there is no visibility on the volume and value for all corridors.	The CBOS may consider developing a remittance transaction reporting system for remittance data collection, analysis, monitoring, and use. This will involve assessing the already existing central bank data collection systems and developing a platform that, among others, will define appropriate remittance data architecture, data collection and repository systems, and define data measurement and analytics processes, and data monitoring and use. An example of a system that central banks can use is the International Transaction Reporting System (ITRS). This comprehensive institutional data collection framework can be useful for capturing and monitoring the balance of payments statistics. Consider collecting gender-disaggregated data. This will ensure that the unique needs of women and men migrants are considered during decision-making. Reliable data on remittances is key to enhancing the accuracy and completeness of balance of payment data to effectively manage issues related to AML/CFT compliance, to understand the true impact of remittances on the economy and to form more effective policies for managing remittances, including policies to incentivize their contributions to the economy. Remittance data collection, analysis, monitoring and use are essential for decision-making processes relating to remittance services. Given the extensive usage of informal remittances, it would be essential to understand the size of informal remittance flows and their impact on Sudan´s economy.	Short-term: can be implemented within one year

(d) Consumer protection

Enabler(s)	Inhibitor(s)	Recommendation(s)	Timeframe
There are provisions in various laws aiming at protecting consumers from misleading market practices and harmful goods and services. The CBOS has a specific department that deals with all matters related to consumer protection and complaint resolution and is currently developing a proposal to ensure a standalone consumer protection framework in place.	There are pieces of provisions in various laws on complaint-handling mechanisms for consumers. Still, it is unclear and complex due to various laws touching on consumer protection issues, various consumer protection frameworks, and lack of enforcement mechanisms. Furthermore, no recourse mechanism has been purposely built for digital channels. An overlap in the legal mandates of different financial consumer protection authorities can lead to inconsistent and ineffective supervision and should be minimized or at least coordinated. There is a lack of a harmonized financial consumer protection framework to ensure that data and money are well secured during cross-border transactions, especially in cyber security and data protection. There is a lack of transparency in tariff-setting practices among RSPs. This affects customers' willingness to use formal remittance service channels. The RSPs do not disclose the service's total price, speed, and exchange rates to be used. In most cases, remittance transfers involve a foreign exchange transaction. To know the total price of the transfer, the sender needs to know the exchange rate to be used. The practice is that different RSPs use different exchange rates, which also vary from day to day. Some RSPs do not convey the truth about the speed of services, or customers are not informed when delays occur. Speed depends on messaging and settlement (there is no liquidity provision to the disbursing agent so that payout can occur before a settlement is complete). This can sometimes lead to some intermediary banks holding onto the funds for a period before forwarding them so that they can benefit from the resulting float. The availability of some payment instruments is limited. For example, electronic funds transfer or RTGS is not available over the weekend, while initiation speeds vary even with near real-time instruments such as mobile money and QR codes. This does not support the target for 24-hour operations and instant payments and is more challenging when customers from different time zones are involved.	The CBOS could develop a harmonized financial consumer protection framework to ensure that data and money are secured and to foster consumer trust and confidence. These guidelines, which would apply to all RSPs licensed, registered, and supervised by the corresponding authorities, would protect and empower senders and recipients of remittances, especially in the key areas of (i) cyber security; (ii) data protection and privacy; (iii) complaint management; (iv) transparency and disclosure; (v) float and agent liquidity management; and (vi) financial education and customer awareness. • **Cyber security**: Cyber security policies will protect users and data, enabling users to enjoy frictionless and safe money transactions. • **Data protection and privacy**: Legal frameworks can clarify and strengthen data protection regulations, especially from financial and payment data perspectives. This should include how financial, payments and other digital payment data are collected, held, stored, accessed and shared, as well as pertaining to ownership and intellectual property rights, if any, and consumer consent and protections. The overall objective should ensure that payment data are used safely and securely to enhance users' privacy and customer-centricity. • **Complaints management**: The guidelines can provide for complaint-handling mechanisms and refund procedures. Guidelines should require RSPs to develop a complaints management plan, including the establishment of (i) a separate unit responsible for digital finance and remittance payments, (ii) a manual of operations that clearly explains how consumer complaints are addressed and reported, with clear responsibilities for each step of the process, and (iii) appropriate communication channels to address inquiries and complaints from digital finance and remittance consumers. If the complaint is not resolved to the customer's satisfaction, an out-of-court alternative dispute resolution (ADR) mechanism can provide further options for recourse. • **Transparency and disclosure**: The guidelines could require proper disclosure at the advertising, shopping, pre-contractual and contractual stages (and upon request), in line with Principle 3 of the G-20 High-Level Principles on Financial Consumer Protection, which states "all financial consumers should be treated equitably, honestly and fairly at all stages of their relationship with financial service providers". Guidelines should also require RSPs to provide information about any other relevant aspects of their service, such as: (i) the ability, if any, of the sender to revoke the transfer after it has been paid for; (ii) whether the RSP will inform the receiver when the funds are available; (iii) information about the rights of the consumer in the event of any problems (e.g., dispute or error resolution); (iv) the customer's ability to transfer products or services to another provider with reasonable notice; and (v) contact information. • **Float and agent liquidity management**: The guidelines can also consider introducing a code of conduct on float management because this is an implicit charge. Its effect is that the remittance service is slower, and the intermediary entity earns interest income from the funds. • **Financial education and customer awareness**: RSPs could establish financial education programmes for remittance consumers to raise awareness of basic information about remittance products and services, including charges and fees. Ensure that the entities responsible for financial consumer protection have clear mandates, sufficient capacity and expertise, and effective mechanisms for coordination and collaboration with internal and external stakeholders.	Medium-term: can be implemented within 2-3 years

Enabler(s)	Inhibitor(s)	Recommendation(s)	Timeframe
Data protection and privacy laws.	Lack of data protection regulations. The unauthorized use of customers' data in digital payments poses a challenge to cross-border payments.	Strong safeguards and financial sector data protection regulations can be developed and enforced.	Medium-term: can be implemented within 2-3 years

(e) Cooperation and collaboration

Enabler(s)	Inhibitor(s)	Recommendation(s)	Timeframe
Membership in various regional and international fora, including membership to IGAD.	Lack of cooperation on AML/ CFT measures on cross-border remittance flows among the Member States in the region, including sharing information. Unharmonized policies, laws and regulations related to cross-border remittances across regional blocks.	The CBOS can consider harmonizing remittance regulations within the IGAD region and other corridors. It can be challenging to use regional payment systems if the regulation in each participating system is not harmonized or if operating standards are different. Trade arrangements and financial liberalization commitments, especially those linked to the operation and licensing of financial entities, including RSPs, can be built upon. Other relevant public authorities can evaluate actions to collaborate in connecting or enhancing domestic and cross-border regulatory cooperation. This could be done by assessing the existing arrangements and challenges, creating building blocks of a response to improve the current regional cross-border remittance arrangements, and putting forth a road map of practical steps (with time frames) needed to achieve harmonization. An intended outcome is increased efficiency, affordability and security of intraregional and cross-border fund transfers.	Short-term: can be implemented within one year

KEY TAKEAWAYS AND NEXT STEPS

An advanced telecommunications sector serves Sudan with a reliable core domestic fibre optic system connected to international fibre optic links. Such developments are critical in facilitating a seamless flow of remittances. UNCDF has thus sought to provide a similarly ambitious and comprehensive diagnostic for the specific and fundamental question of optimizing migrant remittances. We recognize that the various recommendations also require various levels of effort and timeframes to implement.

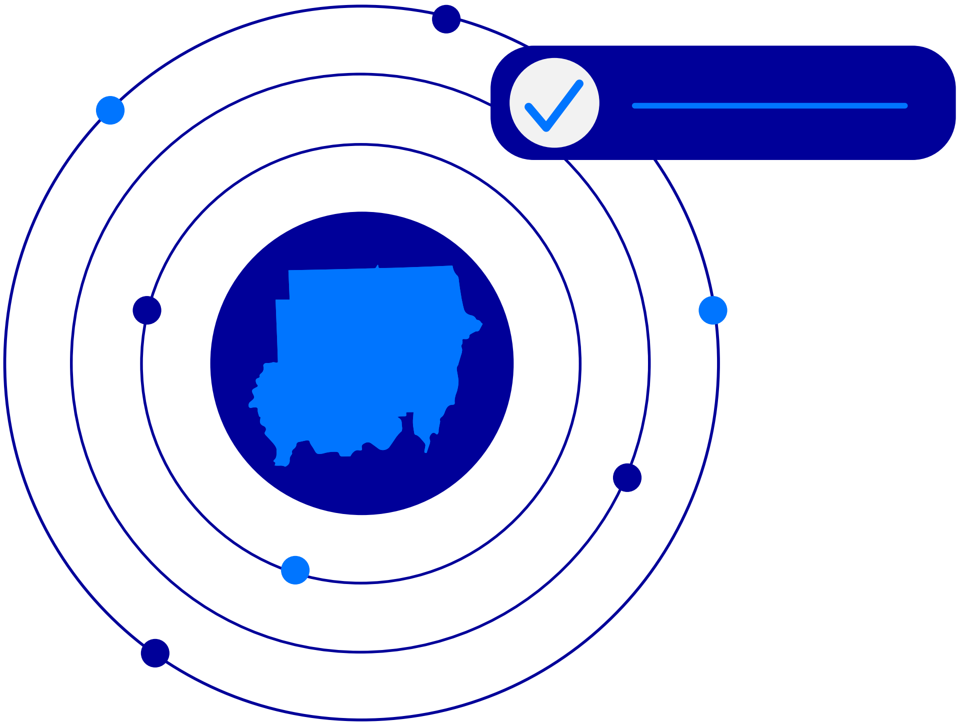
We look forward to reviewing this report in detail with key and government stakeholders and identifying opportunities where UNCDF can provide specific support going forward. Along with consultations to review this report's contents, UNCDF will keep Sudanese stakeholders up to date about the comprehensive body of work we will be pursuing around migration and remittances. That work includes:

- **Demand-side research**: Despite digital solutions' great potential to improve the lives of migrants and their families, both access and uptake remain a challenge. Many migrants may lack practical access to a digital transaction account (such as a mobile wallet), whether because such services are simply unavailable in the local area where the migrant is working or because the migrant lacks the necessary documentation to obtain such an account, or due to some other external factor. Where access is available, the migrant may lack the necessary digital literacy to know how to register for such an account. Finally, some migrants, even those digitally adept, may not see digital solutions as better than cash-based solutions, which is perhaps not surprising since the use cases for digital remittance channels remain limited to date. Unless human-centred financial product development, focused on the financial needs and mobility considerations of migrants, is responsively designed and supported by the requisite last-mile delivery infrastructure, commercially viable financial inclusion for migrants and their families will not be achieved. UNCDF's demand-side research thus focuses heavily on human-centred design. We anticipate that the learnings from our human-centred design work will be applicable and valuable to the Sudanese context.

- **Supply-side research**: Access and uptake of digital financial services, including remittances, requires a robust and inclusive digital finance ecosystem. Such an ecosystem must ensure the active participation of traditional and non-traditional financial service providers to support commercially viable digital remittance channels. The supply-side assessment work is aimed at reviewing the constraints faced by the providers—agent networks, liquidity management, business models, products, and digital infrastructure, among other factors—that currently limit their capacity to advance the usage of digital products.

- **Learning and implementation**: In parallel with the roll-out of the research strategy, UNCDF will be pursuing an ambitious capacity-building and learning agenda. We are partnering with leading academic and learning institutions to advance our understanding of shared challenges and opportunities about building enabling ecosystems, pursuing evidence-based decision-making, and designing migrant-centric financial products.

Finally, as we begin collaborating with the CBOS to review this report, we also look forward to holistically considering the set of recommendations. The holistic approach is important for several reasons. First, all the work with UNCDF will ultimately support the central bank's efforts to improve remittance flows through regulated channels, thus giving regulators a more accurate picture of the actual balance of payments. At the same time, the work will also advance the financial inclusion of migrants and their families, thus advancing the financial inclusion agenda for the country as a whole. UNCDF's recommendations in this report form a system, and changes to any single factor will likely cascade through that system. Tackling the diagnostic recommendations systemically, rather than looking at individual recommendations in isolation, will make their inter-dependencies and linkages more visible and align with the country's monetary, financial inclusion, and digitalization agendas, and will ultimately create the best path forward.



Impact Capital for Development

MIGRANT MONEY

ABOUT IGAD

The Intergovernmental Authority on Development (IGAD) is one of the eight regional economic communities (RECs) and building blocks for the African Union. IGAD was established in 1996 to supersede the Intergovernmental Authority on Drought and Development (IGADD), which was founded in 1986. The new and revitalized IGAD was launched during the 5th Summit of IGAD Assembly of Heads of State and Government—Djibouti, Eritrea, Ethiopia, Kenya, Somalia, South Sudan, Sudan, and Uganda—held on 25-26 November 1996 in Djibouti. The Summit endorsed the decision to enhance regional cooperation in three priority areas of food security and environmental protection, economic cooperation, regional integration and social development peace and security. The founding leaders of IGAD were motivated by a vision where the people of the region would develop a regional identity, live in peace, and enjoy a safe environment alleviating poverty through appropriate and effective sustainable development programmes.

ABOUT UNCDF

The United Nations Capital Development Fund (UNCDF) is the United Nations' flagship catalytic financing entity for the world's 46 Least Developed Countries (LDCs). With its unique capital mandate and focus on the LDCs, UNCDF works to invest and catalyse capital to support these countries in achieving the sustainable growth and inclusiveness envisioned by the 2030 Agenda for Sustainable Development and the Doha Programme of Action for the least developed countries, 2022–2031.

UNCDF builds partnerships with other UN organizations, as well as private and public sector actors, to achieve greater impact in development; specifically by unlocking additional resources and strengthening financing mechanisms and systems contributing to transformation pathways, focusing on such development themes as green economy, digitalization, urbanization, inclusive economies, gender equality and women's economic empowerment.

A hybrid development finance institution and development agency, UNCDF uses a combination of capital instruments (deployment, financial & business advisory and catalysation) and development instruments (technical assistance, capacity development, policy advice, advocacy, thought leadership, and market analysis and scoping) which are applied across five priority areas (inclusive digital economies, local transformative finance, women's economic empowerment, climate, energy & biodiversity finance, and sustainable food systems finance).

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