

VOLUME III

CLUSTER REPORTS

- 1. Capacity Building & Institutional Development**
- 2. Governance & Rule of Law**
- 3. Economic Policy**
- 4. Productive Sectors**
- 5. Basic Social Services**
- 6. Infrastructure**
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MARCH 18, 2005

List of Acronyms

AAAID	Arab Authority for Agriculture Investment and Development
ALP	Alternative Learning Programmes
ARC	Agricultural Research Corporation
ARRC	Animal Resources Research Corporation
BOS	Bank of Sudan
BOSS	Bank of Southern Sudan
BSS	Basic Social Services
CBO	Community-Based Organization
CBOS	Central Bank of Sudan
CBR	Community-Based Recovery
CBS	Central Bureau of Statistics
CDR	Community Driven Recovery
COMESA	Common Market for Eastern and Southern Africa
CPA	Comprehensive Peace Agreement
CPI	Consumer Price Index
CPIA	Country Policy and Institutional Assessment
CWIQ	Core Welfare Indicators Questionnaire
DDR	Disarmament, Demobilization, and Reintegration
EFA	Education for All
EIA	Environmental Impact Assessments
EMIS	Education Management Information System
ERW	Explosive Remnants of War
FAO	Food and Agriculture Organisation
FDI	Foreign Direct Investment
FFAMC	Fiscal and Financial Allocation and Monitoring Commission
FHS	Family Health Survey
FMOE	Federal Ministry of Education
GAFTA	General Arab Free Trade Agreement
GDDS	General Data Dissemination System
GDP	Gross Domestic Product
GIC	Government Investment Certificate
GNP	Gross National Product
GOS	Government of Sudan
GOSS	Government of Southern Sudan
HBS	Household Budget Survey
HCENR	Higher Council for Environment and Natural Resources
ICOR	Incremental Capital Output Ratio
IDP	Internally Displaced Person
IFAD	International Fund for Agricultural Development
IFMIS	Integrated Financial Management Information System
ILO	International Labour Organisation
IMF	International Monetary Fund
IMSMA	Information Management System for Mine Action
SETI	In-Service Education and Training Institutes
JAM	Joint Assessment Mission
LAF	Livelihood Analysis Forum
LAFICO	Libyan-Arab Financing Investment Company
LFS	Labour Force Survey
MDG	Millennium Development Goal
MDTF	Multi-Donor Trust Fund
MFI	Micro-Finance Institution

MICS	Multiple Indicators Cluster Survey
MIWR	Ministry of Irrigation and Water Resources
MMR	Maternal Mortality Ratio
MOFEP	Ministry of Finance and Economic Planning
MOFNE	Ministry of Finance and National Economy
MOI	Ministry of Industry
MOIN	Ministry of Investment
MOLAR	Ministry of Labour and Administrative Reforms
MOT	Ministry of Trade
MOU	Memorandum of Understanding
MRE	Mine Risk Education
NCCER	National Centre for Curricula and Educational Research
NCP	National Congress Party
NCWR	National Council for Water Resources
NG	National Government
NIIS	National Integrated Information System
NMAO	National Mine Action Office
NSCSE	New Sudan Centre for Statistics and Evaluation
NWC	National Water Corporation
OCHA	Office for the Coordination of Humanitarian Assistance
ODA	Official Development Assistance
OLS	Operation Lifeline Sudan
OSA	Oil Savings Account
PAPFAM	Pan-Arab Program on Family
PE	Public Enterprise
PES	Poverty Eradication Strategy
PFM	Public Financial Management
PMA	Project Implementation Agency
PRSP	Poverty Reduction Strategy Paper
PSA	Power Sharing Agreement
SD	Sudanese Dinar
SINGO	Sudanese Indigenous Non-Governmental Organization
SMEs	Small and Medium Enterprises
SMP	Staff-Monitored Programme
SPC	Sudan Petroleum Corporation
SPLM	Sudan People's Liberation Movement
SSS	Sentinel Site Surveillance
SRRC	Sudan Relief and Rehabilitation Commission
SRTC	Sudan Radio and Television Corporation
SWC	State Water Corporation
TA	Technical Assistance
TSA	Treasury Single Account
TTE	Technology Transfer and Extension
TTI	Teacher Training Institute
TVE	Technical and Vocational Education
U5MR	Under-5 Mortality Ratio
UNDP	United Nations Development Program
UNFPA	UN Population Fund
UNICEF	UN Children's Fund
UNIDO	United Nations Industrial Development Organisation
UNMAS	UN Mine Action Service
UXO	Unexploded Ordnance
WB	World Bank

WES	Water and Environmental Sanitation
WFP	World Food Programme
WHO	World Health Organization
WSA	Wealth Sharing Agreement
WTO	World Trade Organization

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Disclaimer: The reports in Volume III were prepared on the basis of the Sudan Joint Assessment Mission, but are unofficial documents and may present inconsistencies with Volume I, in which case the latter takes precedence.

 **J A M S U D A N** 
Joint Assessment Mission البعثة المشتركة لتحديد إحتياجات السودان

CAPACITY BUILDING & INSTITUTIONAL DEVELOPMENT

MARCH 18, 2005

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OVERVIEW

1. A sound institutional framework and adequate organizational and human capacity are necessary for sustained development, and of critical importance in a post-conflict situation. Capacity is required to help deliver the “peace dividend” in the form of basic social services, economic growth, improved equity and security leading to eradication of poverty. Essential capacity and institutions are devastated by prolonged conflict. This is the case throughout Sudan today, especially in state institutions but also in the private sector and in communities.

2. In Southern Sudan, many basic institutions and capacities have not existed for decades beyond the most rudimentary level. At the same time, local communities and the private sector have demonstrated considerable capacity to survive under the most difficult conditions – a source of capacity that Sudan can tap into right away and which must not be lost in the rush to rebuild post-conflict Sudan and in the eagerness to deliver the peace dividend.

3. While less directly affected by the civil war, change will be just as important in the North – at the centre in particular -- if the peace process is to succeed and the necessary conditions for equitable and sustainable development are to be established. This will require a political commitment on the part of the National Government (NG)¹ to the Comprehensive Peace Agreement (CPA), as this calls for a more equitable sharing of power and resources, and for more accountable and responsive government generally – not only vis-à-vis the South but also very importantly within the North. A commitment to democracy and good governance will also provide the starting point for its partnership with the international donor community in the fight against poverty. Without this basic foundation, all capacity building efforts will yield little or no results.

Delineating the Broad Challenge

4. “Institutional development” and “capacity building” are complex and critical topics relevant to all of the clusters. In the Sudan JAM context, the Capacity Building cluster has taken an approach that complements that of the other clusters. While the other clusters identify, plan and cost priority interventions in their respective fields, Cluster 1 focuses “horizontally” on critical elements of the broader public administration issues. These cross-cutting issues include, for example, the public service, government-wide systems for budgeting, accounting and procurement, corruption, the framework for decentralization, and the setting up of effective modes of local planning and service delivery – these are required by all clusters/sectors but are planned and costed for in this report, while the sector-specific policies, programs, training, technical assistance, etc. are all covered in their respective Cluster reports.²

5. In light of the CPA – and complementing the work of other clusters as noted above – the following six broad areas are covered in detail in this report:

1. The Public Service;
2. Local Government & Service Delivery;
3. The Decentralization Framework;
4. Public Financial Management;
5. Public Procurement; and
6. Corruption.

6. Capacity building and institutional development cannot be achieved through purely technical interventions. For interventions to take hold, to be sustainable and to contribute to peace-building, an understanding of the broader political and social context is necessary. This

¹ Also described as the Government of National Unity (GNU).

² Cluster 1 includes “general” civil servants but not sector-specific front-line workers (teachers, healthcare workers, etc.).

dynamic is especially heightened in a post-conflict context. While there are huge challenges involved in setting up or reforming the basic systems and institutions in any context, the complexity and uncertainty of a post-conflict context has been considered in making the assessments and suggesting the interventions described in this report.

7. All of these areas entail major risks and opportunities for conflict and peace-building. Capacity building unavoidably entails distribution of current resources (by geographical area, ethnic group, political faction, etc.) and includes control over and distribution of future resources. The design of institutions and programs, and the processes for their implementation require the key actors (GOS, SPLM, donors, NGOs, et. al.) to constantly look at capacity building with a “conflict lens” and apply “conflict sensitive development” tools that will help mitigate potential risks and take advantage of existing opportunities. Mainstreaming conflict management will be a critical underlying capacity.

8. Gender is a cross-cutting issue. Especially in the South, the war has meant that women have carried double burdens or more in the absence of husbands, brothers and fathers, and under extremely difficult conditions. The peace presents new opportunities and challenges for the role of women in Sudanese society and calls for appropriate policies, programs and monitoring systems to ensure full participation of women in key Sudanese institutions and professions.

9. As might be expected, the nature of the challenges is quite different in the North and South. In the North the need is for major reforms of existing systems and institutions. Some elements of capacity, such as a critical mass of trained staff and basic infrastructure, are in place. In the South the human resource base is much more severely limited, some institutions are almost or entirely non-existent, and much of the key infrastructure has to be built almost from scratch. The nature of the challenge is different, but not necessarily the magnitude: reforming existing situations can at times be more difficult than starting largely anew³.

An Enabling Environment for Peace and Poverty Eradication

10. The areas included in the scope of this cluster group were chosen because they are recognized as the key building blocks for Sudan to develop the capacity to implement the vision and proposals of the CPA and for reconstruction and development generally. The focus is on the supply side: on State capacity (organizational effectiveness, skills, and the ability to utilize and retain capacity) and on the capacity to build capacity (training capability). These provide the enabling framework for growth, service delivery and poverty reduction. The important issue of developing capacity within civil society to demand good governance is the subject of Cluster 2 (Governance and Rule of Law).

11. Detailed background papers were prepared on most of the areas covered, and this report and the attached cluster matrices provide a summary of key findings and priorities, including:

- i. *Public Service.* In the North there has been serious deterioration in almost every respect for several years and recent reform efforts have not taken hold. Background analysis suggests that following the recent increase in public sector salaries, in spite of the low absolute level of wages, the wage bill could become fiscally unsustainable⁴. This calls for a strategic and realistic (and possibly selective) approach to reform, well anchored in

³ It is recognized that *all* institutions are embedded in existing political, social and institutional contexts; so we are never starting purely “anew”.

⁴ Applying the approximately 170 percent increase in the wage bill indicated by the revised pay scales to an estimated GDP for 2004 leads to the conclusion that the share of the civilian wage bill in GDP and government revenues would rise to 4.2 percent and 31.4 percent respectively. Even with no change in the military wage bill this would make the total wage bill (almost 8 percent of GDP) very large and difficult to sustain. This would be significantly higher than the 6.7 percent for the sample of 21 African countries and the 5.4 percent for the entire sample of 92 countries reported in Schiavo-Campo et al (1997). It is understood, that the GOS has, for now, postponed the full implementation of the proposed increase.

political and institutional realities. In the South, the system of administration can only be described as “very basic” as efforts of the SPLM over the last couple of decades have been focused on the war. Institutions, policies, systems and staff all need to be put in place (starting mostly from scratch), in the context of the vision for decentralized governance, a lean and effective public service and a sustainable wage bill. Training capacity needs to be put into place or enhanced significantly in both the South and the North.

- ii. *Local Government & Service Delivery.* In the North, recent changes have created new opportunities and challenges, but capacity and resources are thin with few exceptions, and commitment to making the concrete changes necessary to establish adequate transparency may not be firm at all levels. The focus will be on building capacity that will help less-advantaged localities and regions reach parity with the better-off areas. This will provide the basis for Sudan’s Northern states to reach the MDGs in various sectors (health, education, water, etc.). In the South, as reflected in the other cluster reports, service delivery has been sketchy and a mix of ad hoc arrangements in which NGOs, church groups and UN organizations, collaborating with communities, have played a central role to deliver what services there are. Some key decisions on the exact status of different levels of government are not yet decided. The SPLM is working with the UNDP, CRS and PACT to build capacity to promote local participatory governance and bottom-up development.
- iii. *Decentralization Framework.* Within the broader framework set out in the CPA, a decentralization system needs to be developed for the Northern states that includes defining the roles and responsibilities of local governments, building their capacity and putting in place an appropriate decentralization framework to address vertical and horizontal imbalances. This includes strengthening the role of the citizen in identifying and addressing community concerns and strengthening the accountability of local officials. In the South, there is an emerging commitment to a decentralization framework in which the GOSS and states will have mainly policy and regulatory functions, and where staff and other resources are largely reserved for front-line service provision through devolved local governments which may contract private sector or NGO providers, financed for the foreseeable future primarily with relatively flexible block grants from the GOSS.
- iv. *Public Financial Management.* The Wealth Sharing Agreement places highest priority on public finance and intergovernmental relations, including expenditure management to ensure accountability (Clause 1.16). Public financial management systems are weak and need to be substantially upgraded in both the North and the South. In the North, basic systems and the legal framework are in place but need to be modernized (including computerization) and HR capacity needs to be enhanced, especially in some states. In the South, all policies, systems, institutional arrangements and staffing need to be built almost from scratch. In both cases the focus is on building effective and sustainable systems for ensuring that all revenues and expenditures are budgeted and accounted for, in order to help ensure Sudan’s resources are properly committed to development and poverty eradication in particular.
- v. *Public Procurement.* In the North, the legal framework can be revised in the short-term, but in the long-term major revisions are needed to create effective, transparent systems, including oversight mechanisms. Today it is difficult to assess the volume and nature of GOS procurement. The faith of the general public and private sector in the procurement system needs to be restored. In the South, the SPLM realizes that it needs to temporarily contract out procurement responsibilities through the proposed Project Implementation Agency (PIA) to deal directly with the immediate massive new procurement requirements once the GOSS comes into existence, and needs to put into place a capacity building

strategy for the longer-term. Without these arrangements, the lack of workable and accountable procurement systems will become a major bottleneck for delivering peace dividends to the people of Southern Sudan.

The Three Areas

12. The Three Areas – Blue Nile, Southern Kordofan and Abyei -- with a combined population of about 3.9 million – have been at the centre of the civil war and, in recognition of their unique situation, have been accorded special status in the CPA. The UN estimates that currently about 30 percent of this population lives in SPLM-controlled areas, and the remainder lives under GOS controlled areas. Desired outcomes are based on a shared vision, which is “to make Abyei, Blue Nile and Southern Kordofan models for peaceful co-existence based upon the implementation of the CPA and the consensual sharing of resources to meet basic needs and respect of human rights”.

13. Three overriding priorities have been identified for Phase I, alongside the need to make significant progress in the development of basic economic and social infrastructure and programs that are outlined in a separate chapter in this volume. The specific priorities identified and agreed upon for the Three Areas are:

1. Implementation of the CPA
2. Establishment of key institutions
3. Return and resettlement of displaced persons

Donor Coordination

14. There are large funding and capacity requirements if the critical capacity building and institutional development needs of Sudan identified in this report are to be met and the benefits of the peace are to reach the poor and marginalized people of Sudan.

15. Several donors have a defined interest in the area of institutional development and capacity building. However, if their efforts are not well coordinated, there is a significant risk that these well-intentioned efforts will not achieve the desired outcomes and could, in fact, become dysfunctional. Although this is true across the board, it is particularly relevant in the context of institutional development and capacity building where the quality and consistency of the advice and technical assistance are of critical importance. Thus, not only is it important for the various bilateral and multilateral donors to pool resources as far as possible⁵, it is also extremely important that donors with an interest in a particular area speak with one voice, do not offer conflicting advice and subject their advice to quality assurance from others.

16. The lead on donor coordination must be taken by the GOS and the GOSS. However, in the early stages neither the GOS nor the GOSS will have the capacity to do this effectively. This assessment recognizes this fact and has made provision for supporting the aid management and coordination capacity of the GOS and the GOSS. The design of the MDTFs and the implementation arrangements also recognizes this need. Self-imposed discipline on the part of donors is going to be critical for success. The experience during the JAM exercise suggests that this possible.

⁵ This is being done through the two Multi-Donor Trust Funds.

NATIONAL GOVERNMENT & NORTHERN STATES CURRENT STATUS & KEY CHALLENGES

Public Service

17. There has been a steady decline in the status of the civil service in the North over many years, accelerating during the 1990s. As a result, the status of the civil service today is below that of the political leadership, the military and security establishments and the police. The key challenge for the GOS is to reverse the steady deterioration of the public service, which is characterized by low morale, poor productivity, inefficiency and a weak service delivery capability. Although some of the problems have technical solutions, the real challenge is to change the political and institutional environment in which the public service functions. This will involve identification and implementation of a feasible strategy focused on key priorities. For success, the approach would need to be firmly grounded in the political realities, consistent with the political appetite for change and an assessment of the capacity for change within the public service itself.

18. *Structure & Size of Public Service.* Civil Servants are employed across a number of government institutions in the different tiers of government: the National Government, which consists of 30 ministries (including the Presidency), State Governments with 6 ministries each and a number of locality (*mahaliya*) administrations; in addition there are about 71 public enterprises and 25 public universities. Although the estimates on the size of the public service are not robust, recent data from the MOLAR⁶ indicates a total of 331,000 public servants (a little over 380,000 if public universities and enterprises are included). While the public service is partially decentralized, the states (including local) and national government use the same pay and grading structures. In fact, salaries and wages are largely funded from the national budget. Some staff are seconded from the national level to the states, while the staff in the localities are counted on the establishment of the states.

Table 1. 1: Size & Distribution of Public Service

Institution	# of Employees	Percent
National	28,305	7.4
State	302,668	79
Total Civil Service	330,973	86.4
Public Universities	4,207	1.1
Public Enterprises	47,727	12.5
Total	382,907	100

Source: Based on data provided by MoLAR, June 2004.

19. *Compensation & Incentives.* The absolute level of compensation (less than 3.5 times per capita GDP) and the compression ratio (less than 4:1) remain extremely low by international standards, despite the recent wage increase. However, there is a large discrepancy between the wage bill that would result from the officially reported size of the work force and compensation levels, and the wage bill presented in the budget. This suggests that either the numbers of staff are underreported and/or there are significant payments beyond the formal pay and allowance structure. By some accounts a host of non-transparent and often discretionary forms of pay augmentation practices are used, including hardship allowances, special contracts for key staff, allowances for sitting on boards of public enterprises and performance incentives.

20. *Regulatory Framework.* Regulations from 1995 are in place, but these are generally not adhered to, partly because of the erosion of the authority of the Civil Service Department.

⁶ Ministry of Labor and Administrative Reforms.

21. *Training.* The principal national training institutions are the Sudan Academy for Administrative Sciences (SAAS), the Management Development Centre (MDC), and the National Clerical Development Centre (NCDC). These institutions operate with a very traditional supply-driven orientation and are ill-equipped to meet the current challenges. The approach to training needs to be comprehensive including a strategy for modernization and restructuring of state organizations and identifying the potential and role of private providers.

22. *Integration issues.* A major challenge facing the GOS (as well as the GOSS) is associated with transforming the GOS into a functional and efficient National Government (NG)⁷. The existing civil service will be transformed into a National Civil Service, as envisaged in the Power Sharing Agreement (PSA). Various milestones are spelt out in greater detail in the Implementation Modalities. According to the provisions of these agreements, Southerners will have pre-determined levels of representation in the Executive as well as in the National Civil Service. The spirit of the PSA is also that the latter is not for reasons of affirmative action but to provide "representation" to the South (and other neglected regions) in the civil service.

23. The whole issue of restructuring government and reforming the civil service is thus complicated by these issues of integration. Also relevant in this context is the issue of the (largely Southern) civil servants currently employed by the GOS and based in the government-held towns of the South. Although the SPLM notes their existence, it has clearly stated that they will only be employed on a selective basis by the GOSS and the Southern states. A detailed policy on these public servants has not been articulated. This is a potentially volatile issue that needs to be addressed as a priority.

24. Finally, there is need to have a policy on HIV/AIDS in the political and civil service structures. This should include HIV/AIDS policy in the workplace to ensure a consistent and equitable approach to the prevention of HIV/AIDS among employees, and comprehensive benefits including care and support of those employees living with HIV/AIDS and members of their families.

Local Government & Service Delivery

25. Over the past decade, the GOS has embarked upon a major program of deconcentration of responsibilities. In 1993 the number of states was increased from six (in the North⁸) to sixteen, and in 2003, the Local Government Act (2003) consolidated the previously numerous sub-state units into fewer and much larger units called "Localities" or "*mahaliyas*". Each new Locality combines approximately half a dozen of the former units. Localities are headed by State-appointed officials (approved at the national level) and staffed by State ministry technical and professional officials. The role of locally elected councils remains limited, but there is potential for increased participation. One stated aim of the deconcentration of responsibilities is to improve the delivery of basic social services to reach more of the rural and remote communities, thus addressing the severe disparities in access to education, health, and other services. Although the human resource capacity in several States is relatively strong, other States and Localities are severely under-resourced in terms of management capacity and financial resources. Even the more advanced States and Localities face challenges in modernizing their administrative systems and supporting the delivery of basic social services to all their communities and citizens.

26. *Roles of Communities, NGOs and CSOs.* One important challenge is developing more efficient and cost effective means of delivering social services, especially in rural areas and in resource poor states. Capacity building is needed for indigenous CBOs, NGOs, locality administrations, and communities, to explore and develop new types of relationships between

⁷ Also described in its new role as the Government of National Unity, generally referred to as the NG.

⁸ Originally called Regions.

the levels of government, and between government and NGOs, civil society organizations, and community-based local organizations. Addressing gender issues regarding education and health access, and support the roles of women's community groups in supporting improved service delivery, will be important elements of these activities. More creative strategies for partnership with communities, CBOs, and local private sector actors, Locality and State governments are needed to significantly improve equitable access to essential services. Civil society organizations and local communities should be encouraged to play a greater role in natural resources management at the local and state level.

27. *Information Management and Locality Planning.* Localities are now relatively large entities with populations of up to one million and with a large enough scale of infrastructure, programs, and facilities to justify investments in computerization. Many localities have thoroughly surveyed all of the communities, facilities and programs within their domain, and some are establishing "information centres". This process and information needs to be automated in order to assist with updating, analysis, and planning. Localities and States would benefit from the addition of GIS components to these databases, as spatial representation greatly facilitates participatory processes of planning and monitoring, particularly in the field of urban spatial planning, delineation of protected areas and overall environmental management.

28. *Resource Management & Mobilization Strategies.* The major challenge for decentralization in the North remains the establishment of an equitable and workable system of decentralized revenue generation and distribution (see below) so that all states and localities, despite their level of wealth, can at least provide the minimal national standards of social service. Even in "favored" states, the Localities' resources are very scarce in relation to their social needs and delegated responsibilities. Under decentralization, Localities' programs should be increasingly funded from multiple sources, including resources from special National programs, budgetary support from the state, local revenue, innovative cost recovery approaches, private sector cooperation, and community and NGO/CSO initiatives and contributions. Capacity building is needed at the local, community, and local NGO level to learn the arts of leveraging resources, combining resources, and stimulating resources in support of locally identified activities and investments.

Decentralization Framework

29. Decentralization of political power and accountability has the intrinsic value of empowering individuals and communities to have more control over their lives as well as creating better conditions for service delivery. Within the broader framework set out in the CPA, a decentralization system needs to be developed that includes defining the roles and responsibilities of local self-governments, building their capacity, and putting into place an appropriate fiscal decentralization strategy to address vertical and horizontal imbalances. This includes strengthening the role of the citizen in identifying and addressing community concerns and strengthening the accountability and transparency of local officials.

30. This needs to be supported by a complementary capacity building strategy, policy measures, and institutions that ensure local level accountability. Continued dialogue and implementation of cross-cutting approaches, such as community-based activities through local government institutions, can help build consensus for decentralization as a way forward.

31. In time and as capacities are developed, devolution and decentralization would be deepened such that each locality would provide:

- i. security of person and property which entails secure access to land thereby contributing to enhanced equity;

- ii. the right to participate effectively in the life of the community, ensuring that development priorities are set at the local level by the local populace (participatory democracy) and which would determine how these are to be achieved;
- iii. identification of the sources of income (from farming or off-farm activities) which will also determine the need to develop local infrastructure such as power, water, transport to market towns, finance and purchase of other inputs etc; and
- iv. access to basic education and a package of basic health services along with water and sanitation facilities.

32. Modifying the intergovernmental fiscal relations in Sudan's Northern states needs to address two critical policy issues: (i) determining the pool of resources to be distributed and (ii) the allocation criteria to be used in determining each state's allocation. There are a number of prerequisites for successful devolution of revenue raising and spending responsibilities: interventions need to be pursued which strengthen the enabling environment, while the intergovernmental transfer system is being restructured to promote sub-national revenue mobilization and cost containment. State and local governments should be able to collect the maximum amount feasible of own-source revenues, and the grant formula should be designed with this in mind.

33. There is a critical need to improve revenue administration. Taxes are not being collected according to the law and there is weak administration of existing taxes, e.g., the share of budgeted revenues actually collected is often extremely low. There is also frequent reliance on others for determining tax liabilities and collecting taxes, e.g., neighbourhood committees, and a lack of adequate personnel and available personnel needs additional training. Finally, but not least, there is a lack of data on the base of each revenue source.

34. At the state and locality level, government budgeting and financial reporting systems are limited by lack of strategic vision in the budget preparation process, inconsistent reporting and budgeting of activities of local budgetary institutions and limited access to comparative information on comparable in-country locality-level finance(s) and service delivery. These issues are linked. In the absence of a clear strategy for state and locality service delivery, local and state government service performance criteria cannot be identified (without performance indicators). Hence, no measurable service goals and standards can be quantified.

35. Critical to a credible system of centre to state, and state to local transfers, is the need for a more transparent method of transfers. The intergovernmental transfer system needs to move from the current system, which relies too heavily on negotiated transfers to one that depends on transparent formula driven allocations. This will improve equality across states as well as improve transparency in the process, which will allow state and local governments to undertake better budget planning. Lastly, strengthening monitoring of disbursements to states through improved PFM, state/local budgeting and treasury systems, and internal and external auditing capacity to enhance accountability can also help to avert corruption.

36. Immediate next steps to improve the decentralization framework involve: (i) completing a diagnostic and continuing intergovernmental dialogue to enhance the process of drafting of appropriate state constitutions; (ii) establishing the Fiscal and Financial Allocation and Monitoring Commission (FFAMC), redesigning intergovernmental grant system to improve equity, enhance transparency and create incentives for local revenue mobilization; (iii) strengthening revenue administration and financial management capacity at the state and local levels; and (iv) establishing state-based data and information systems.

Public Financial Management

37. The GOS at the national level and in the Northern states has a well developed cash-based public financial management system. This ensures aggregate budget discipline at the national level. Public disbursements take place only when liquidity is available. A monthly reporting system is in place in order to closely monitor government accounts and to avoid overspending. Strict rules establish first priority for release of funds to national wages and salaries. Operation and maintenance has second priority. Transfers to the states have third priority, and the development budget has the lowest priority.

38. The national government has traditionally dominated both revenue and expenditure decisions. On average, the centre accounts for around 77 percent of total public expenditures and about 87 percent of aggregate public revenues. Local own tax bases and revenue sources are small, because all major revenue sources and tax bases are concentrated within the national domain. Decisions to distribute intergovernmental transfers from the national level to separate states used to be non-transparent. However the provisions of the Wealth Sharing Agreement in 2004 and the monitoring mechanisms prescribed therein are expected to improve current practices. Since the decentralized levels are not prioritized in the cash budget system, and since allocation decisions of intergovernmental transfers are not public, and appear not to follow strict rules or formulas, there is low predictability for the states' and localities' budgets. The gaps between budgeted and actual expenditures and revenue at decentralized levels are, most likely, large. One indication is the large arrears in payment for teacher salaries at the state level.

39. As might be expected, there is wide variability in the systems, accounting practices and capacity at the state level. MoFNE's informal assessment is that the Northern states can be broadly grouped into three categories: 4 "High" capacity states (River Nile, Kassala, Khartoum, Gezira); 4 "Medium" capacity states (Northern Darfur, Northern, Gadaref, North Kordofan); and 8 "Low" capacity states (Western Kordofan, Blue Nile, White Nile, West Darfur, Red Sea, South Darfur, Southern Kordofan, Sennir).

40. The Auditor General of Sudan's (AGS) Report for 2002 on State Accounts highlights the weak capacity that exists in many states. Some of the issues highlighted are the large discrepancies between amounts reported by the national government as having been transferred and what is reported by the States as having been received, unrealistic receipt and expenditure estimates in the budget, large extra-budgetary funds, outdated management principles, poor investment planning and poor accounting practices.

41. Some of the challenges facing the PFM system are the following:

- i. The entire accounting system is manual, at both the national level and the states;
- ii. Approximately 50 percent of the staff has had no formal training in accounting;
- iii. There is no commitment control system;
- iv. The budget classification needs to be revised to comply with international norms and to generate the information necessary for financial reporting purposes at the local, state and national levels;
- v. Debt management needs to be improved and the process for approving guarantees needs to be revamped;
- vi. The financial and accounting procedures need to be modernized;
- vii. Cash management needs to be improved to deal with the chronic cash shortages and the build up of arrears;

- viii. Revenue management improvements are required for halting the practice of netting of expenditures against revenues as well as offsetting payments by public enterprises; and
- ix. Reconciliation between accounting and banking figures and the quality of fiscal data needs to be improved.

Procurement

42. For the immediate-term, the current regulatory system of the GOS⁹ can be easily modernized while a more comprehensive legal framework is prepared. The main weaknesses of the current system are improper application of the existing regulations and the lack of oversight mechanisms. There is a lack of information on how funds are spent at the decentralized levels, which thwarts the ability to evaluate procurement and the efficiency of public spending. Indeed, the volume and nature of public procurement in Sudan is difficult to assess.

43. Procurement capacity has been eroded by the many years of conflict and low budget for non-defence activities. This includes a lack of capacity to manage donor-funded procurement. The private sector has also lost its ability to perform and meet the demands of government procurement, which currently is perceived as reserved for a handful of enterprises.

44. Restoring confidence in the system is a major challenge. Successful reform will require changes to the legal system and practices that encourage adherence to procurement rules, greater public awareness and a more transparent and participatory approach that includes all levels of government, the private sector and civil society. A GOS committee was recently established to review existing procedures and practices and make appropriate recommendations to improve the system in order to comply with COMESA and WTO requirements.

Change Management

45. The past experience of the GOS with public sector reforms, and assessments made in the course of the current exercise, suggest that the political appetite for public sector reform has been limited and that the responsible agency (MOLAR) neither has the capacity nor the institutional mandate to lead the process of change. A Higher Council of Administrative Reforms (HCAR) that had been set up is now practically defunct. If the envisaged reforms of the civil service and the public sector are to be realized, MOLAR will have to be considerably strengthened to be an effective manager of the change process. Leadership and support to the reform process from the office of the President would provide the necessary credibility and momentum required for the reforms to take off and be sustained.

National Commissions

46. To support the NG, several commissions are envisaged to be established at the national level, as per the CPA. These include the National Civil Service Commission, the National Land Commission, National Judicial Service Commission and the National Electoral Commission (many of these are dealt with by Cluster 2). As noted, these commissions will have representation by the parties to the CPA. An important challenge to the creation of the NG will be to effectively plan for and execute the necessary changes in existing structures, as well as to properly manage the recruitment process to ensure that the commissions have sufficient representation at every level to fulfil the terms of the agreements. The costs entailed in creating these commissions have been included in the JAM assessment.

47. Several complicating factors will need to be addressed in this process, including: the restructuring and reform of existing GOS commissions into new commissions with an extended mandate and broader representation; a broader based recruitment strategy to meet the

⁹ Finance and Accounting procedures ordinance 1995 – Chapter 8.

requirements of peace; and strategies for how to manage the integration process and harmonize between existing and future governance frameworks.

Corruption

48. For various historical and cultural reasons corruption is not rampant in Sudan. However, as oil revenues, foreign aid and private investment increase, the risk of corruption will, no doubt, also increase. Thus, a key challenge is to ensure that the increased availability of funds translates into the expected peace dividend and development of the hitherto neglected areas and the expected benefits are not lost as a result of inefficiency and corruption. This is critical for the peace to be sustained.

49. Any anti-corruption strategy has as its elements prevention, education and enforcement. The last includes investigation and prosecution. Prevention and awareness are at the core of any anti-corruption strategy. This pre-emptive approach requires the existence of a professional and committed civil service with a minimum of discretionary authority; transparency in the functioning of government; good financial controls through improved public financial management, procurement and audit; economic deregulation, except where absolutely necessary so as to minimize the opportunities for rent seeking; public oversight through media, civil society and parliamentary committees. In the event of incidents of corruption occurring in spite of these measures, sanctions should be quick, visible, certain, and equitable. This requires capable and empowered investigating and prosecuting agencies and a judicial system that is credible and efficient.

50. Much of this report deals with the establishment of systems in public service aimed at minimizing the risk of corruption. The report on Governance and Rule of law deals at length with issues relating to the creation of an effective civil society and media. Policy issues related to industrial and commercial deregulation and the establishment of an attractive investment climate are addressed by the Productive Cluster.

51. The critical challenge for the GOS is to shed its reputation for secrecy and non-transparency and to develop robust and transparent systems in government and to allow civil society, media and the parliament to perform their oversight functions. This will create the required confidence among the donor community and private investors and, most importantly, among the people of Sudan.

DESIRED SITUATION IN 2011

Public Service

52. Given the political will and ability to implement serious reform, by 2011 institutions should be in place that provide the foundation for a public service and system of administration for the NG and at the state level that supports growth, equitable development, and poverty reduction. This will include an inclusive and representative public service, a rationalized system of organizational structures and jobs, a transparent pay and allowance system, independence from inappropriate political interference, modern information systems, a sustainable wage bill and effective institutional arrangements to meet ongoing training and capacity building needs. The end result would be a motivated, responsive and ethical public service, effective in advising the government on policy and program management and ensuring the delivery of services to the general population.

Local Government & Service Delivery

53. By 2011 significant progress will have been achieved toward reducing the disparities of service delivery between the favoured states and others, and among "urban" and remote communities in all states. Many Localities should have stronger systems of consultation with

communities, NGOs, and local business interests as part of their planning and program management processes. Women's community organizations should have a significant role in decision-making, assessing, and utilization of services. The role of locally-elected councils should expand, increasing the local sense of ownership and accountability in many areas. Local information systems should be a fixed element of many local administrations, providing transparent information and a basis for local economic and social planning. It is expected that local government capacity will contribute significantly toward meeting MDGs in education, health, and water and sanitation.

Decentralization Framework

54. Recognizing that the decision to decentralize—and how much to decentralize—is political at this point it is possible to identify a range of options for a vision for 2011:

- i. *Substantial Devolution.* If there is a commitment by 2011 to clearly define fiscal roles and responsibilities, the new intergovernmental institutions -- local, state *and* central – will form an intergovernmental partnership such that sub-national governments are operating with a substantial degree of constitutional and legal autonomy and in a position to implement and manage that autonomy. The Northern states and the Three Areas should be fully or largely sustainable in terms of ability to effectively prepare and process their own budgets, manage and monitor intergovernmental fiscal systems, and have established revenue arrangements whereby 10-20 percent of total receipts are *own revenues*.
- ii. *Deconcentration.* If the political decision is to be federal but largely centralized, the day-to-day capacity requirements of sound sub-national budgeting, tax collection and grant management must be in place; but under this approach much of the capacity building will be tilted to the national government.
- iii. *Asymmetrical decentralization.* The third is an asymmetrical outcome - that is, a mix of state/local autonomy (e.g., the Three Areas) characterized by a robust degree of devolution (most likely in the more developed regions), and centralization/deconcentration in the remaining parts of the country. Such an asymmetrical system, which is consistent with federalism and is common worldwide in developed and developing economies alike, represents a recognition of the twin realities of the time it can take to develop an own-capacity to manage a decentralized system and political choices.

Public Financial Management

55. By 2011 it is expected that the public financial management system meets international accounting and auditing standards as well as the requirements for efficiency, transparency and accountability. Above all it is expected that the system be sustainable on the basis of local capacity. This is critically dependent upon the success of the capacity building program undertaken during the next six and half years.

56. By 2011 it is expected that: (a) a modern legislative and regulatory framework governs PFM; (b) NG effectively implements international standards for accounting, financial reporting and internal and external auditing; (c) an IFMIS system at the National level and in the States provides timely and accurate information at the NG, State and locality levels; (d) capacity building programs are ongoing and effective; and (e) there is effective community participation in planning and budgeting, and financial reporting, and control systems are open and transparent.

Procurement

57. It is expected that by 2011 the culture of procurement will be based on transparency, efficiency and economy. The procurement capacity will ensure service delivery at all levels meeting the development objectives. It is also expected that the procurement system will be

based on a legal framework meeting international standards, the needs of Sudan, COMESA regional requirements, and be consistent with the minimum requirements of the WTO. It will have efficient internal controls and audit. There will be a system for regularly measuring performance and compliance, in addition to mechanisms to provide losing bidders and aggrieved citizens an effective way to submit protests.

Corruption

58. By 2011, all desirable elements of an efficient and modern public service should be in place. Sudan has had a history of relatively good governance and some of these systems and traditions are still in place. It is important that these are restored to acceptable standards and faith of the public and the international community restored. Reforms of the judiciary should help establish its credibility and independence and ensure that justice is delivered equitably and quickly.

59. The media is freer today than it was three years ago and this trend should be encouraged to continue. The recently concluded National Dialogue on Decentralization¹⁰ showed that civil society is alive and growing and has begun to play its desired role. It is expected that this will transform into a strong partnership between government and civil society aimed at development and poverty eradication.

60. Throughout the Interim Period, strengthening of the media's and civil society's capacity to monitor the quality of governance will contribute greatly to reducing corruption and improving accountability. It is expected that the proposed anti-corruption institutions such as the Public Grievance and Restitution Boards would have sufficient capacity and teeth to perform their functions of prevention, education, investigation and prosecution.

PHASE I (2005-2007) AND PHASE II (2008-2011) PRIORITIES

Public Service

61. During Phase I, the focus is on the basic building blocks for a series of reforms that will take several years to fully implement, including:

- i. Enhancing change management capacity by empowering suitable structures to lead reform.
- ii. Broad consultation on organizational structures, a functional review and possible re-sizing, with implementation in the first 24 months keeping in view the requirements of the NG and the National Civil Service as required by the CPA.
- iii. Developing a comprehensive strategy for institutional arrangements (including private sector), policies and guidelines for public service training; implementation of priority training programs.
- iv. Organizational review and strengthening of key regulatory bodies at national and state levels.
- v. Consultation, design and implementation of new regulatory framework.
- vi. Design and implementation of modernized management information system.
- vii. Establishment of the various national commissions required under the CPA.

62. Phase II will entail continued implementation of systems designed in Phase I, and in some cases geographic expansion to states not covered in Phase I (see cluster matrix).

¹⁰ Khartoum, February 12-14 2005.

Local Government & Service Delivery

63. The pressing need in the first phase is to improve the quality of and access to public services in four of the most disadvantaged Northern states: Al-Gedarif, Kassala, North Kordofan, and Red Sea. The first three states are, according to the Multiple Indicator Cluster Survey (MICS)¹¹ within the “red” category as the most disadvantaged states. Red Sea falls into the middle category of the MICS survey, but the urban/rural disparities are considerable. The decentralized administrative structures and processes in these disadvantaged states need to be strengthened to reach levels of capacity in the more advanced states. Components of the proposed capacity building program during the first phase include:

- i. *Improve Systems and Practices of Local Public/Private Partnerships in Service Delivery.* New policies, legislation and mechanisms need to be developed in order to create an adequate enabling environment for local governments to play an effective role in service delivery and to regularly engage in flexible and creative partnership with NGOs, CBOs, and private sector entities in order to leverage scarce public resources and to most effectively target service delivery.
- ii. *Support Locality Development Planning.* Support and training will be offered to the Localities in pilot disadvantaged states to enable them to better carry out local development planning. Training and information programs will promote transparency and accountability through community awareness and participation, gender sensitivity, training for community-based planning, and civil society participation.
- iii. *Automate Locality Information Systems.* The localities of the four disadvantaged states will be assisted to develop their information centers with automated information on local resources, revenues, and service needs. This should be harmonized with the piloting of the IFMIS. Key gender and HIV/AIDS issues will be tracked by the locality information systems.
- iv. *Establish Local Twinning/Mentoring Schemes.* Capacity exists at local levels in Sudan, but not uniformly. One element is to have capacity building training programs that utilize the skills and experience from better-off localities within a state to provide examples and assistance to officials from less-well-off localities. These activities will include joint workshop and training programs with follow-up mentoring relationships between participating staff.

64. In Phase II, the following outcomes are expected:

- i. *Assessments and Lessons Learned.* There will be on-going assessments of the differential successes, problems, and experiences in the Phase I pilots.
- ii. *Geographical Expansion.* There will be continued implementation of systems designed and piloted in Phase I, and in some cases geographic expansion to states not covered in Phase I, including expansion into underserved Localities in some of the more advanced states.
- iii. *NGO and CBO Capacity Building.* There will be a broadening of work to strengthen the capacities of national and local NGOs to participate in an increasing variety of ways in service delivery in a widening range of types of Localities (urban, rural, IDPs, etc.).

¹¹ The categorization of “disadvantaged” states by MICS differs slightly from the Ministry of Finance’s informal assessments of states’ financial management practices cited in section 1.4.

Decentralization Framework

65. A number of initiatives need to be put in motion immediately to strengthen decentralization in Northern Sudan. These initiatives will not only start the process of devolution, but they will strengthen the enabling environment at the grassroots level that is critical for the ultimate success of any decentralization strategy. For Phase I, these initiatives will concentrate on:

- i. Creating space and capacity for local-level planning in localities and states;
- ii. Promoting civil society participation in planning and organization of government action;
- iii. Publicizing information about public transfers received and local resources raised (i.e., right to information);
- iv. Strengthening revenue administration for all revenue sources given to state and local governments;
- v. Mobilizing additional own-source revenues for state and local governments;
- vi. Strengthening the role of the local property tax in local finance;
- vii. Drafting state constitutions which empower local governments;
- viii. Establishing treasury functions at the state and local level of government;
- ix. Establishing state based information systems to facilitate data needs and dissemination through both electronic and non-electronic means;
- x. Establishing the Fiscal and Financial Allocation and Monitoring Commission (FFAMC), in accordance with provisions in Wealth Sharing and Power Sharing Protocols and the Implementation Modalities; and
- xi. Redesigning intergovernmental grant formulae to target limited resources on those most in need and provide incentives for state and local governments to mobilize own source revenues and manage existing revenues well.

66. Phase II will basically entail implementation and geographic expansion of the various components of the decentralization framework that are designed in Phase I. This will also entail various efforts to strengthen and deepen the democratic underpinnings of decentralization.

Public Financial Management

67. The PFM system in the North is reasonably well functioning but needs to be substantially revamped and modernized. The approach is to support the strengthening of that system, while at the same time establishing adequate processes to ensure that adequate fiduciary assurance is available regarding use of donor funds. During Phase I, the priority will be to ensure that:

- i. A modern legislative and regulatory framework for PFM is established;
- ii. A Multi Donor Trust Fund (MDTF) is set up with adequate fiduciary controls to provide assurance to donors regarding use of funds. As the administrator of the MDTF the World Bank has sole and indivisible responsibility regarding this fiduciary assurance, and plans to utilize the services of a Monitoring Agent in discharging this responsibility;
- iii. Depending upon specific needs, international advisors will support operational improvements in Financial Management, Internal Audit and External Audit at the National level as well as in the states and in localities. They will assist the NG in upgrading national practices to international standards;

- iv. In order to strengthen accountability in the budget cycle, support will be provided to legislative bodies at the local, State and national levels that scrutinize budget formulation and budget execution processes;
- v. A Project Appraisal Unit (PAU) will receive and appraise proposals from implementing agencies and propose funding for such proposals from the MDTF. The appraisal standards of the PAU will be similar to those for the MDTF;
- vi. A Development Policy Unit will be set up to support the Poverty Eradication Strategy (PES) process and help establish policy priorities;
- vii. Capacity building is effectively undertaken through a network of five PFM Training Schools located at Khartoum, Al Fasher, Al Obeid, Wad medina and Ed Damer. Their capacity will be substantially upgraded to ensure that capacity is created for sustaining the PFM reforms' momentum. Advisers for these schools will be reputable trainers selected on the basis of competitive bidding. The schools will provide capacity building for both fresh graduates as well as in-service training. Funding for these schools will be on the basis of their meeting clearly defined quality standards which will be independently assessed. Twinning arrangements with PFM institutions in neighbouring countries will be used for supplementing NG training resources;
- viii. A FM Capacity Assessment unit will be established at the Ministry of Finance and National Economy. This unit will be responsible for assessing the FM capacity of different governmental units – and for proposing increased delegation of financial powers to governmental units meeting minimum standards in PFM operating practices;
- ix. PFM indicators will be developed for monitoring progress at the regional and local government level as well as to monitor PFM performance in service delivery; and
- x. Aid Co-ordination Unit in MoFNE, that will be responsible for:
 - co-ordinating aid management issues;
 - ensuring that donor contributions are brought “on” budget, viz. that the amounts being expended by donors are accurately reported in the budget even though these resources may not be routed through the Treasury. This would cover external support being provided by bilateral and multilateral donors and NGO's;
 - tracking of pledges made by donors, conversion of pledges into funding available for projects, the release of such funding and its utilization;
 - reporting to donors and the international community on the progress of as well as the proper utilization of donor funds; and
 - maintaining a database on aid flows as well as a website on aid management that provides information in a transparent and concise manner on the financial and physical progress of donor funded projects.

68. During Phase II, as domestic capacity is built up, there will be clear phase out targets to be met for international agencies involved in PFM operational activities. By the end of the Interim Period, the PFM system is expected to be fully operated by NG personnel. All items of work listed under Phase I will be more fully developed. Implementation will expand to cover more states than those covered under Phase I.

Procurement

69. The immediate priorities during Phase I will be to:

- i. *Undertake rapid situational assessment and make immediate short-term revisions to procedures.* Using a widely consultative process, a consultant will work with counterparts to review and propose immediate changes to the current Regulations

and devise an implementation plan, prepare a User's Manual and modernize existing bid documents. The revised arrangements will be in place until the new procurement law is enacted in 2006. There will also be awareness seminars on the new regulations;

- ii. *Undertake a comprehensive reform of legal framework.* In parallel to the interim measures, a long-term Comprehensive Public Procurement Reforms strategy will be prepared to include a new legal framework, supported by a sound public procurement policy and appropriate institutions. The GOS will form a high-level procurement reform steering committee;
- iii. *Design and implement an institutional capacity plan* with the objective of building procurement skills at all levels, of putting in place performing oversight mechanisms and building up capacity of national and decentralized training institutions for delivering a sustainable procurement training program; and
- iv. *Change the procurement culture* through a communication strategy to inform stakeholders on the progress of the procurement strategy and anti-corruption measures being put in place.

70. Phase II will continue implementation of systems designed in Phase I, and in some cases geographic expansion to some states not covered in Phase I. This period will be devoted to the implementation of the new procurement law, implementing training programs by national training institutes and equipping the various procurement government agencies. The regulatory body should be equipped to provide procurement statistics which will serve as a tool to guide policy makers. The integrity of the public procurement system will continue to be measured through the existence of effective control and audit systems, the efficiency of the Appeals Mechanism, the degree of access to information and the existence of ethics and anti-corruption measures.

Corruption

71. In Phase I, priorities are:

- i. Implement various aspects of public sector reform identified in this report at the national, state and local levels;
- ii. Implement reforms relating to the media and the development of civil society described in detail in the cluster report on Governance and Rule of Law;
- iii. Implement judicial and police reforms described in detail in the cluster report on Governance and Rule of Law; and
- iv. Establish the Public Grievance and Restitution Boards.

72. During Phase II, activities will aim to continue with the implementation of Phase I priorities, and to establish a reputation for openness and transparency.

TARGETS & MONITORING

73. The proposed framework is laid out in Volume II. Among the outcomes to be monitored are pay adequacy and management of the wage bill, specifically: Numbers of civil and public servants in comparison with international practice; and vertical and horizontal compression of civil service pay.

74. For local government and service delivery, indicators include the increase (over 2005 baseline) in total value invested in social service delivery in localities in pilot states, and numbers of CBOs active in locality planning, implementation, and oversight of services delivery in pilot

states, as well as increased utilization and access to education, water, health facilities in localities of pilot states, and democratically-elected and accountable local government.

GOVERNMENT OF SOUTHERN SUDAN CURRENT STATUS & KEY CHALLENGES

Public Service

75. In Southern Sudan the entire public service has to be built up virtually from scratch. Systems, structures and capacities need to be built at the centre (GOSS) as well as in the states and local governments; they need to be built in central agency-type functions (e.g., public service commissions), as well as in line departments. A large amount of recruitment will have to be done over the next couple of years to meet the requirements of the various levels of government. This clean slate can be used to advantage as reforming an existing system is often more difficult than starting fresh. On the other hand, errors at this stage would be extremely costly. A caution for the South is to avoid using previous systems and approaches as benchmarks, as many of these have proved to be dysfunctional and inefficient in the North.

76. The challenges can be divided into five categories: (i) designing and operationalizing streamlined institutions at the various levels of government consistent with their functional responsibilities; (ii) a wage and salary structure for qualified staff while keeping the wage bill sustainable; (iii) basic HR systems for recruitment, promotion, performance management, classification and grading, etc. that promote professionalism and attract quality staff; (iv) recruitment of suitable staff on a fair and transparent basis; and (v) capacity building (including training) for each of the foregoing.

77. *Structure & Size of Public Service.* Under the Civil Administration of New Sudan (CANS), a number of entities called Commissions (with attached Secretariats) were created to oversee the political, economic and social spheres of activity. Across the board, the capacity of these entities is very weak and basic systems of public administration are yet to be developed. There is no central database, and the current size of the civilian workforce of the SPLM is impossible to estimate in the absence of a comprehensive stocktaking and census. Further, the Commissions and Secretariats are currently scattered across a number of towns (Rumbek, Yei, Yambio, etc.) in Southern Sudan and need to be consolidated in one place. At the time of writing, there is an effort to move these to Rumbek, probably temporarily, until the capital is established in Juba.

78. Following the CPA, besides the GOSS there will be 10 states and at least 60 counties.¹² A Local Government Framework document for Southern Sudan (August 2004)¹³ recommends three levels of local government – the county, the payam and the boma - with the payam as the administrative unit of a county (with between 3-6 payams in a county) and the boma comprising one or more village(s). It proposes local governments in the form of Municipalities and Town Councils for the larger urban centers. This proposed structure was discussed in a workshop on *Decentralization & Government Structures* (November, 2004), though no final decision was reached on the status of the payams and the bomas.¹⁴

79. The November workshop made clear recommendations on roles and functions at GOSS, state and local levels (see section on “Decentralization Framework” below) as well as on the sizes, structure and decentralization of the civil service. The recommendation on staffing is that the GOSS and States would be made up of relatively lean structures with largely policy and regulatory roles, leaving the large majority of positions for direct service delivery at the local

¹² Of late there has been a proliferation of counties and by some estimates there are over ninety counties.

¹³ Prepared by the Local Government Secretariat with donor assistance.

¹⁴ Based on the recommendations of the workshop, the matter is with the SPLM leadership for a final decision.

levels; a total size of the public service of about to be 35,000-40,000; and devolved public service management powers at each level of government for their respective functions and units.

80. *Compensation.* So far the SPLM has not paid regular salaries to its civilian volunteers/staff and does not have formal contracts of employment. However, some payments are made, which are commonly referred to as “incentive” payments. Some of the staff are funded out of specific donor projects, while others have been supported by NGOs and, in some cases, by communities. More recently, payments are being made to SPLM personnel and leadership present in Rumbek, out of the Capacity Building Trust Fund (CBTF).

81. The compensation structure approved in a SPLM Workshop in Washington in April 2004 recommended the salary structure reflected in Table 1.2. Subsequently (October 27, 2004), the Secretariat of Finance and Economic Planning (SOFEP) and the Secretariat of Public Service (SPS) issued a circular that unbundles these four categories into fourteen regular grades plus one special grade and sets out some initial discretionary allowances. Calculations based on this circular suggest that the average compensation (including allowances) will be in the region of \$270/person/month.

Table 1. 2: Average Monthly Wage (US\$)

Grade	GOSS (proposed)
1+ Senior Level-Super Grades	500-1000
1-Administrative Professional	170-340
2-Technical/ Sub professional	90-180
3-Clerical	50-100
4-Unclassified	30-60

82. *Wage Bill.* There is no estimate of the current wage bill of the Civil Authority of the New Sudan (CANS). The size of the wage bill for the new administration of Southern Sudan will be a function of the pay and allowance structure, the distribution of employees across this structure and the total number of employees. Based on the average of \$270/month the wage bill would be approximately \$130 million for a public service of 40,000 and approximately \$325 million¹⁵ for a public service of 100,000.¹⁶

83. *Recruitment.* The Public Service Workshop (April 2004) distinguished four key groups (excluding security forces) from which the new public service would be drawn – (i) current civilian employees of the SPLM; (ii) current Southern Sudanese civilian employees of the Government of Sudan (GOS); (iii) new regular employees to be recruited; and (iv) specialized temporary employees to be recruited. However, at this point no recruitment policy exists and the risk of ad hoc and patronage-based recruitments is high.

84. *Regulatory Framework & Institutional Arrangements.* In addition to recruitment, policies and procedures are required for performance appraisal, promotion, discipline, transfers, secondment, termination, retirement and other aspects of human resource management. Based on the April 2004 (Washington) workshop it is recommended that the regulatory framework should be developed by the SPS and approved. It also recommended that pending the enactment of a Public Service Law and the establishment of a Public Service Commission, the SPS should advise the GOSS on these matters.

¹⁵ Between 16 percent-40 percent of revenues if the annual revenue is \$800 million.

¹⁶ The cap on the size of the civil service recommended by the civil service workshop in Washington. (April '04).

85. *Training.* On training, the supply side needs to be developed from scratch as the numbers and range of needs are huge, and there are currently no training institutions for public sector management in Southern Sudan. This will require an innovative use of resources in the public and private sectors, and from other countries in the region and elsewhere.

86. *Managing the Centre of Government.* The cabinet office functions will require priority attention in preparation for the formation of GOSS to establish effective and efficient “machinery of government” and establishments to deal with the complexities and urgencies inherent in these early phases. As the apex of government these functions are key to policy/decision making, priority setting throughout the system, establishing institutions (including the public service), clearly communicating the vast array of policy and program decisions, managing performance and managing relations with other levels and branches of government. As the apex, the Cabinet office will set an example for public sector management and leadership in Southern Sudan.

87. Another dimension to the challenge is that of managing the transition from the current situation to the desired end-state in such a way as to ensure that the interim arrangements do not become permanent.

88. *Participation in the NG and the National Civil Service.* In the face of the severe capacity constraints that the South faces, a key priority is to find suitable persons for inclusion in the NG and, over time, in the National Civil Service. The modalities of how Southerners will be recruited to the National Civil Service are yet to be decided. Even if this is to be implemented after the National Civil Service Commission (NCSC) is in place, agreement on its composition and mandate needs to be done in advance.

89. Another important issue in this context is the future of the Southerners currently employed by the GOS in the “garrison” towns of the South. Although the SPLM policy recognizes that these persons are a potential source of personnel for its civil service, it notes that they will be picked up on a selective basis. The criteria and policy for selection have not been finalized and this issue needs to be resolved very soon as this is a potentially volatile area.

Local Government & Service Delivery

90. The SPLM has a strong commitment to establish a vibrant climate of local governance, with communities and traditional structures having a positive involvement in local decisions and in the oversight, management, and support of an appropriate range of social and public services¹⁷.

91. JAM clusters dedicated to social services, economic development, and resettlement of IDPs and ex-combatants, stress locally-oriented and directed intervention strategies. The purpose of Cluster 1’s proposed capacity building activities is to assure that there will be in place the local governmental capacity to coordinate, oversee, negotiate, and assess the myriad of programs at the grass roots level, and to systematically link grass roots activities to the larger state structures. During the war years, the absence of the usual overall administration often stimulated local efforts to provide services. NGOs, looking for partners in their efforts, often worked directly and in a variety of ad-hoc arrangements with local entities, especially county and community structures.

92. *Establish Local Governments.* In 1994, the SPLM/A agreed to create a civilian authority separate from its military. This resulted in the creation of CANS in 1996, in which SPLM-appointed

¹⁷ See various SPLM documents and the CPA, as well as the UNDP/OTI/PACT/British Council-supported work on developing the Local Government Framework, the proposed UN multi-agency Local Government Recovery and Development Programme, USAID-supported local governance support activities (including those of the Office of Transition Initiatives), and report of the JAM workshop on Decentralization and Government Structures (Nov. 1-9, 2004).

administrators took up post at local government, regional and national levels. This administrative system is still in place across SPLM/A-controlled Southern Sudan with varying levels of capacity particularly at the local level. Most staff are military personnel and still hold military rank. Some have been trained as administrators, but under the previous GOS regime some twenty years ago. All are unwaged, other than contributions they are able to raise from the local communities. Their role has been largely limited to helping mobilize resources for the war, keeping local security and resolving disputes, and overseeing aid distribution (particularly through the Sudan Relief and Rehabilitation Commission - SRRC). They have played little role in provision of services, other than when supported to do so by NGOs. There have been no formal financial, planning or administrative systems in place, and most authorities lack even the most basic office infrastructure. Now, with the Power Sharing Protocol in place, the SPLM needs to turn this administration into a proper GOSS, in which each tier of government is able to fulfil its responsibilities.

93. The first challenge is for the SPLM to agree a policy framework for decentralization and local government, and clarify the role of States and GOSS with regard to local government. This work is well advanced, but some details need finalizing, particularly on the role of the lowest two administrative tiers (the *boma*, or village, and the *payam*), but also on the role of States and whether minimum provisions should be captured in State constitutions to ensure some standardization of local government, and on how finances should be transferred from the centre downwards. Counties, which will be a corporate body of local government, have proliferated in number in recent years, at least 60, and possibly up to 90. A further challenge will be to manage (and limit) this process and agree formal county boundaries so that Warrants of Establishment can be issued and county authorities converted into formal local governments. In addition, the SPLM's local government policy needs formalizing into a Local Government Act as soon as possible, so that the authorities, and Sudanese society, are aware of the future roles and responsibilities of their local government (see Cluster Matrix).

94. In parallel to all of this, a further major challenge will be to strengthen the capacity of local government, particularly in terms of their skills base, but also in terms of physical infrastructure given how far the lack of offices, communications and transport limits their capacity to carry out their work. This will include helping counties to establish relatively simple, basic management and financial systems to perform their functions, handle and account for block grants and local revenue, and oversee contracting of selected local services (Outcome 2.6). It will also include 'generic' skills such as financial management and bookkeeping, auditing and accounting, planning and administration.

95. *Service Delivery.* The strategies for education, health, water and sanitation, economic recovery, HIV/AIDS and job creation, discussed in other modules of the JAM report, all stress the important role of local government in coordinating the delivery of these services. A major challenge facing local government will be how to ensure integration of services at the local level that respond to local priorities, when so many Secretariats and Agencies are developing 'vertical' sector plans, with services answerable more to line ministries than to local government. The SPLM Local Government Secretariat has set out a proposed structure in which all sector staff would report to the County on day-to-day management, and where counties would set local service priorities rather than each individual Sector Ministry. This will require Sector Ministries to develop flexible plans that allow for local responsiveness in which priorities are set by County Councils rather than the Sector staff alone. It is clear that strengthening local governments' capacity to support social services is a priority. Critical to this is getting agreement on the decentralization framework.

96. Education, health, and water/sanitation facilities are either non-existent or in terrible condition, although there is evidence of improvements beginning already in anticipation of peace.

Schools, hospitals, clinics are almost all in need of serious rehabilitation/construction and major re-equipping. And there is an understandably great shortage of trained personnel, especially at local levels. All basic services need to be expanded and routinized throughout Southern Sudan (as dealt with in detail by Cluster 5). Other related problems such as minimal all weather local roads also require rapid restoration, upgrading and development. The delivery of social services in Southern Sudan has long been carried out largely by NGOs in various degrees of coordination and cooperation with county structures, the SRRC, and the Secretariats of Education and Health. There are over 50 NGOs providing services in education and a similar number of NGOs working in the health sector.

97. The multiplicity of actors and programs presents a constraint to establishing sustainable systems. In the immediate future, many important social services must still be provided by NGOs, but under contract and/or coordination with Southern Sudanese government authorities. The immediate challenge is to continue to expand the delivery of services, while establishing a sustainable and responsive system of administration and service delivery. This will require a strategic plan of engagement by the GOSS, in which there is a significant transformation of the respective roles of the NGOs and capacity building of the nascent GOSS institutions over time, but at the same time a recognition that it is neither desirable nor possible for the GOSS to take over all aspects of service delivery. Rather, there should be an emphasis on Local Government's role in service *provision*, where its role is to ensure that services are available to the people and to regulate and monitor the nature of services provided, but not necessary to provide all these services itself. Thus, Local Government will need training and support on contracting and procuring services from outside parties, as well as on providing technical oversight and ensuring regulatory standards are met. This may be done with State support. In addition, NGO and community roles will need to be sustained and supported. Local volunteers have been playing a major role in re-establishing services. A challenge is to maintain the important principles of volunteerism and partnership (government, communities, NGOs) as a key element of a sustainable structure for the future, and to build indigenous NGOs' capacity to take up new and more complex roles.

98. *Local Level Planning.* Counties certainly now lack regular planning processes to meet the upcoming needs for apportioning the distribution of social services, investing in essential local service-related infrastructure, and supporting local economic recovery. However, the Local Government Secretariat has prepared an outline planning and budgeting process, which includes the formation of 'sector committees' involving county sector staff and elected councillors, to help develop sector sub-plans and monitor county progress on implementation of these. The planning system will involve the county's constituent lower level units (*payam, boma*, and community), traditional authorities, community-based organizations, and private sector entities (Outcome 2.8).

99. *Conflict Mitigation and Rule of Law Processes.* Local communities and administrative structures need to be equipped to continue the peace building process in many parts of the country striving with the legacy of war-related divisions, resource-related competition, ethnic divisions, and, in some instances, a long-standing climate of mistrust. Peace building at the grass roots level played an important role in paving the way for national level agreements. Processes for consultation regarding sustainable utilization of local natural resources, and equitable distribution and participation in the development opportunities need to be built into the local level planning and management of the delivery of highly valued services. Judicial functions and law enforcement both need substantial support at the local level (See Cluster 2 report).

100. *Facilitating Local Economic Development.* Counties will take up responsibility for coordinating the economic development of their area and people. As part of local development planning process, the county will develop plans for increasing local employment opportunities, developing local marketable skills, encouraging small and micro enterprise development, and

attracting larger-scale economic activities where feasible. Counties are expected to outsource many tasks (cleaning and maintenance of public facilities, feeding of hospital patients, management of market facilities, some transportation functions, etc.) to local private enterprises, either existing or newly created. This will help establish and maintain a nucleus of private enterprises at the local level. Training programs for locally elected and appointed officials will include modules on local level economic planning and business development, including salient concepts of sustainable development.

101. *Gender.* For all of the expected outcomes—county government, service delivery, peace building, and local economic development—women and gender issues are of high importance. Local level training will specifically address the opportunities to create formal mechanisms to involve women and address issues of female access to services and participation in decision-making.

Decentralization Framework

102. The Wealth Sharing and Power Sharing Protocols contain the main principles and building blocks – though not complete details – for the decentralization framework envisaged for post-conflict Sudan. The key construct is the proposed asymmetrical model of decentralization. This includes a partnership between the North and the South through the NG and a number of joint national institutions. However, while Khartoum will have a direct relationship with the Northern states, in the South the NG’s interaction with the 10 states will be mediated through the GOSS.¹⁸ The CPA also call for decentralization to the level of local government and explicitly recognize that government will function at national, Southern Sudan, state and local levels.

103. There will be separate constitutions for the NG, GOSS and the states. The CPA also undertake a division of functions and revenue bases between NG, GOSS and the states, and confer the power to borrow at all three levels of government. They also recognize the need for inter-governmental transfers. A Local Government Framework, to define the role and status of local government in Southern Sudan, has been under discussion and redrafting over the past year.

104. The current situation in most of Southern Sudan (other than GOS controlled areas) is based on the systems evolved by the SPLM during the two decades of civil war. As described above, the civil administration system is still rudimentary. This structure evolved in a wartime context and to largely serve war time needs. It has, therefore, had little involvement with service delivery responsibilities. It has been concerned largely with some regulatory functions and with revenue collection. Appointments down to the payam level are made centrally. In effect, they function largely as field offices of the centre.

105. A workshop attended by key SPLM representatives, *Decentralization & Government Structures in Southern Sudan (1-9 November 2004)*, made wide-ranging recommendations for a decentralization framework and associated government structures. Consistent with and building further on the CPA, the recommendations included (inter alia):

- i. A delineation of functions in which the GOSS and states play largely policy and regulatory roles, leaving responsibility at the local levels for frontline basic service delivery.
- ii. Counties (between 60 and 100) will be responsible for “front-line” implementation of a number of critical local services.
- iii. The GOSS and states will have relatively lean structures, leaving staff resources available predominantly for frontline service provision (i.e., teachers, etc.).

¹⁸ There are special arrangements for the States of Blue Nile and Southern Kordofan, and Abyei has a unique status.

- iv. Most human resource policies (including wages, hiring, etc.) would be devolved to each level of government for their respective functions. Civil servants will be accountable ultimately to elected officials at the level they are appointed (or seconded).
- v. Revenues from mobile sources (e.g., personal income) are generally allocated to GOSS and states; revenues from immobile sources (e.g., property, major minerals) allocated mainly to local.
- vi. Given the severe vertical fiscal imbalance for the foreseeable future, intergovernmental transfers mainly in the form of formula-based block grants from GOSS will allow local government to fulfil their prescribed functions in service delivery. The role of states in this process was not resolved in the workshop.
- vii. There will be a temporary ban on sub-GOSS borrowing for the first six years.
- viii. Major institutions for accountability (e.g., Auditor General) will in principle exist at states and possibly local levels in some cases, subject to capacity.

106. These recommendations, subject to final approval by the SPLM leadership, are endorsed by this report.

107. The workshop also identified the unresolved issues on which decisions are still required, including: (i) the role of states in determining GOSS block grants for local governments, (ii) the role of traditional leadership and (iii) the legal status of payams and bomas as levels of local government.

Public Financial Management

108. The public financial management system needs to be built from the ground up. The Secretariat of Finance and Economic Planning (SOFEP) has established a rudimentary financial management system, but it covers only a small proportion of public finances.

109. *Revenues.* There are no accurate estimates of revenues or expenditures in Southern Sudan. The revenue receipts of SOFEP (in Yei) in FY 2004 were around \$10,000 per month, a 16percent increase from the previous year. These were largely customs receipts (71 percent) collected from customs points in the vicinity of Yei. It is estimated that around 70 percent of the customs receipts do not pass through SOFEP but are directly sent from revenue collection points to spending agencies - the SPLA/M General Headquarters and the Leadership Council. Line Ministries and Departments also collect and retain their own revenues which are not accounted for in SOFEP records. SOFEP does not receive revenue from any state other than Equatoria where it is located. In states such as Bahr El Ghazal, the revenue sharing is understood to be the following: 60 percent is sent to the SPLA, 10 percent is retained by the administrative unit of the State, 20 percent by the County and 10 percent by the payam.

110. *Expenditures.* SOFEP does not receive monthly expenditure reports from any of the regions or any such reports from the Army, Leadership Council or the Political Affairs Department where 70 percent of national level collections are transferred on a monthly basis. For its own share of 30 percent, SOFEP books expenditures on the basis of broad expenditure heads.

111. *Accounting System.* The accounting system is rudimentary. Some basic accounting records are being maintained - there is a cash book, and some ledgers. SOFEP is presently in the process of preparing basic accounting manuals and financial rules and regulations. There is need to develop the basic rules and regulations governing public financial management, and for issuing the budget manual and the internal audit manual. Currently the control environment is weak and the internal audit unit is expected to be made operational shortly through transferring staff from

the Army during the next three months. There is no Auditor General or external audit department. Accounting challenges are compounded due to the virtual absence of a modern banking system in Southern Sudan (see Productive Cluster).

112. Given the massive increase in financial flows that is now expected, in particular the oil revenue transfer, major capacity building activities are needed. The SOFEP is planning capacity building activities with the support of UNDP, UNICEF, USAID and the World Bank.

113. Southern Sudan needs to build a new public financial management system. This is necessary to ensure accountability for use of public funds. Given a decentralized model of governance, capacity building at the sub-national level will concentrate on developing core competencies - including planning, budgeting, financial accounting and reporting, basic procurement, and broad community participation and inclusion in transparent and accountable ways.

114. As can be expected, the HR challenges are immense. SOFEP currently has 69 employees, of which around 20 are accountants who have been trained in the system of North Sudan. SOFEP presently does not have data regarding the number of employees in other states handling public finance activities. An intensive institutional capacity building initiative under the leadership of SOFEP with the close cooperation of the donor community is necessary to address the challenge of establishing a modern PFM system.

Procurement

115. There is no procurement system per se – i.e., official regulations, procedures and institutional framework and capacity – currently supporting the SPLM-led administration. However, the SPLM recognizes the importance of procurement in the delivery of the reconstruction program and has already initiated specific actions. KPMG has been recruited to implement the CBTF, which includes a component to build procurement capacity. SOFEP has employed a Procurement Specialist to start working on public procurement.

116. Given that the GOSS will immediately face massive procurement challenges in delivering the peace dividend, short-term procurement expertise and fiduciary mechanisms need to be put into place (i.e., contracted externally). Given the lead-time for the selection and mobilization of such expertise, the recruitment process should be initiated as soon as possible. In parallel, a longer-term strategy for capacity building in GOSS and other stakeholders will be developed and implemented.

117. Major constraints include: severe lack of communications (including no postal system) and physical infrastructure, limited media (e.g., to advertise), lack of local suppliers in the private sector and a supporting regulatory environment (e.g., customs, banking) that has barely started to emerge. As those constraints will affect the GOSS absorption capacity in the early days of the reconstruction program, it is recommended that, as an initial interim measure, procurement activities be centrally managed from a location with good communication systems and a sound commercial environment.

118. As soon as a more comprehensive procurement system is put in place in the GOSS and capacity of government entities is built, the next challenge will be to phase out the temporary arrangements and transfer the procurement responsibility to line ministries.

Commissions

119. To facilitate a well-functioning GOSS, and to enable key reforms, several commissions are envisaged to be established, including the Southern Sudan Land Commission, the Southern Sudan Constitutional Drafting Committee, and the Southern Sudan Executive. An important

challenge will be to ensure that these commissions become operational early on, have the proper mandate to function in a coherent and proper way, and have enough resources and institutional backup to manage the initial recruitment process and subsequent scale-up as government functions and responsibility begin to firm up.

Corruption

120. In the South, corruption has not so far been a problem. As oil revenues, foreign aid and private investment begin to flow, the risk of corruption will increase. The risk is particularly high in a situation where there are virtually no systems in place and the capacity for good governance is extremely limited. Thus, the key challenge for the GOSS is to ensure that the increased availability of funds translates into an equitably and transparently delivered peace dividend, rapid economic development and rapid progress in poverty eradication. This is critical for the peace to be sustained.

121. The SPLM leadership is very cognizant of the dangers of corruption and has regularly stressed the theme of anti-corruption in its public pronouncements. The April 2004 workshop (referred above) recommended that an independent Integrity and Vigilance Commission should be established as soon as possible, and initial contacts should be made with Transparency International with a view of establishing a Southern Sudan chapter. The Decentralization workshop in November 2004 came out clearly in favour of the establishment of an Anti-Corruption Commission.

122. As noted above, any anti-corruption strategy has as its elements prevention, education and enforcement. The last includes investigation and prosecution. Prevention and awareness are at the core of any anti-corruption strategy. This pre-emptive approach requires the existence of a professional, upright and committed civil service with a minimum of discretionary authority; transparency in the functioning of government; good financial controls through improved public financial management, procurement and audit; economic deregulation, except where absolutely necessary so as to minimize the opportunities for rent seeking; public oversight through media, civil society and parliamentary committees. In the event of incidents of corruption nonetheless occurring, sanctions should be quick, visible, certain, and equitable. This requires capable and empowered investigating and prosecuting agencies and a judicial system that is credible and efficient.

123. Since the public service, judiciary, and parliamentary oversight in the South are only now being established virtually for the first time, it will take time to build accountability structures. It will also take time to establish the traditions of an independent media and all the elements of a robust civil society. In the interim, it is critical that resources are well-managed and seen to be well-managed. This is particularly important in the environment of suspicion that is prevalent in a post-conflict situation.

DESIRED SITUATION IN 2011

Public Service

124. It is expected that by 2011 the full range of policies, systems and institutional structures will be in place at their respective level of government (i.e., in line with the decentralization framework). This will be the basis for a motivated, responsive, ethical and professional public service, effective in advising the government on policy and program management and ensuring the delivery of services to the general population.

125. More specifically, all ad-hoc and interim arrangements should have given way to the envisioned permanent structures and arrangements; the management of the public service would be fully in accordance with the regulatory framework designed for the purpose; the size of the

work force should have reached a plateau and the wage bill would be fiscally sustainable; adequate and functional office accommodations and equipment would be available at each level of government; the management of the public service would be consistent with the principles of decentralization and devolution accepted by the government; and, institutional responsibilities at each level of government and across tiers of government would be well defined and policy/decision making processes would be well established.

Local Government & Service Delivery

126. By 2011 Southern Sudan will have in place a decentralized system of administration and governance that will assure the sustainable delivery of social services, with local administrations and representative bodies functioning at the county level, working closely and effectively with *bomas*, community based organizations, and traditional structures. Counties will conduct participatory and transparent planning processes, in which local priorities are respected. Counties will be held to account by their Elected Councillors and communities on the extent to which these plans are implemented and use of public funds therein. Gender issues and women's participation in local decision-making will be integrated into local processes and structures. Because of local government's effective performance and transparent handling of finances, the GOSS will provide increased revenue to local government to enable it to support increased services. Local conflicts and disputes will be resolved peaceably and through the rule of law, with the Judiciary and law enforcement agencies acting accountably and with respect for citizens' rights. Additionally County government will have the capacity to be actively involved in encouraging and enabling local private sector development. Local government capacity, working closely with technical ministries/secretariats, will contribute significantly to meeting MDGs in education, health, water and environmental sustainability.

Decentralization Framework

127. Effective governments functioning at GOSS, state and different local government levels, will deliver results in conformity with the targets set by the relevant cluster reports (both in relation to MDGs and other areas). In effect this would mean that each level of government would have clearly defined roles and responsibilities (functional assignments), resources to perform its functions, revenue transfer and debt management systems that ensure fiscal responsibility and appropriate systems to ensure monitoring and accountability for performance. A key condition for accountability would be informed citizens, and an active civil society participating in governance. On this basis, the decentralization framework adopted and implemented in Southern Sudan will represent an essential contribution to democratic development and sustainable peace. There would be in place an inter-governmental fiscal framework that ensured equitable and efficient management of public resources and efficient and accountable delivery of services.

Public Financial Management

128. By 2011 it is expected that the public financial management system meets international accounting and auditing standards as well as the requirements for efficiency, transparency and accountability. Above all it is expected that the system will be sustainable on the basis of local capacity. This is critically dependent upon the success of the capacity building program undertaken during the next six and half years.

129. It is expected that (a) a modern legislative and regulatory framework governs PFM (b) GOSS effectively implements international standards for accounting, financial reporting and internal and external auditing (c) an IFMIS system provides timely and accurate information at the GOSS, regional and county levels (d) capacity building programs are ongoing and effective, and (e) there is effective community participation in planning and budgeting, and financial reporting, and control systems are open and transparent.

Procurement

130. It is expected that by 2011, good governance in Southern Sudan will include sound public procurement policies and practices. It will be supported by a legal framework meeting international standards and in compliance with regional community agreements, covering all contracts using public funds (including concessions). Procurement will be decentralized appropriately to line ministries, which will have demonstrated their procurement competencies while capacity building efforts would continue for others. The regulatory and control functions will be in place to measure performance and compliance. The growing private sector will have gained capacity in meeting the needs of public procurement and will operate in a fair environment.

Corruption

131. By 2011 it is expected that the basic elements of an efficient and modern public service (as identified in this report and other reports) are in place. There should be sufficient capacity within the core institution of government to carry out core functions and transitional organizations and institutions should have faded away. It is also expected that there will be in place a credible and independent police and judiciary capable of delivering justice equitably and quickly. Economic management/policy should ensure transparency, create a favorable investment climate and minimize the opportunities for rent generation.

132. It is expected that the tradition of an independent media be in place is maintained. Civil society has played an important role in the survival of the South through the years of the civil war and should play its role as the watchdog of the public interest and that there is a strong partnership between government and civil society aimed at development and poverty eradication.

133. It is expected that the proposed anti-corruption institutions such as the Public Grievance and Restitution Boards/Anti-corruption Commission have sufficient capacity and teeth to perform their functions of prevention, education, investigation and prosecution.

PHASE I (2005-2007) AND PHASE II (2008-2011) PRIORITIES

Public Service

134. The JAM has identified some of the key requirements for the next six years. The key activities that will need to be undertaken, roughly in order of priority, are listed here and outlined below:

- i. Census and stocktaking and assessment of current capacity
- ii. Design of pay and staffing structure and size and composition of public service
- iii. Establishing a payroll system linked with the financial management system
- iv. Establishing the Secretariat of the Public Service.
- v. Developing a policy and regulatory framework for recruitment and personnel management functions
- vi. Establishing government structures at the GOSS, state and local levels
- vii. Establishing other institutions identified in the CPA relevant to the operation of the Government of Southern Sudan
- viii. Training and capacity building of GOSS, State and local government staff as they are recruited.
- ix. Setting up of various commissions envisaged in the CPA.

- x. Design and establish mechanism for managing the centre of government (i.e., the cabinet office function), and identify capacity building needs.
135. Phase II will focus on consolidating the preparatory work of the first phase and, where necessary, shifting from the interim/transition arrangements and structures to more permanent ones:
- i. Adoption of the regulatory framework for the public service;
 - ii. Recruitment and public service management decentralized in accordance with the decentralization framework;
 - iii. Public Service Commission functional;
 - iv. Staffing completed in various ministries/departments at different levels and across levels of government in accordance with approved "establishment" plans;
 - v. Development and implementation of ongoing program for training and capacity building; and
 - vi. Building of permanent accommodations for all levels of government, and completion of the exercise for the GOSS and States (GOSS and one state may have moved to Juba).

Local Government & Service Delivery

136. In Phase I:

- i. *Local Governance Advisors.* There will be one local governance advisor and one local government finance trainer (Sudanese or from the sub-region) assigned to each state, working closely with county, payam, and *boma* level institutions to coordinate the capacity building activities in support of effective local government. These state-level local governance advisors will be trained, supported, and directed by two overall governance advisors/training specialists (1 international, 1 Sudanese), and national and international technical consultants and training experts. There will also be three technical advisors to the Local Government Secretariat (planning, local finance, and capacity building). These advisors will provide an important linkage for the operationalization of the Local Government Recovery Fund.
- ii. *Governance Training Teams.* Under each of the local governance advisors will be a local governance training team. These trainers should be Sudanese with appropriate language skills for the area and an appropriate mixture according to gender and ethnicity. The immediate training needs are to continue and greatly expand basic training programs already piloted pertaining to basic *administrative skills* as well as *social mobilization*, increasing *self-reliance*, *peace building*, and *local level planning and outreach* to communities, traditional structures, women, and incipient private sector participants. This training program will need to reach a majority of communities fairly rapidly, in order to orient and reinforce local positive actions and cooperation.
- iii. *Vocational and Entrepreneurship Training at the Local Level.* Counties will be assisted to assess the local skills needs and the local economic opportunities. Programs of micro-finance and entrepreneurship training will be developed, as well as quick training for immediately required skills.
- iv. *Legislation and Policy Support.* The GOSS will be assisted with the finalization of its decentralization policy and Local Government Act, as well as policies on the role of traditional authority in local government and a strategic approach for integrated service delivery in partnership with the Sector Ministries. This will also include

support for an ad-hoc Boundaries Commission to delineate counties to enable the formal establishment of local government bodies.

- v. *Local Elections.* The GOSS will be assisted to prepare the ground for local elected councils, including training so that communities can play an effective role in the electoral process and in holding their elected representatives to account, and so that elected councillors play an effective role within the County Council.
 - vi. *Support for Urban Government.* Under the local government policy framework, large urban areas such as Juba will become Municipalities, and will have equivalent status to counties. Smaller urban areas will become Town Councils and have equivalent status to payams. The GOSS will be assisted in developing a strategy for support to urban government, particularly focused on support to urban services and economic recovery including job creation (as urban areas are already proving a magnet for returning IDPs and refugees).
137. During Phase II, there will be:
- i. *Ongoing Projects.* Assessment of pilot projects in local economic recovery, community mobilization, school management, and other participatory projects currently taking place in Southern Sudan. UNDP's efforts in developing the local government framework and a draft local government law are central to current activities. Many NGOs are working with community mobilization.
 - ii. *Operation of New Local Government Law.* Monitoring and review of the functioning of local government performance within the framework of the to be approved Local Government Act.
 - iii. *Training and Employment Issues.* Assessment of local skills needs in and development of medium-term locally-planned vocational training strategies.

Decentralization Framework

138. During Phase I, key activities will include:

- i. Drawing up of GOSS and state constitutions and appropriate local government acts to reflect the decisions on the decentralization framework and government structures, including elected bodies.
- ii. Setting up of governments at different levels consistent with constitutional requirements.
- iii. Setting up the envisaged mechanisms for inter-governmental transfers and making the transfers based on this.
- iv. Setting up the systems for public service management for the different levels of government and arranging personnel accordingly.

139. *Transition Process.* Initial arrangements will most likely involve transitional compromises which do not conform to the final envisaged design. While these matters must be subject to detailed design and extensive deliberation, examples include: positions at different levels will probably be nomination based, the centre may have a larger role in functions expected to be devolved to lower levels due to capacity constraints, personnel for lower levels of government will largely be seconded, etc. Initial service delivery arrangements will likely involve a considerable role for NGOs and many of these arrangements may be negotiated at higher levels of government than envisaged in the functional assignment. It is important to ensure that these various transitional arrangements do not acquire a life of their own and end up hijacking the final design.

140. Phase II will basically entail implementation and geographic spread of the various components of the decentralization framework designed in Phase I. This will also entail various efforts to strengthen and deepen the democratic underpinnings of decentralization, most notably the elected bodies at different levels.

Public Financial Management

141. A single set of fiduciary standards, covering financial management and procurement, are expected to govern the operation of the PFM system irrespective of the source of resources. It is expected that given the weak capacity, during the first two years, international accounting and auditing firms will provide extensive support to the GOSS in managing the flow of funds as well as accounting, financial reporting and auditing. Their role will be phased out as local capacity builds up.

142. The current focus is on putting in place immediate term solutions through extensive support being provided through the Capacity Building Trust Fund and by USAID. This entails preparing interim budgets, a budget calendar, and accounting procedures. An off the shelf Integrated Financial Management Information System (IFMIS) has been procured. The IFMIS is expected to be implemented by the GOSS Financial Management Unit (FMU) (that is expected to evolve into the Treasury) with the support of an International Financial Management Agent (FM Agent) recruited through the CBTF. The FM Agent is currently operating the Treasury with the support of SoFEP and is in the process of preparing and issuing operating manuals. The World Bank (through the LICUS-supported project) is providing support for putting in place the overall legislative framework governing PFM.

143. During the first two years of the Interim Period the priority actions will be the following:

- i. A modern legislative and regulatory framework for PFM will be established.
- ii. A Multi Donor Trust Fund (MDTF) will be set up with adequate fiduciary controls to provide assurance to donors regarding use of funds. As the administrator of the MDTF the World Bank has sole and indivisible responsibility regarding this fiduciary assurance. The Bank will utilize the services of a Monitoring Agent for assisting it in discharging this responsibility.
- iii. Domestic resources will be channelled through the Treasury Single Account (TSA).
- iv. Building on the current practice procuring specialized expertise as required, it is expected that international competitive bidding will be adopted for recruiting a Financial Management Agent, Internal Audit Agent, and Procurement Agent. Working as part of the GOSS Team, these Agents will be responsible for ensuring enforcement of fiduciary standards.
- v. As audit capacity does not yet exist, an External Audit Agent will be recruited for providing support to the Auditor General for Southern Sudan for discharging his responsibilities
- vi. In order to strengthen the accountability in the budget cycle, support will be provided to legislative bodies at the local, State and national levels that scrutinize budget formulation and budget execution processes.
- vii. A Project Appraisal Unit (PAU) in GOSS will receive and appraise proposals from implementing agencies and propose funding for such proposals from either the MDTF or GOSS budgetary resources. A Project Implementation Agency (PIA) will be responsible for implementing proposals during the first two years of the Interim Period as capacity is built up in Line Ministries. A Development Policy Unit will be set up to support the Poverty Eradication Strategy process and help establish policy polarities.

- viii. As per needs, International Advisors – designated Chief Financial Officers (CFO's) will provide support for budget execution in line Ministries / regions.
- ix. Three PFM training schools will be established in GOSS and will be given responsibility for PFM capacity building activities for both fresh graduates as well as in service training. They will be established by internationally reputed trainers selected on the basis of competitive bidding. Funding for these schools will be on the basis of clearly defined quality standards which will be independently assessed, and they will receive funding only on the basis of knowledge transfer deliverables having been met. Twinning arrangements with PFM institutions in neighbouring countries will be used for supplementing GOSS training resources.
- x. An independent FM Capacity Assessment unit will be established. Fiduciary standards and minimum PFM capacity norms will be notified by this unit. GOSS units seeking additional financial powers or increased financial autonomy will be assessed by this unit to see if they meet prescribed standards.
- xi. PFM indicators will be developed for monitoring progress at the regional and local government level as well as to monitor PFM performance in service delivery.
- xii. An Aid Coordination Unit will be established and will be responsible for:
 - ensuring that donor contributions are brought "on" budget, viz. that the amounts being expended by donors are accurately reported in the budget even though these resources may not be routed through the Treasury. This would cover external support being provided by bilateral and multilateral donors and NGO's;
 - tracking of pledges made by donors, conversion of pledges into funding available for projects, the release of such funding and its utilization;
 - reporting to donors and the international community on the progress of as well as the proper utilization of donor funds; and
 - maintaining a database on aid flows as well as a website on aid management that provides information in a transparent and concise manner on the financial and physical progress of donor funded projects.

144. During Phase II, as domestic capacity is built up, there will be clear phase out targets to be met for international agencies involved in PFM operational activities, and by 2011 the PFM system is expected to be fully operated by GOSS personnel. All items of work listed under Phase I will be more fully developed during the Phase II.

Procurement

145. Phase I activities include:

- i. *Put in place a Fiduciary entity/Procurement Unit (consulting firm).* As an interim measure, procurement functions will be contracted out to an international firm by the Project Implementation Agency set up by the MOFEP as a transitional agency for project management and implementation.
- ii. *Put in place Procurement Unit.* Independently from the temporary procurement agency, the unit will be established in the MOFEP as the regulatory body for procurement. It will develop the procurement policy for the short and long term, carry out performance audit, prepare a capacity building plan and provide guidance to the Procurement Unit in the PMA.
- iii. *Design of the capacity building strategy.* Preparation of a procurement capacity building strategy with the objective of creating procurement skills in line ministries at decentralized levels, of putting in place performing oversight mechanisms and at

building up capacity of national and decentralized training institutions for delivering a sustainable procurement training program.

146. During Phase II, expected activities are:
- i. Implementation of the procurement law including the establishment of all the institutions created by the law;
 - ii. Full implementation of the capacity building plan;
 - iii. External audits, carried out initially by private cabinets will be gradually transferred to the internal audit and the Auditor General once fully operational;
 - iv. Gradual transfer of the procurement responsibility to public sector entities and creation of deconcentrated regulatory entities;
 - v. As needed, the fiduciary entity will continue handling large contracts.

Corruption

147. During Phase I, activities will aim to:
- i. Establish an autonomous and operational Project Implementation Agency (of the GOSS) to manage the implementation of all GOSS projects using internationally acceptable fiduciary and project management standards
 - ii. Implement various aspects of public sector reform identified in this report at the national, state and local levels
 - iii. Implement reforms relating to the media and the development of civil society described in detail in the cluster report on Governance and Rule of law
 - iv. Implement judicial and police reforms described in detail in the cluster report on Governance and Rule of law
 - v. Establish the Public Grievance and Restitution Boards/Anti-corruption Commission
148. Phase II priorities are:
- i. Ensure that capacity is developed in the line ministries and that the Project Implementation Agency gradually hands over functions to these
 - ii. Continue with the implementation of the above
 - iii. Establish a reputation for transparent and open governance

TARGETS & MONITORING

149. The proposed framework is laid out in Volume II. Among the outcomes to be monitored are pay adequacy and management of the wage bill. For local Government and service delivery, indicators include the total value invested in social service delivery in localities in pilot states, and numbers of CBOs active in local planning, implementation, and oversight of services delivery.

GOVERNANCE & RULE OF LAW

MARCH 18, 2005

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OVERVIEW

1. The Comprehensive Peace Agreement (CPA) is a major opportunity for the social contract between the Government and the citizens of Sudan. The CPA establishes a basic framework for a political solution based on justice, peace and democracy. Chapter II enshrines the parties' commitment to international human rights,¹⁹ elections²⁰ and long-term oversight mechanisms.

2. Yet, while the CPA represents a formal commitment to basic principles that are conducive to justice and peace, the peace-building process will need to advance and expand these aspirations. Gaps in the CPA, as well as the possibility of conflict, will need to be addressed through engagement of civil society and properly functioning private and public institutions - backed by sustained political commitment. Against these realities, the establishment of good governance and rule of law in Sudan is a long-term objective, which will require an incremental democratization and peace-building process.

3. The overall objective in the governance and rule of law sector is to empower national stakeholders in preventing and bringing an end to any violations of international norms, ensure effective service delivery, enhance confidence in statutory conflict resolution mechanisms, and gradually build a culture of justice and good governance – a culture that is responsive to long-term capacity-building and sustainable human development. To this end, this report has identified a number of interrelated and mutually reinforcing sub-sectors that together will serve to create a conducive atmosphere for good governance and the rule of law in post-war Sudan, specifically:

- i. The protection and promotion of human rights constitute the very foundation of a society that rests on the premises of good governance, rule of law and democratic principles. It is therefore essential to place human rights at the centre of all peace building efforts. Closely related is the plight of the millions of displaced whose future will depend on conditions conducive to return or opportunities for local integration.
- ii. Enveloped by decades of war and severe socio-economic underdevelopment, there is a serious deficiency of statutory laws and institutional capacity to promote rule of law and good governance in the South, while the existing legal system throughout the country will need to be reviewed and amended in line with the CPA. The starting point lies in the drafting of a new Interim National Constitution (INC) for the Republic of the Sudan, as well as Southern Sudan Constitution (SSC), wherein the principles enshrined in the CPA, as well as international legal standards, are fully reflected.
- iii. In an environment accustomed to armed conflict resolution and emergency laws, it is imperative to reinforce the functions of civilian law-enforcement as a means of rebuilding trust in governance structures. To this end, capacity building and training of law-enforcement agencies will be critical. The correction system and treatment of detainees will require particular attention, especially in the area of juvenile justice.
- iv. Customary law has in the past been integral to peaceful conflict resolution, which means that the establishment of statutory structures cannot be done without due regard to traditional mechanisms. At the same time, such traditions must be reviewed and aligned with the Interim National Constitution and human rights

¹⁹ Section 1.6 (Human Rights and Fundamental Freedoms: Life; Personal Liberty; Slavery; Torture; Fair Trial; Privacy; Freedom of Thought, Conscience and Religion; Freedom of Expression; Freedom of Assembly and Association; Family and Marriage; Right to Vote; Equality Before the Law; Freedom from Discrimination; Freedom of Movement; The Rights of Children; Equal Rights of Men and Women) Protocol Between GoS and SPLM on Power Sharing, 26 May 2004.

²⁰ Section 1.8 Protocol Between GoS and SPLM on Power Sharing, 26 May 2004.

principles, such as non-discrimination, equality before the law and securing the interests of children.

- v. Enhancement of the social contract between the state and its citizens will require a vibrant civil society and an independent media to promote the free flow of information, mobilize public participation and serve as catalysts for consensus building. Civil society and the media also have a crucial oversight role, to monitor the implementation of the CPA and compliance by the authorities.
4. In pursuing this vision of post-conflict Sudan, a range of challenges need to be addressed. These include: military culture and continued armed conflict in parts of the country that contributed to the weakening of institutions dealing with physical security and access to justice. A new legal framework as mandated in the CPA needs to be developed, premised on the formulae for the sharing of powers and resources, alongside structures for a better operating environment as far as human rights are concerned. Capacity deficits and the lack of adequate training afflict the rule of law sector, as does lack of physical infrastructure of civil administration and rule of law institutions in the South, and poor conditions of existing ones in the North, and significant development disparities between the centre and the regions. There is limited reconciliation within the South, and there is a problem of confidence and trust between the North and South, and the rest of the country. Gender disparities characterise access to justice, participation in decision-making, and protection of human rights. Finally, but not least, are the potential conflicts between customary, common law and statutory systems and laws.
5. In this context, the strategic objectives that have emerged are as follows:
- i. In line with the CPA, strengthen the immediate competence and capacity of governance and rule of law institutions to provide human security and access to justice, with particular respect to gender, while protecting human rights.
 - ii. Assist national stakeholders to transit from a conflict to a post-conflict situation through local peace building efforts and reconciliation;
 - iii. Build capacity, particularly in human resources, backed up by a sound institutional and legal framework;
 - iv. Increase representation, participation and inclusion of women in the legislative and constitutional systems. Ensure their participation at all decision-making levels in conflict resolution, peace building and post-conflict reconstruction;
 - v. Support the development of a conducive legislative, policy and programme environment for administrative, political and fiscal decentralization that enhances government accountability, transparency, responsiveness and equity; and
 - vi. Enhance participation of non-government stakeholders in local governance, including the private sector, communities, civil society, traditional authorities and private sector.
6. This in turn is associated with several immediate objectives for Phase I (2005-07):
- i. Create a policy environment and institutional framework at the National Government (NG), Government of Southern Sudan (GOSS), state and local levels that will guide the peace-building process; adoption of the INC, SSC and state constitutions;
 - ii. Ensure that all Commissions, institutions and other bodies, as agreed in the CPA, are established and operational, including the Assessment and Evaluation Commission;
 - iii. Empower national stakeholders, right-holders and duty-bearers alike, to help prevent violations of international human rights , and to strengthen confidence in rule of law

and governance; capacity building of rule of law and governance actors and structures;

- iv. Review of the regulatory framework for NGOs and media;
 - v. In the South and Three Areas, action plans for the court system, police and prisons agreed;
 - vi. National Election Commission operational, national electoral laws enacted, and voter registration completed;
 - vii. National and State Land Commissions established and current laws/practices reviewed;
 - viii. Statutory law and practice reviewed in order to ensure compatibility with the constitution and international norms, specifically pertaining to human rights, and to address gender bias; and
 - ix. Capacity building of non-government stakeholders, particularly civil society, traditional authorities, marginalized groups and the private sector, empowering these to play a proactive role in the democratization process.
7. The longer term objectives (through 2011) include strengthening the contribution of rule of law to an environment that is conducive to the implementation of the CPA; the return and reintegration of displaced persons and former combatants; free and fair elections; and capacity building in the rule of law sector, as well as the inclusion of civil society, traditional authorities, and other non-state stakeholders in the democratization process.
8. The priorities have emerged around two key themes, namely:
- i. *Human Rights, Law Enforcement, the Judiciary and Legal Reform*: Respond to the immediate need for protection of civilians, particularly women and children; build the capacity of police, judges, prosecutors, lawyers, prison administration and correction systems; reconstruct physical infrastructure; provide operational equipment and communication; conduct review of existing legislation, incorporating international human rights and fundamental freedoms, as well as humanitarian, refugee and criminal law standards;²¹ support the establishment of an independent and gender-inclusive National Human Rights Commission and strengthen public audit chambers and create any required new institutions; integrate human rights across ministries; establish appropriate transitional justice mechanisms; assist in drafting new laws; provide gender justice training to legal professionals and establish gender sensitive justice mechanisms; advocate for NG to sign and ratify instruments aimed at promoting and protecting women's rights; ensure gender sensitivity; and ensure that the rights and the best interests of children are always a primary consideration.
 - ii. *Good Governance and Electoral Reform*: Create a system of governance that promotes, supports and sustains human development - especially for the poorest and most marginal; ensure that electoral laws are in place; monitor compliance; and create a political and security environment that is conducive to free and fair elections; provide space for civil society; conduct vetting;²² combat corruption; reconstruct physical infrastructure; promote women's leadership at all levels to

²¹ Sudan is party to the African Charter on Human's and People's Rights of 1981, and has acceded to the 1951 Convention Relating to the Status of Refugees and the 1967 Additional Protocol (accession in 1974); the 1966 Covenants on Civil and Political Rights, and Economic, Social and Cultural Rights, respectively (a 1986). Sudan has ratified the 1989 Convention on the Rights of the Child; the two CRC optional Protocols on the Involvement of Children in Armed Conflict and on Sexual Exploitation of Children, the ILO Conventions 138 and 182., and the 1984 Convention Against Torture and Other Cruel, Inhuman or Degrading Treatment or Punishment (CAT).

²² Article 2.6.1 Protocol Between GoS and SPLM on Power Sharing, 26 May 2004.

enhance female representation and political empowerment; and support capacity building in national planning, budgeting and financial management.

9. These imperatives can only be realized through an integrated and multi-sectoral approach, linked to other clusters. In particular, Decentralization, DDR, and Community Driven Recovery are dealt with elsewhere in the JAM, and are closely related to governance and rule of law issues.

Box 2. 1

The “Rule of Law” is a concept at the very heart of the [UN]’s mission. It refers to a principle of governance in which all persons, institutions and entities, public and private, including the state itself, are accountable to laws that are publicly promulgated, equally enforced and independently adjudicated, and which are consistent with international human rights norms and standards. It requires, as well, measures to ensure adherence to the principles of supremacy of law, equality before the law, accountability to the law, fairness in the application of the law, separation of powers, participation in decision-making, legal certainty, avoidance of arbitrariness, and procedural and legal transparency.

Source: The Rule of Law and Transitional Justice in Conflict and Post-Conflict Societies
Report of the Secretary-General, 23 August 2004.

AGREED PRINCIPLES

10. During the JAM, the following principled approach to the issues of governance and rule of law was agreed upon²³:

- i. Governance and rule of law are critical aspects of the implementation of the CPA signed between the Government of Sudan (GOS) and the SPLM/A. They are vital to the future of the Sudanese people, both North and South, in the six-and-a-half years’ Interim Period prior to the referendum on the self-determination of the South.
- ii. The approach to governance and rule of law ensuing from the provisions of the CPA is based on a ‘visioning’ exercise by the two Parties and on the broad-based ownership of this exercise by all levels of the Sudanese society, both North and South. The basis is to be:
 - a. From a process perspective, in grappling openly with the root causes of conflict and entrenching a culture of full mutual acceptance of diversity in the Sudan, within the framework devised by the Machakos Protocol;
 - b. From a substantive perspective, in universally applicable human rights and a rights-based approach, embedded in the cultural context proper to the Sudan.
- iii. From both perspectives, participation of all levels of society is to be seen as a means of addressing the widespread feelings of ‘non-inclusion’ that nurture many of the conflicts in the country. While the process is premised on a change of attitudes and should be opened up to gradually muster as much consensus and legitimacy as possible, including the steps towards democratization to be taken as per the CPA, its substantive results should be the creation of neutral and impartial legislative, executive and judicial institutions as guarantors of a level playing ground and of a share for everyone in transparent and inclusive decision-making.
- iv. Since a firm political will is sine qua non in implementing the relevant provisions of the CPA, agreed codes of ethics in North and South, ought to be entrenched in support of

²³ This is a summary of a longer text agreed by the Parties.

peace building and the initiation of a culture of peace, with a view to ensuring the success of both the process and its substantive results. These codes of ethics should be grounded in mutual trust and confidence building measures as essential ingredients to maintain momentum and build foundations for good governance and rule of law in the era beyond the signing of the CPA.

CONTEXT

11. Decades of war have contributed to the creation of a military culture in various parts of the country. Legislative, judiciary and law-enforcement institutions suffer from capacity deficits and a lack of adequate training. The institutional and operational gaps in the rule of law sector are further compounded by a massive circulation of small arms, continued low-intensity conflict in some parts of the country, and a problem of confidence amongst parts of the populace in the justice system. In governance issues, decades of over-centralized government, rule of law practices, development disparities between the centre and the regions, and weak or non-existent administrative capacities in some parts of the South compound the situation.

12. Military activities, tribal fighting and small arms represent the greatest threat to the enforcement of the rule of law. Military and security forces are the principal agents of 'law and order', sometimes at the cost of human rights. It is anticipated that violence will continue to plague certain areas in spite of the CPA. In the current environment, and imbued with a strong sense of a right to own arms, communities view their arms as the only means of protection in the atmosphere of insecurity. The problem is further compounded by the lack of infrastructure, skilled professionals, and communication, all of which prevent access to formal justice systems.

13. While the Sudanese society at large has suffered the consequences of armed conflict, the brunt of the war has mainly been borne in the South, where there is an extreme absence of the most basic physical, human and institutional capacities. In a region without paved roads and a transportation system, investigations and patrolling require often several days' walk. While national laws exist for the whole country, in the SPLM administered areas only a few de facto statutory laws²⁴ exist, but even these are not effectively enforced because of a stark deficit of competent and independent judiciary and enforcement agents. At present, Southern Sudan only has 22 trained judges, and less than 5,000 police officers.²⁵ The lack of codification and/or dissemination of existing laws and widespread illiteracy impede efforts to establish a functional statutory system.

14. In the North, while judiciary structures are more developed, the independence of the judiciary needs to be reinforced by the provision of more qualified judges, attorneys-general and law officers. There is also a need to review existing legislation to guarantee the full spectrum of human rights and fundamental freedoms. Although physical infrastructure does exist in major towns, large areas in the North remain grossly underdeveloped. In terms of gender-equity and equality, women need to gain the access needed to seek justice and appeal decisions within established laws.

15. Inherent to war are beliefs and policies that run counter to justice and non-violent conflict-resolution. In areas of recent violence, targeted populations have little trust in law-enforcement and the judiciary to provide immediate protection and security, let alone justice and due process of law.

²⁴ Current legislation in SPLM controlled territory does not address the particular rights of women or returnees, or land and property rights.

²⁵ *Technical and Training Needs Analysis (TNA) for Policing in Sudan: Report of Mission for DFID in December 2003 and January 2004*, Chris Gayle, Section 4.1.55.

16. While the IGAD-led peace-process has contributed to building confidence and political reconciliation between the Parties, the lack of information and communication has created barriers between Southerners and Northerners and amongst Southerners themselves. There is an imminent need to invest in a national dialogue, as well as in the South-South dialogue that has already begun. Similarly, there is a need for a new institutional culture based on citizenship, a sense of service, professional honesty and integrity.

GOVERNANCE

17. Governance is an overarching concept. It covers the areas of parliamentary development, electoral systems, decentralization and local governance, public administration, urban development, accountability, transparency and anti-corruption. Within the Sudanese context, the following areas require immediate attention: decentralization and local governance (political, administrative and fiscal), public administration and service delivery. All of these issues are dealt with in detail in Cluster 1.

Priority Actions

18. The following activities will be required to improve aspects of political governance not covered by Cluster 1:

- i. Assist the formation (in the South) and remaking of political parties (in the North) ensuring they have internal democratic structures, policies in support of the CPA and transparent financial regulations;
- ii. Support the effective functioning of the political-civil service relationship.

HUMAN RIGHTS²⁶

19. The weak civic culture as a result of the protracted war has, among other things, affected the evolution of modern judiciary and rule of law institutions in parts of the Sudan. The state of war has also affected customary law and conflict resolution mechanisms. Customary law varies from one area to another. There is a need to reform the legal institutions and practices.

20. In order to increase human security, there is need to reform the legal system. The lifting of the state of emergency is a prerequisite for the reform of the judiciary system. Both traditional and modern rule of law institutions are to be strengthened to ensure human, security, transparency, confidence building and the enjoyment of rights.

21. Female Genital Mutilation (FGM) is illegal in Sudan; yet it is estimated that a very high number of women have undergone this traditional practice, particularly in rural areas. The total eradication of female circumcision is a shared objective of the people of the Sudan and its representatives.

22. The existing structure at the national level that addresses human rights violations needs to be reinforced by the formation of the Human Rights Commission as per the CPA²⁷. One of the

²⁶ “The normative foundation for our work in advancing the rule of law is the UN Charter itself, together with the four pillars of the modern international legal system: International Human Rights Law; International Humanitarian Law; International Criminal Law; and International Refugee Law. This includes the wealth of UN human rights and criminal justice standards developed in the last half-century. These represent universally applicable standards adopted under the auspices of the United Nations and must, therefore, serve as the normative basis for all United Nations activities in support of justice and the rule of law.” The Secretary-General’s Report, The Rule of Law and Transitional Justice in Conflict and Post-Conflict Societies, 23 August 2004 (S/2004/616), paragraph 9.

²⁷ “.../... Human rights and fundamental freedoms shall be monitored by the Human Rights Commission .../...” (Article 1.6.2.16.c Protocol Between GoS and SPLM on Power Sharing, 26 May, 2004

most urgent needs in post-conflict Sudan pertains to monitoring, reporting and investigation of alleged human rights violations, coupled with prevention of such abuses. In addition, specific mechanisms have to be established to address the basic protection needs of vulnerable groups, including women, children, displaced, returnees, disabled persons, the elderly, and people living with HIV/AIDS.

23. There is an immediate need to strengthen the capacity of law enforcement and judiciary structures to protect and promote human rights in full accordance with the CPA. In ensuring protection for the least influential and most vulnerable, human rights protection and capacity building programmes must also target actors not normally associated with law enforcement and the judiciary, such as the army and security forces.

24. Simultaneously, it will be necessary to embark on medium- and long-term programs addressing the knowledge base and institutional culture at all levels to fully reflect respect for human rights and fundamental freedoms in emerging structures and policies. This will entail incorporating human rights into the constitutional and legal frameworks, as well as ensuring that electoral laws are consistent with international standards and that civil and political freedoms are in place prior to elections.

25. Human rights will need to be integrated across governmental institutions and be clearly reflected in policy-making. To this end, training and capacity building will be essential to build the capacity of legal professionals, including constitutional lawyers and judges; law-enforcement; prosecutors; defence lawyers; and prison wardens to integrate human rights in legal reform, professional practices and policies, including in the daily code of conduct.

26. While the CPA has kick-started the process of peace building, the effects of armed conflict often require a long process of attitudinal change towards the promotion and enforcement of human rights and fundamental freedoms. In addressing the war-mentality that prevails, institutional reform, confidence building measures and training should adopt progressive ways of promoting human rights and achieve a sense of ownership among all stakeholders - citizens and authorities alike. Human rights capacity building programmes should ensure that training is simple and accessible to a broader audience and should not be limited to legal standards alone, but also address ethical frameworks and shared Sudanese cultural values, as well as attitudes towards human rights, justice and democracy.

Northern Sudan

27. Government officials, as well as the general public, need knowledge of international human rights standards. Although some educational institutions offer courses on human rights, this is only occasionally touched on at law school. The 26 Human Rights Education Committees that have been created at the state level do not function yet. Although the GOS has started frank discussions with several development partners about human rights, the long process of attitudinal change still has to commence.

28. The Advisory Council for Human Rights (ACHR) is the national institution focusing on the protection and promotion of human rights.²⁸ Its main functions are to provide advice on human rights-related issues; act as a documentation and information centre; follow up on individual complaints; investigate allegations of human rights violations; follow up on General Assembly and Commission on Human Rights resolutions, as well as treaty obligations; and, conduct training and awareness rising in the field of human rights. Building the technical competence of the ACHR, the promotion and protection of human rights can be mainstreamed within governmental institutions.

²⁸ Created initially as a coordination committee in 1992, the Advisory Council for Human Rights was re-established by Presidential Decree in 1994 as an advisory council under the supervision of the Minister of Justice.

Southern Sudan

29. On numerous occasions, the SPLM has voiced its commitment to strengthening human rights mechanisms, and to creating a nationwide plan for the promotion and protection of human rights. To this end, the SPLM intends to seek and provide technical assistance for local authorities and law enforcement officials to institutionalize international human rights norms and standards. However, the people of Southern Sudan too suffer from a lack of full respect for human rights. Military and weak civil authority structures prevail and civil society still needs considerable capacity building.

30. The South Sudanese Law Society (SSLS), which was established in 1995, is an association of legal professionals with offices in Yei, Rumbek, and Nairobi. The SSLS provides legal aid and services; monitors human rights in the South; implements projects for women and children in partnership with various national and international NGOs, and plays a major role in advocacy for peace, democracy and human rights.

Priority Actions

- i. Promote the understanding, signature, and ratification of international human rights instruments; implement extensive informal human rights training and awareness programmes across Sudan, addressing law-enforcement, security, military, judiciary, traditional authorities and civil society, to abide by and promote international human rights standards;
- ii. Conduct formal human rights training for officials serving the Constitutional Court and Supreme Courts and other members of the judiciary through workshops and international exposure. In the North, targeted training should address legislative bodies, such as national, Southern and state legislatures as well as the Human Rights and Public Duties Committee; the Legislation and Justice Committee; the Community Development Committee; the Department of Legal Affairs of the National Assembly; and the Legislative Department of the Ministry of Justice. In the South, similar training will have to address corresponding, emerging institutions.
- iii. Build the capacity of governmental and inter-governmental entities such as the Human Rights Commission (provided for in the CPA), the Advisory Council for Human Rights and the Public Grievances and Restitution Board; the Sudan National Committee for the Eradication of Harmful Practices and the National Steering Committee on the Eradication of Harmful Practices; as well as a number of NGOs working in the field of human rights. The latter will be supported to strengthen their collaboration and outreach through the establishment of a Human Rights Centre in Khartoum;
- iv. Provide training and equipment to national monitors (local lawyers' and human rights NGOs/associations), assisting to identify threats to physical, legal and material safety of returnees, and adequately follow-up with local authorities. Training should entail basic human rights, and women's and children's rights, as well as protection principles; monitoring and report writing; and operational support to enhance accessibility and mobility at a local level;
- v. Support legal aid initiatives, and provide mentoring and monitoring to promote the protection of human rights and access to justice on a local level and for vulnerable populations, with a special attention to children, and provide technical advice and capacity building to law-enforcement officials, judges and lawyers to report and redress violations;
- vi. Conduct expanded educational programmes to institutionalize the teaching of human rights at all levels, including training of trainers, teachers and administrators, coupled by provision of assistance to establish human rights departments at universities;

- vii. Support efforts to enforce the law to combat harmful practices affecting the health of women and children throughout the country; and
- viii. Raise awareness about women's rights in Sudan and support efforts to harmonize the current domestic legislation with international standards relating to the promotion and protection of women's rights.²⁹

LEGAL FRAMEWORK, LEGISLATION AND ELECTIONS

31. Nationwide, it will be necessary to put in place a legal framework that enshrines basic international standards conducive to the rule of law. To this end, the process of legal reform will need to be guided by the UN normative framework as enumerated in the Secretary-General's Report on Rule of Law.³⁰

32. The starting point will be the constitutional review and drafting to transform the CPA into the legal basis of rule of law for the Interim Period. Its main focus should be to ensure that international standards are incorporated and that the emerging legal systems in the North and the South are compatible.³¹

33. A major challenge for both the NG and the GOSS is the development of a legal framework based on constitutional rights and the new dispensation resulting from the CPA and the INC. In the North, the Ministry of Justice, in accordance with its responsibilities, has begun reviewing existing legislation on the basis of the CPA. A small committee has been established to commence the review work within the Department of Legislation, in light of the CPA and international instruments, to which Sudan is a party.

Legislation

34. In both North and South, training should seek to build capacity amongst legislators and legal professionals in order for them to substantially contribute to legal reform and institutional compliance. This will entail building the knowledge base and capacity of legal professionals, including constitutional lawyers and judges, law-enforcement officers, prosecutors, defence lawyers and prison wardens to integrate human right in legal reform, practice and policies, including in the daily professional code of conduct. In addition, officials of the NG, GOSS, and state legislature need training and re-orientation to enhance compliance in implementation of laws.

35. The National Constitutional Review Commission (NCRC) will be mandated to prepare a text for the National Interim Constitution to be adopted by the national legislature. Of particular importance is the establishment of the Council of States as the second legislative chamber representing the 25 States. This bi-cameral parliamentary system is new to the country and will require discussions, initiation and orientation. Much will depend on the successful introduction and operation of this new constitutional instrument, so to ensure that all states will have an equal role in participating in the administration of wealth and resources.

36. The National Legislature and the Council of States will have to review and/or adopt a number of new crucial laws in line with the CPA, such as the National Security Act; the Referendum Act; the Political Parties Act; the National Election Law; the Human Rights

²⁹ "The equal right of men and women to the enjoyment of all civil and political rights set forth in the International Covenant on Civil and Political Rights and all economic, social, and cultural rights set forth in the International Covenant on Economic, Social, and Cultural Rights shall be ensured." (Article 1.6.2.16 Protocol Between GoS and SPLM on Power Sharing, 26 May 2004).

³⁰ United Nations Charter, International Human Rights Law, International Humanitarian Law, International Refugee Law, and International Criminal Law.

³¹ "The National Interim Constitution, being the legal and constitutional framework text adopted as contemplated in paragraph 2.12.6 herein, shall be the Supreme Law of the land and the Southern Constitution, state constitutions, and the laws of all levels of government must comply with it." (Article 1.5.1.2 Protocol Between GoS and SPLM on Power Sharing, 26 May 2004).

Commission Act; the Constitutional Court Act; and the National Judicial Service Commission Act. All these laws will establish Commissions in which the Parties to the CPA and National Congress Party will delegate officials. In many cases, and particularly for the SPLM delegates, these tasks are new and will require additional training and orientation.

37. Some incompatibilities exist between national Sudanese law and international standards relating to children. There is a need to review such incompatibilities and remove them to comply with international standards.

38. According to Chapter II of the CPA, Arabic and English are the official working languages in the Sudan during the Interim Period. National legislation will, therefore, need to be either drafted in both languages or translated. While the translation department of the Ministry of Justice is understaffed and will need to be expanded and/or receive international secondments, the National Legislature will also have to procure the appropriate linguistic facilities.

*Elections*³²

39. The institutions at the National, Southern Sudan and state levels will need to prepare for elections during the third year of the Interim Period.³³ Besides putting in place the structural framework for elections, including the prerequisite of conducting a census, it will be imperative to create conditions that are conducive to free and fair elections, including access to information, free media and the protection of civil and political rights. This will require adoption of electoral laws and effective mechanisms to monitor compliance, including providing space for civil society organizations to popularize the elections. The responsibility to prepare and eventually organize the elections will lie with the National Election Commission, expected to be established within one month of the National Election Law.

40. In order to promote free and fair elections – not only at the technical level, but also as a means of encouraging public participation and political accountability, it is imperative to create an environment conducive to democracy well in advance of the elections. This will require, *inter alia*, support for an effective National Human Rights Commission, as well as public audit institutions. Targeted efforts should be made to promote women's representation; vetting of civil servants and political officials should be conducted, along with measures to combat corruption. Civil society and the media have an instrumental role in preparing the Sudanese society for democratic elections.

41. Research should be conducted into the different forms of popular participation in order to choose the most appropriate form of democratic representation, e.g. whether candidates should be elected on an individual basis, a party platform, a system 'the best takes all', or a mixed system.

Northern Sudan

42. The NG will be responsible for the management of the 15 Northern States. The CPA specifies the relationship between the different levels of government, and the principle that "in their relationship with each other or with other government organs, all levels of government and particularly National, Southern Sudan, and State Governments shall respect each others' autonomy (and) collaborate rather than compete, in the task of governing and assist each other

³² "The Parties agree that the following principles shall guide the distribution of powers and the establishment of structures: ... recognizing the need to legitimize the arrangements agreed to herein, fair electoral laws shall be adopted, including the free establishment of political parties. Elections at all levels of the government shall be held by universal adult suffrage." (Article. 1.4.6 Protocol Between GoS and SPLM on Power Sharing, 26 May 2004).

³³ This includes presidential elections and elections for the post of president of the GoSS, as well as for the state governors, National Assembly, the legislature of Southern Sudan and the state legislatures.

in fulfilling each others' constitutional obligations." One concern of the NG is to ensure that the state legislatures obtain adequate attention, including training and orientation to allow them to fulfil their role.

Southern Sudan

43. A consensus-based Southern Sudan Interim Constitution, reflecting the aspirations and wishes of the people, will be crucial to build bridges across political and ethnic groups. This will be the task of the Southern Sudan Constitutional Drafting Committee (SSCDC), which will be established by the President of the GOSS after the enactment of the INC. While the SPLM leadership has expressed its commitment to democratic governance and political pluralism, it is not yet clear what the consensus will be on the specific shape and form of Southern Sudan's future constitution, legislative and other governance structures. The legitimacy of the constitution will depend on consensus building.

44. In the SPLM-controlled areas, *de facto* statutory laws exist, but none of these address women's rights, juvenile justice, the rights of displaced and returnees, and land ownership. It is expected that the Secretariat of Legal Affairs and Constitutional Development (SoLA) will be transformed into the GOSS Ministry of Justice, which will shoulder the primary responsibility for legislative drafting. The Southern Sudanese Legislature will have to formally adopt the already existing laws, which thus far have been issued as executive acts approved by the Chairman of the SPLM.

Priority Actions

- i. Provide support for the drafting of the SSC and state Interim Constitutions, and ensure that the commitments made in the CPA, governance principles and international human rights standards are reflected, as well as to ensure that these legal frameworks are fully compatible;
- ii. Promote support to conduct legal review and reform to ensure compliance with the provisions of the CRC, the two Optional Protocols and other norms and standards applicable to children's rights;
- iii. Promote broad-based and grassroots participation in the constitutional and legal reform process, and enhance the advocacy capacity of women to impact the legal and constitutional reform process. This will entail supporting a series of dialogues and workshops with civil society, including women's and child rights organizations, professional networks, and community-based organizations, on legal and constitutional reform;
- iv. Promote linkages between civil society, the media, and law- and policy-makers. Initially, this will entail facilitating interaction between Northern-based civil society and the Ministry of Justice, including the Advisory Council for Human Rights and the legislature, on the one hand, and between Southern-based civil society and the GOSS Secretariat for Legal Affairs and Constitutional Development on the other; and
- v. Support the National Election Commission and similar bodies at all levels of the NG, GOSS, and the States through provision of technical advice, training, refresher courses and, where necessary, financial support to capacity building.

JUDICIARY³⁴

45. Across Sudan, emergency decrees and failure to uphold human rights, as well as lack of adequate human and financial resources, were both an outcome of the long lasting conflict, and principal obstacles to a functioning justice system. The absence of physical infrastructure in the South and geographical distances in the North further exacerbate the problem. Besides the need to establish a legal framework and ensure respect for human rights, delivery of justice has to be brought closer to the people.

46. Much work is therefore required during the Interim Period to promote the independence of the judiciary in both North and South³⁵ through empowerment and capacity building. As a result of military rule and the state of emergency that have governed Sudan in the North and the South respectively, the independence of the judiciary needs to be enhanced.

Northern Sudan

47. In the North, the basis for the court system is the Judiciary Authority Act (1986), as amended, wherein judicial power is vested in the judiciary as an independent authority. The court system is organized as follows: the Supreme Court; Courts of Appeals; Public Courts; and District Courts. In addition, there are town and rural courts using more traditional structures and procedures. As a consequence of the federalism enshrined in the 1998 Constitution, the judiciary is being decentralized, and at least one Judiciary Organ will be established in each state.

48. Any unconstitutional court not meeting the provisions of the CPA should be abolished. Chances of appeal will be provided.

49. The Constitutional Court in Khartoum was designated to play an important role in the protection of human rights.³⁶ The Constitutional Court is competent to judge complaints from an individual against act of the president, the cabinet of ministers, the national ministers, governors and/or state ministers alleged to have violated constitutional liberties, rights, and immunities. However, there is an urgent need to increase judicial awareness on international human rights norms and standards and comparative international experience.

50. There is a physical court structure throughout the country, which the authorities wish to upgrade. But, as mentioned above, the size of the country and the difficult logistical circumstances make regular access to the courts and thus to justice often a very difficult matter. A UNICEF study on juvenile justice reported lengthy periods of pre-trial detention for children, lack of legal representation and social work at the various stages, limited number of juvenile judges and judicial measures that are more oriented to boys.

51. Entry into the judiciary requires a law degree and the passing of the bar examination. Normally, the candidate must practise law for a number of years before being eligible to join the judiciary. Also, throughout their career, the judges' performance is being evaluated by an inspection panel. There is a need to upgrade training in modern legal analysis and application, specifically as it relates to the constitutionalism of the jurisdiction.

³⁴ The powers of the Judiciary shall be exercised by Courts and other tribunals. The Judiciary shall be independent of the Legislature and the Executive. Its independence shall be guaranteed in the Interim National Constitution. Article 2.11.1 Protocol Between GoS and SPLM on Power Sharing, 26 May 2004.

³⁵ "Tenure of the Judges shall not be affected by their judicial decisions. Judges may only be removed for gross misconduct, incompetence, incapacity, or otherwise in accordance with the law, and only on the recommendation of the National Judicial Service Commission." (Article 2.11.4.7 Protocol Between GoS and SPLM on Power Sharing, 26 May 2004).

³⁶ "The Constitutional Court shall be the custodian of the Constitution, and shall have the jurisdiction to consider and adjudge any matter relating to [*inter alia*] claims by the aggrieved for the protection of freedoms, sanctities or rights guaranteed by the Constitution" - art. 105.2.b Constitution (1998).

52. According to Chapter II of the CPA, the following courts will be established at the national level: a Constitutional Court, a National Supreme Court, a National Court of Appeal, and “any other National Court or tribunal as deemed necessary to be established by law.” A major challenge is that these national courts, as part of the NG, will have to function in line with the agreed principles of the Machakos Protocol related to the issues of state and religion, while the courts as part of the judicial hierarchy in relation to the 15 Northern states can and must give priority to the principles of the Sharia.

Southern Sudan

53. In the South, the judiciary is part of the Executive through the Justice and Law Commission for the Interior, Judiciary and Law Enforcement, while the High Judicial Council is headed by the Chairman of the SPLM. The Judiciary Act of 2003 vests the judicial power in the judiciary as an independent authority. Courts have general jurisdiction, hearing all cases throughout the judicial hierarchy. The competencies of the several courts and the conditions for appeal are laid down in the relevant codes of procedure.

54. The SPLM has developed a six-tier judicial structure. At the apex sits the Court of Appeal, with its current two judges. Under the Court of Appeal, there should be seven High Court circuits, five of which are currently operative. Under the High Court, there are County Courts – eventually one or two for each county – the Payam and Regional Courts and the Chief Courts. One judge (sitting alone) exercises the County and Payam Courts’ powers. At this point, there are a total of 35 formal judges. The formal court administration reaches down to the Payam Courts, but not to the Regional Courts and the executive Chief Courts. At this point, the Payam Courts are staffed by laymen, but the intention is to replace them with paralegals. The Regional and the executive Chief Courts resort, in most cases, to administration and mediation in resolving disputes over areas of pastures, water, and cultivation. Over 90 percent of litigation is handled by these courts, which are based on traditional structures and apply customary law.

55. The main problem of the judiciary is the absence of professional judges. Of the envisaged 750 professional judges, only 35 are presently available. Southern Sudanese jurists in the Diaspora, who could fill some of the gaps, will need major training, both linguistically and substantively. This applies also to those Southern Sudanese judges, currently employed in the North or in the South administered by the GOS and the Coordinating Council for Southern Sudan. In order to meet the challenges ahead, the Southern authorities envisage initially training a large number of paralegal staff, and enabling these to act as judges at the lower courts’ levels. But for a considerable time to come, the Southern Sudanese court system will be, at least numerically, dominated by the traditional structures.

56. The physical infrastructure of the court system in Southern Sudan is practically absent. In areas administered by the SPLM, there exist no fully functioning courthouses. Traditional justice is still administered under a tree, while even higher courts in towns lack windows or other basic structures. In addition, the judiciary has virtually no means of transportation, communication or other essential resources necessary to administer justice, such as libraries, law books or even the text of the few laws promulgated by the SPLM.

57. The movement and return of millions of IDPs to their place of origin may trigger innumerable conflicts over land, property and other issues, which require adequate legal redress. At this moment the Southern Sudanese judiciary has established mobile courts to meet some of the most serious cases of conflict. Such and other similar measures should be established and supported, along with the establishment of a Southern Sudan Land Commission, and empowered to resolve individual and community cases.

Priority Actions

- i. Conduct a baseline survey of the judiciary in both the North and South, identifying the exact quantitative and qualitative needs for human resources and physical infrastructure. This should be followed by a more comprehensive integrated, strategic framework of the judicial sector. Through analysis of data, as well as extensive consultations with the new NG, GOSS and local stakeholders, the framework will serve as a tool for effective co-ordination and implementation of long-term, capacity-building programmes;
- ii. Give due consideration to the rights of the child in all aspects of the judiciary, including through the protection requirements for children as victims, offenders as well as witnesses, the establishment of specialised procedures, systems and institutions as well as the availability of specialized personnel;
- iii. Support the establishment of mobile courts and/or other creative solutions to meet the challenges associated with IDPs to ensure appropriate access to justice, through training of Payam court judges and deployment of mobile courts;
- iv. Conduct a survey of Southern Sudanese lawyers in the Diaspora, willing to integrate in the judicial structures of the forthcoming GOSS and evaluate their training and re-training needs;
- v. Establish an institute for the training of paralegal staff; provide refresher training for existing judges in all matters of modern jurisprudence; provide targeted training to Southern Sudanese judges, who will be appointed to the national courts (particularly the Constitutional Court) in topics of modern jurisprudence and constitutional theories, as well as on gender justice and other topics of general importance; and
- vi. Provide support for the rehabilitation of physical infrastructure, particularly in the South.

LEGAL ADMINISTRATION³⁷

58. Compliance with the INC will require an adequate legal framework, and basic rule of law institutions, i.e. a judiciary and a Ministry of Justice (as an independent part of the executive branch of government). While the constitutional issues and the judiciary have been discussed in the preceding paragraphs, this section will specifically examine the Ministry of Justice of the NG and SoLA of the GOSS.

59. The Ministry of Justice of the NG has been entrusted with several tasks in the Implementation Modalities of the CPA, including establishing mechanisms that guarantee the rights of non-Muslims in Khartoum; determining the compatibility of the Southern Sudan Constitution with the INC, and of the compatibility of the State Constitutions with the INC, and, in the case of states in Southern Sudan, with the INC and the Southern Sudan Constitution.

Northern Sudan

60. The Ministry of Justice is composed of 16 departments, including a Department of International Human Rights and Humanitarian Law, a Legal Aid Department, and an Advisory Council for Human Rights, and employs several hundred lawyers working for that ministerial department.

³⁷ While effective rule of law strategies necessarily focus on legal and institutional requirements, due attention must be paid to political elements as well.../... Institutions receiving international assistance cannot reasonably be evaluated in terms of their enhanced efficiency alone, without regard to their commitment to human rights or the responsibility of their public discourse. The Secretary-General's Report, *The Rule of Law and Transitional Justice in Conflict and Post-Conflict Societies*, 23 August 2004 (S/2004/616), paragraph 19.

61. The physical infrastructure of the Ministry of Justice is not satisfactory. Offices at headquarters are overcrowded, and office furniture (including filing systems) is inadequate. For lack of office space at headquarters, several departments of the Ministry are currently located in different parts of Khartoum. This hampers communication and efficiency. Outside the capital, the physical infrastructure is even less developed and offices are often shared with other governmental institutions, like the judiciary or the police.

62. The level of legal professionals' training in domestic laws is relatively satisfactory. Yet refresher courses, upgrading of skills and training in human rights are required. This includes the need for training in legal drafting techniques; English language and English legal terminology; constitutional and international law; human rights, and contract law and business transactions. As noted above, linguistic capacities are particularly important, since, as part of the NG, this Ministry will have to deal with the GOSS, where the official working language will be English. Similarly, whenever acting on behalf of the NG, the Machakos principles of 'State and Religion' and other standards must be respected and applied. This will require training and reorientation of the Ministry's professional staff.

63. It is equally important to come to an understanding of the role of national institutions in a decentralized, asymmetrical federal system and their relationship to the justice institutions of the states and, most importantly, to the GOSS. This will not only require a review of present ministerial structures, but also training of staff and familiarization with specific issues among the professional staff of the Ministry.

Southern Sudan

64. The legislature in the South is expected to have 250 members, while the state assemblies will be composed of 40 members each. Until elections are held, legislators will be appointed by the SPLM and other non-SPLM political groups, of whom 25-30 percent are expected to be women. An Ombudsman's Office will be established as an independent oversight mechanism.

65. In the South, most legal and civilian security institutions were administered by the SPLM during the war. Starting in 1990 with prisons and police, however, civil institutions began the process of separating themselves from military oversight, though this is still to be fully realized. The fledgling legal and civil society institutions include the Commission for the Interior, the Judiciary and Law Enforcement, including the SoLA. This reform also enabled the formation of the SSLS, which is mandated by the SPLM to monitor and train legal personnel, and provide human rights training courses and legal aid.

66. The transition of the SPLM's rule of law institutions and the incorporation of non-SPLM political parties and forces into functioning GOSS entities will be challenging. At present there are only 10 professional lawyers available at SoLA, while only five are actually working for the Secretariat: the Commissioner (Minister) himself, the Under-Secretary, the Head of Training and Development and two junior lawyers. There are no support staff, and neither premises nor transportation. Once developed, the fully functioning Secretariat or Ministry³⁸ at the central level will have six directorates including civil and criminal divisions, a training division, inspectorates and administration, as well as offices at the state and county levels. It plans to employ some 214 lawyers and the corresponding support staff of administrators, finance officers, secretaries, drivers, and guards. These figures indicate a daunting task and a massive need for immediate programmes to recruit train both paralegals and full-fledged professionals.

³⁸ It has not yet been decided whether this ministerial department will be called the Ministry of Justice, the Secretariat of Legal Affairs or the Attorney General's Chambers.

67. Given the under-staffing, most departments are non-functioning or the related tasks and responsibilities are delegated to other bodies. Since there is no staff in the Prosecutor-General's Office or Legal Aid Office, responsibilities for prosecution and defence have been delegated to the Police and the SSLS, respectively – which are also understaffed.

68. It is not yet clear what legal institutions will be established in the different states, but the relationship between the central authorities, in this case the SoLA of the GOSS, and the related state authority needs to be defined. Although some progress has been made through various workshops (in Rumbek in September 2003; Washington, April 2004; and Rumbek, October 2004), there continues to be a need for intensive consultations and policy dialogue to produce detailed outlines for institutional structures.

69. Physical infrastructure also needs to be constructed. In addition to the establishment of a new Ministry of Justice headquarters, state and county offices, there is a need to establish a Paralegal Training Centre to enable immediate staffing of both the Ministry of Justice and the County, Payam and *Boma* courts.

70. A major task for SoLA will be to review the already existing 26 statutory laws adopted by the SPLM and ensure that they are compatible with the INC and the Southern Sudan Constitution. It will also be part of SoLA's mandate to prepare further laws for eventual enactment by the Southern Sudanese Legislature.

Priority Actions

- i. Conduct a baseline survey to inform a road-map for the development of the future structures of the SoLA – with particular attention to its embedment in a federal structure, including a strategy and structure for Southern Sudan rule of law institutions that rest on a consultative process and a broad inclusion of civil society and community-based organizations. This should include a series of consultations, wherein communities, displaced and returnees are consulted on their immediate human security concerns, as well as fundamental policy issues, such as the relationship between traditional and statutory systems and community policing.
- ii. Establishment of adequate, flexible and sufficiently equipped premises for the SoLA;
- iii. Conduct intensive refresher courses and training of legal professionals, both in the North and the South, in constitutional law; international humanitarian and human rights law; women's rights; juvenile justice; international criminal law; administrative and procedural law; trade/business and contract law; environmental law; English and legal terminology; and principles of the independence of the judiciary, transparency and accountability;
- iv. Establish Legal Aid Centres to enhance access to justice by communities, returnees and displaced, women and other vulnerable groups like people living with HIV/AIDS. The Legal Aid Centres should act as a mediating force between communities and authorities, provide legal representation and advice, and promote linkages to the statutory system. In doing so, the Centres should also provide technical advice and mentoring to the authorities in identifying and enforcing adequate remedies. Similarly, and pending legal reform, efforts should be aimed at promoting codes of conduct consistent with international standards;
- v. Support the establishment of a paralegal training centre in Southern Sudan to fill the gap of qualified professionals during the Interim Period, pending the graduation and/or return of professional lawyers. This will require the design of a paralegal training curriculum, a rapid assessment of potential sites for the establishment of central campus and distance learning centres, followed by (re-) construction of sites, and identification and recruitment of trainers. The training should target 500 paralegals, including 150 women,

and should entail *inter alia*: penal law, civil law and procedure; constitutional law, labour law; administrative law; family law; and human rights law, including gender and juvenile justice; and

- vi. Support minimal physical construction of courts and administrative offices in the South.

LAW ENFORCEMENT³⁹ AND CORRECTIONS⁴⁰

71. Under the CPA, major responsibilities to promote the welfare of the people of Sudan and protect human rights rest with the police force. The police force is also expected to absorb a large number of demobilized individuals, who have no previous training in policing. At the same time, it is likely that crime and violence will increase in the immediate period after the CPA, resulting from population movements and disputes over property and land.

72. These challenges should be viewed against the realities of contemporary Sudan. The war and military culture have contributed to the weakening of the fundamental objective of the police force to *protect* citizens. It will, therefore, be essential to promote an understanding of the police as service providers for society and communities.

73. An alteration of attitudes should focus on the police as an integral part of a wider justice system and civil society in general. Mechanisms like the Joint Military Commission (JMC) in Southern Kordofan, and the Verification and Monitoring Team (VMT) could play an important role in providing a secure environment, conducting capacity building, and as models for building a police force in the South and improving the existing one in the North. Given the almost endemic violence against women and the difficulties faced in reporting gender-based violence, training should entail a strong gender component and women should be recruited into the police force. Moreover, a special unit should be established to deal with cases of gender-based violence.

Northern Sudan

74. In the North, the Sudanese Police Force (SPF) is a traditionally structured police force, paramilitary in formation, and with 13 levels of command in the hierarchy, based on military ranks and designations. Out of a 30,000-member law enforcement force, approximately 10,000 are officers. At officer level, education is good with diplomas from the Rabat National University (Police Academy). However, the training is largely academic and does not necessarily prepare the cadets for a police role. In contrast, lower rank training is mainly paramilitary, tilted towards outdoor field training at the expense of theoretical and policing skills-oriented training. Many of the lower rank recruits (*gundi* in Arabic) are often illiterate. Generally, training appears to be poor and outdated, and mainly lecture-based, addressing hundreds of students at a time.

75. Almost every Northern state has a prison which varies in capacity to hold prisoners.⁴¹ There are four national, 26 government, and three open prisons. There is one female prison in Omdurman and four juvenile centres. Prisons are dilapidated with no new prisons having been built in the last 50 years.⁴² The infrastructure is in need of a complete overhaul. Similarly, existing juvenile reformatories are poorly maintained. The total prison staff is estimated at 7,500,

³⁹ The Sudan Police Force includes general police, wildlife and environment police, customs administration, public utilities administration (guards), civil defense administration, prisons administration as well as immigration and passports.

⁴⁰ While policing interventions in post-conflict environments are a crucial component of the rule-of-law continuum, they must be linked to parallel support to the other institutions and functions of the justice system. Enhancing the capacity of police (or Civpol) to make arrests cannot be seen as a contribution to the rule of law if there are no modern laws to be applied, no humane and properly resourced and supervised detention facilities in which to hold those arrested, no functioning judiciary to try them lawfully and expeditiously, and no defense lawyers to represent them. The Secretary-General's Report, *The Rule of Law and Transitional Justice in Conflict and Post-Conflict Societies*, 23 August 2004 (S/2004/616), paragraph 30.

⁴¹ In the North, the Prisons Act and the National Security Forces Act of 1999 govern the Prison Service.

⁴² Currently, a new prison is being constructed in Madinat al-Huda, some 40 km outside Khartoum. This is a multi-purpose prison designed to accommodate up to 10,000 inmates, in a complete desert setting, far away from all hospitable environments.

all of whom are from the police force including about 400 senior police officers. All correction officers have to undergo training at the police college and the police academy, while prison wardens receive only limited training.

76. Overcrowding is a huge problem. The official prison population is estimated at 14,000 with a prison capacity of only 4,300. There is neither registration nor classification of prisoners to separate first time offenders and those who have committed minor offences from serious criminals. Juveniles share premises with adult prisoners and can be subject to abuse. The food budget is usually not sufficient, and families and NGOs have to provide supplements. Access to legal advice is not easily available, as most of those arrested and detained are usually from the poorer part of society and cannot afford the legal fees. A number of NGOs, the Bar Association, and the Legal Aid Department of the Ministry of Justice provide legal aid, although this does not adequately cover the needs.

77. Women prisoners are vulnerable. Estimated at about 2 percent of the prison population, their main crimes are brewing of alcohol, prostitution and petty theft. Most are displaced from the South and the only breadwinners of the family. Most women do not know the procedure in the courts, and lack both the language skills and legal counselling necessary to defend their case. In addition, a number of women bring their children with them to the prison, which, in turn, lacks any budget to provide for the children's needs.

78. Many imprisoned children appear to be street children, displaced by the war. Their detention is known as *kasha*, meaning mass arrest based on public order priorities. The problem of street children and their detention is a serious one that will require investment in education and social service, as well as measures to upgrade the juvenile justice system. While there is a criminalization of vagrant children, staff of penitentiary and correction institutions is generally not qualified to handle juveniles. Although the new Child Law of 2004 reflects a commitment to international standards, lack of resources may hamper actual implementation.

Southern Sudan

79. In the South, it is estimated that there are approximately 5,000 police officers – most lacking adequate training, operational equipment and transport. Of these, about 4,000 have been transferred from the SPLA to the police, and thus have a military rather than a policing background. In addition to training and trust building, it will be essential to provide operational equipment, transport and communication, since Southern Sudan is largely characterized by inaccessible terrain.

80. Working under the Secretariat of the Interior, all Southern Sudan enforcement agencies (police, prisons, wildlife and fire brigade) will need skills training and assistance with equipment. In many locations there are no buildings in serviceable condition, and thus there is an immediate need for communication, transport and buildings that will allow them to function at even the most basic level of service delivery. Initially, law enforcement agencies have proposed that they initially share such facilities, until they can establish separate premises. This approach is a reasonable and pragmatic shared solution to immediate problems.

81. The prison system is in an extremely bad state. There are some 55 prisons, but many are not operational, or only partially functioning. Conditions are dire and inconsistent with international human rights standards. Prisoners lack food, health services, water and electricity. Often they are let out on day release to search for food to survive. Few prisons keep records causing confusion and unnecessarily lengthy pre-trial detention problems.

82. In addition to constructing new facilities and rehabilitating current premises, reform of the prison system should revolve around clear definitions of deterrence, prison reform and

rehabilitation; treatment based on minimum standards and the protection of human rights; and, execution of orders based solely on judicial decrees. The prison service is well aware of its shortcomings, and is keen to provide an accountable, humanitarian and reform-based system. However this will require considerable support for plans to recruit and train staff, create and rehabilitate facilities and provide a prison service that meets the needs of Southern Sudan.

83. There are presently only about 800 prison officers and other ranks in Southern Sudan and the withdrawal of Northern Sudanese prison officers from the government controlled areas during the Interim Period will create an additional void. As with the police service, many wardens are former military officers and, due to their background, conduct duties as soldiers rather than in a manner consistent with international standards. None of the wardens has received any training.

84. There are proposals to develop the capacity of senior police officers through courses in management, study tours and residential training in Uganda. A unified training centre (UTC) is being planned to provide basic and officer cadet training for all Southern Sudan enforcement agencies, as a cost effective solution to an immediate and substantial training demand common to all agencies. Training of trainers is a priority to allow large scale training to commence both at the UTC and by deploying 40 trained trainers in each agency across the ten states.

85. In order to develop a viable relationship with statutory structures, and enable communities to enjoy protection and access to justice within the conventional structure, it will be important to strengthen community policing. In this regard, the entire police force in Southern Sudan, from inspector-general to village (Boma) police, will need training to ensure that the community based policing model is well-understood, and to develop appropriate practices.

86. Another area of importance, particularly in the South, is the need to strengthen the capacity of law-enforcement to carry out its duties for the protection of wildlife from poachers and the population from attacks by wild animals. Southern Sudan has six National Parks, six game reserves, and a number of areas on the Nile and on lakes which are important for fisheries. All these areas contain sustainable natural resources with enormous potential for development.

87. There is currently no fire brigade or facility to tackle any emergency typically handled by such agencies elsewhere. It will be necessary to start with fire coverage at Rumbek's earth airstrip, which is particularly hazardous at present. There is a pressing need for an effective fire brigade to be trained, equipped and deployed throughout Southern Sudan.

Priority Actions

- i. Conduct extensive formal education of the existing force of approximately 1,000 officers and 4,000 others ranks and new recruits and upgrade the skills of the existing police force in the North. This should include *inter alia* exposure to international thinking on policing, especially with regard to their role in providing safety and security, awareness-raising on human rights and statutory laws, policing strategies, crime prevention, investigation and interrogation techniques, relationship with other security sectors, prisons, and the judiciary. Such a major training programme will require the development of training manuals, training of technical teams, and training of trainers;
- ii. Provide support for police training of the police force from the South in neighbouring countries, such as Kenya and Uganda, while at the same time supporting establishment of training facilities within Southern Sudan. Though they should be kept to a minimum, study tours abroad might be necessary to exchange lessons learned from post-conflict policing. Similarly, support will be required to establish a Training Development Unit within the SPF in the North. All training initiatives should try to meet the proportional 25-30 percent inclusion of women officers;

- iii. Build the capacity for community policing as a means of promoting access to justice and lessening the gap between the citizens and rule of law institutions;
- iv. Guarantee that children are deprived of their liberty only as a measure of last resort and for the shortest time possible. Improve detention treatment of juveniles and children, women, the mentally ill and disabled persons, minorities, indigenous people and prisoners on death-row;
- v. Conduct immediate refresher courses and training of the prison administration and wardens in both North and South, including training in UN Standard Minimum Rules on the treatment of detainees, as well as in gender and children's rights including juvenile justice;
- vi. Provide assistance to rehabilitation of the infrastructure (equipment, transport, communications, and other material needs) targeting the correction sector in the South, while also conducting a comprehensive needs assessment on the correction sector in the North;
- vii. Promote the development of prison agriculture and prison industries for the attainment of self-sufficiency of the prisons, which will also serve as a component of the rehabilitation schemes for prisoners; and
- viii. Conduct a census of the animal population and a survey of the status of the parks and other facilities. Subsequently, there is a need for training of wildlife law enforcement officials and 250 scouts of the Secretariat for Wildlife, as well as provision of equipment to strengthen the operational capacity.

CUSTOMARY LAW AND CULTURAL HERITAGE⁴³

88. Culture and tradition are the basis for national identity and should be regarded as a fundamental element for reconciliation. Sudan's cultural heritage goes back for millennia as documented in the monumental and spectacular archaeological sites along the Nile where past civilizations flourished. Places like Meroe, Napata or Kerma require attention and conservation efforts not only to preserve the country's history for future generations, but also as a means to promote social and economic development.

89. Today, the Sudanese people are still very much anchored in their traditional roots. The sense of belonging to a specific group, tribe, clan or family is profound and plays a central role in the Sudanese society. People, particularly in the countryside, were administered by their own local/tribal leaders in accordance with their own traditional rules, until president Numeiri abolished the Native Administration Act in 1971 and established a statutory system.

90. There are some 250 tribes in the Sudan, and each has its own history and tradition of conflict resolution. In the South, particularly in those areas administered by the SPLM, traditional structures are dominant. This is particularly true for the judiciary, since traditional judges handle some 95 percent of all court cases on the basis of customary law. This percentage is lower in the North, although customary law still plays an important role.

⁴³ For peace to be genuine and sustainable, it must address the deep-rooted crisis of national identity. This will mean balancing between the rigidity of self-perceptions about identity, which would entail recognizing racial, ethnic, cultural and religious diversities, and building on the fluidity of self-identification to forge a new sense of an all-embracing national identity (Tradition and Modernity, Preface to Third Edition (page xxii), Dr. Francis Deng).

Northern Sudan

91. The new statutory legal system was expected to provide stability, but the crises in Darfur suggest that this change of systems and structures was not always readily accepted by the people.

92. In view of the principle of the Machakos Protocol 'to make unity of the Sudan an attractive option, especially to the people of Southern Sudan,'⁴⁴ joint studies, debates, and discussions about the country's cultural heritage, customary law and traditional structures across the country, in all their different manifestations and expressions, could become an important element of the peace process by creating a better mutual understandings among all Sudanese.

93. Capacity building and training, specifically also for the conservation of the ancient cultural structures and their preservation and presentation on their original sites or in museums, requires attention as part of efforts to promote reconciliation.

Southern Sudan

94. In the South, particularly in those areas administered by the SPLM, traditional structures continue to be the predominant conflict-resolution mechanism. This cultural diversity should be considered as a common wealth of civil society. Much about the different cultures and nationalities of Southern Sudan is still unknown; but change and "modernization" should only take place on the basis of solid knowledge and understanding of the past. Such changes need time and cannot be rushed; too easily cultures can be destroyed. Therefore, even with the strengthening of the conventional judiciary, the statutory system is unlikely to extend beyond the county level in the very near future. As such, the majority of the people in Southern Sudan will continue to be administered by customary law and traditions, which should not be ignored.

95. However, it will be necessary to review customary laws and practices against international human rights standards. Women and children are particularly vulnerable within the customary system as practiced in Southern Sudan. Often not considered legal subjects, women cannot own property, while juvenile justice appears non-existent in the traditional societies. Customary laws and practices which discriminate and interfere with women and men's human rights should be outlawed.

96. There are wide divergences in customary law from area to area. Bearing in mind the cultural characteristics of each tribe, the Southern Sudan Judiciary and tribal chiefs are willing to seek to harmonize customary practices across the region, and to align them with the statutory system. During the above mentioned workshop in Rumbek, national stakeholders agreed that recording customary law across Southern Sudan, followed by a consultative review process that, eventually, should lead to its harmonization, is a priority. Since traditional authorities will play a central role in this process, there is a need to conduct preparatory training and sensitization in dispute resolution techniques and international human rights standards, including the rights of the child and women's rights.

97. The SPLM has appointed a steering committee under the authority of the Commissioner for Legal Affairs and Constitutional Development, which will coordinate training, research and harmonisation. Chaired by an experienced High Court Judge, the committee is composed of officials of other departments, women's organisations and the SSLS.

Priority Actions

- i. Establish an inventory of archaeological sites, to document and manage cultural heritage, provide training to support capacity building of the staff in charge of this legacy, and

⁴⁴ Part A, paragraph 1.10.

- rehabilitate and strengthen key cultural heritage institutions like museums and site orientation centres;
- ii. Carry out extensive sensitisation and training in basic human rights amongst communities and traditional leaders, so as to enable them to incorporate basic human rights standards related to women, children, and juveniles in customary practices. Such awareness-raising campaigns should take the form of community-based indigenous dialogues and mediation;
 - iii. Record customary law all over the country, but especially in Southern Sudan, as a basis for further analyses for its use as a source for legislation and conflict resolution;
 - iv. Establish a countrywide compendium of all nationalities, cultures and tribes; support research and study of customary law and traditional structures in all parts of Sudan; and
 - v. Provide a forum for Sudanese researchers and other professionals dealing with customary law and traditional systems from the North and the South to meet with a view to joint promotion of the study, recording and further development of these systems, taking into consideration the INC and international instruments, particularly pertaining to human rights and the rights of women and children.

CIVIL SOCIETY⁴⁵

98. Across the country, civil society has a vital role to play in building a society that rests on the premises of rule of law and good governance. The creation of a vibrant civil society is essential to ensure legitimate governance through protection of human rights, delivery of public goods and space to actively participate in political life. Military rule has undermined this through, for instance, restrictions on media and NGOs.

99. However, in recent years, people have begun to organise again, and it will be of paramount importance to the peace building process to support established and emerging media institutions and civil society organisations. This must not be limited to provision of technical and material support, but also through the provision of humanitarian 'space' protected by the law, and the possibility to undertake advocacy work.

100. Freedom of association will be enshrined in the new constitutions; a corollary should be the drawing up of a revised and (for the South) a new Regulatory Framework for NGOs based on mutual respect for the roles of government and non-governmental sectors, and drawing from successful models elsewhere in the world.

Northern Sudan

101. In the North, civil society is relatively well established, and a number of organisations, such as the National Development Center, People's Legal Aid Center and Muttawinat have engaged in addressing corruption, promoting women's and human rights and providing legal aid. However, cumbersome and restrictive registration procedures have hampered the work of independent NGOs.

Southern Sudan

102. In the South, key organisations like the New Sudan Council of Churches and the SSLS play an important role. Three networks, still headquartered in Nairobi, represent a number of

⁴⁵“Ultimately, no rule of law reform, justice reconstruction, or transitional justice initiative imposed from the outside can hope to be successful or sustainable. The role of the UN and the international community should be solidarity, not substitution. It is essential that these efforts be based upon meaningful public participation involving national legal professionals, government, women, minorities, affected groups and civil society.” The Secretary-General's Report, *The Rule of Law and Transitional Justice in Conflict and Post-Conflict Societies*, 23 August 2004 (S/2004/616), paragraph 17.

indigenous civil society organizations, and are actively engaging the SPLM and the emerging governmental structures of the GOSS. Civil society organizations, spearheaded by Justice Africa, have started the discussion on the bases and principles of the forthcoming constitution for Southern Sudan. Among other things, the New Sudan Council of Churches has supported a grassroots led people-to-people peace process and partnered with the judiciary to extend dispute resolution services, while the SSLS is partnering with local groups to monitor human rights, and collaborates with the judiciary to enhance access to justice.

103. During the past few years a range of indigenous civil society organisations have emerged and engaged in inter-community peace processes, consensus building and women's empowerment in the South – often with the support of international NGOs. The number of CSOs is increasing, while church groups mobilise stakeholders in providing local services and Sudanese NGOs promote literacy training and civic education. Although still weak, these organisations are an entry point for increased grassroots participation in human rights and justice. With time and experience, they can effectively channel the views of their constituents to those in power.

Priority Actions

- i. At the outset, establish a dialogue and drafting process with national and international NGOs for a regulatory framework that incorporates basic principles and responsibilities pertaining to freedom of association, advocacy, reporting, financial transparency and coordination with national authorities;
- ii. Develop and execute a communication strategy, also accessible to children, for dissemination of principles on rule of law, democracy and human rights;
- iii. Conduct an extensive mapping exercise of civil society organisations in both Northern and Southern Sudan to effectively plan and implement capacity building activities;
- iv. Provide training and technical support to civil society organisations, including organizational development, strategic planning, human rights, children's rights, gender awareness and advocacy, financial management, human resource planning, membership development, and fund raising;
- v. Ensure that special attention is given to women's organisations and networks, to promote women's rights, combat gender-based violence; and promote women in political and economic life; and,
- vi. Ensure that special attention is given to children's organisations and networks, empowering these to promote children's rights.

MEDIA

104. Independent and credible information is the key to effective monitoring of human rights and the humanitarian situation. Assistance to media should thus be recognized as an essential part of the rehabilitation, reconstruction and peace keeping strategy and be implemented in such a way that the quick impact information interventions do not undermine the transition to long-term objectives of stability, capacity building and development.

105. Past experiences in conflict and transition situations show that the immediate phase after a peace agreement is crucial, and the complex process set in motion, such as movements of IDPs, DDR and political settlements, requires extensive information sharing. Without continuously updated and accurate information on the security and humanitarian situation, it is difficult to effectively provide and channel assistance where it is most required.

106. In the long-term perspective of reconstruction and development, a functional and professionally oriented media system must be a central factor in any programme of peace

building, social reconstruction and national reconciliation. Free and pluralist media are necessary for the cultivation of transparency and public accountability, rule of law and democracy. Universally accessible media institutions can also broker the processes of social re-negotiation across ethnic divisions in the country. Both the existing media in Northern Sudan and the emerging media outlets in the South will be key players in the political process and will need capacity building as well as access to regional and international professional media networks and associations.

107. Presently, the general public in Sudan has limited information on the peace negotiations leading up to the CPA due to the lack of an organized dissemination campaign. The media have not been utilized to promote successive confidence building, nor have displaced populations received the information necessary to determine whether, when and where to return. The recently signed CPA does not only require an independent and active media to promote the ideals of the CPA among the population in all parts of the country, but provides a unique chance for a new start to establish a truly free and self-regulating media.

108. During the past few years, considerable progress has been made in the Sudan regarding the freedom of the press. The number of newspapers has increased, and local as well as foreign programmes are retransmitted on the state-owned network of the Sudan Radio and Television Corporation (SRTC).

Northern Sudan

109. In the North, the press is still highly influenced both by the state and through self-censorship. Also, the existing emergency laws allow the security organs to play a major role in the control of media, leading to frequent infringements upon freedom of thought and expression as guaranteed by the 1998 Constitution. This will change with the forthcoming preparation and promulgation of the INC.

110. In contrast to the radio, newspaper circulation is limited, with less than 170,000 copies of daily papers printed. Distribution is not uniform and is subject to a near monopoly in the hands of one dominant distribution company. Low literacy (although higher than in the South) further limits the potential reach of the press. For most of the population the radio is the primary means of accessing news and current affairs' information. BBC, Radio France International and the Deutsche Welle as well as three other private FM broadcasters are transmitted in English, French, German and Arabic on the SRTC network in Khartoum. Through this network of FM and MW stations, the physical infrastructure is in place for reaching a large proportion of the population, although some updating of equipment may be required.

111. In order to promote free flow of information and independent media, the press will need to be regulated through a co-regulatory mechanism. In addition, the Press Law will, at the same time, need to be revised, while certain provisions of the criminal law that infringe on freedom of expression will have to be repealed.

112. The SRTC will, however, need to move from being a state broadcaster to a Public Service broadcaster. At present, the state broadcaster acts as the licensing and regulatory body of new radio stations. The current arrangement does not meet with generally accepted international standards, since there is an inherent conflict of interest between the state broadcaster *qua* broadcaster approving and issuing licenses to competitors.

113. At the NG level the necessary regulatory mechanism should be achieved through an independent and effective media commission, which should therefore be established and whose role would be the following:

- i. Advertise and award television and radio licenses to both community and commercial operators;
- ii. Apply ownership rules to broadcast licensees;
- iii. Monitor and apply broadcasting content standards;
- iv. Deal with complaints; and
- v. Encourage compliance with the terms of licenses granted.

114. While such a media commission at the national level will be in direct contact with the outside world, the NG, the GOSS and the state governments have, in accordance with the CPA concurrent powers, i.e. legislative and executive competencies on, *inter alia*, "information, publications, media, broadcast and telecommunications."⁴⁶ Consequently, and in view of the agreed status of Southern Sudan, such a regulatory body should also exist within the framework of the GOSS. It may even be conceivable that individual states may choose to establish such media regulators within their territory in view of the vast diversity of cultures and languages which exist throughout Sudan. Experiences in other countries would support such a proposal. The establishment of the regulatory bodies at the GOSS and state levels may not infringe upon the exclusive competences of the NG, as stated in the CPA, particularly with regard to the allocation of frequencies.

115. Public Service Broadcast (PSB) Boards should be established in support of the development of audience-driven media. These boards will grant the permission to broadcast and provide support to use national transmission networks, which will, where possible, be owned by them.

116. Generally speaking, the standard of journalism in the country does not meet, in many cases, international criteria and principles. Departments of journalism at different universities should either be upgraded or established. It is important to give specific attention to Southern universities, like the University of Juba, as soon as these are integrated in the educational structures of the GOSS.

117. Recent training initiatives supported by NGOs and donors include short courses for radio and press journalists run by the BBC World Service Trust, as well as training of journalists wishing to report from the South by SudMedia. Recent encouraging development is the establishment of Press Roundtables on promoting freedom of expression and civil society involvement in developing democratic media legislation. While such Roundtables have appeared in Northern Sudan, their establishment also in the Southern part of the country should be strongly supported. These initiatives focus on experienced journalists, but will need to be reinforced by educational opportunities for aspiring journalists as well as training of editors and regulators in areas such as media ethics and standards.

Southern Sudan

118. In Southern Sudan, over twenty years of civil war have reduced communication and information networks to relatively primitive levels. Low literacy, distribution challenges, and the lack of demands for radios severely limit access to quality, independent information. At this juncture, much of the information available comes from the Northern Radio Omdurman, which is retransmitted for Southern Sudan by SRTC through three FM and three MW stations in Wau, Juba and Malakal.

⁴⁶ Schedule D, Nr. 16 Protocol between GoS and SPLM on Power Sharing, 26 May 2004.

119. In the absence of modern information networks, word of mouth has become the predominant method for the flow of information in Southern Sudan. Recently, the situation has improved with the establishment of a first independent newspaper – the Sudan Mirror – and the Sudan Radio Service being set up with external support.

120. Nevertheless, Southern Sudan has a dearth of media outlets and the majority of the population has little or no access to news about Sudan or the outside world. Apart from the Sudan Mirror, and some irregularly appearing magazines, there are no press publications in Southern Sudan. Without adequate availability of, and access to, independent public information, the Southern Sudanese will not be able to widely debate and reach a consensus on the form and shape of their government, and will not be able to build their capacity for rule of law and governance.

Priority Actions

121. The following activities will be required to promote independent media and civil society:

- I. Development of independent media:
 - a. Development of a media policy framework in line with internationally recognized standards, including the establishment of an independent broadcast regulator. This should be established as part of a consultative process together with both government and civil society and include both infrastructural challenges, such as distribution and access, as well as legal and policy matters, including:
 - i. Review requirements for support to the government's media plans as published and agree on priority areas for support;
 - ii. Conduct a baseline survey of audience attitudes, access to media sources, priority information needs and aspirations in respect of press and broadcast mass media;
 - iii. Provide awareness raising and training on principles of freedom of expression and principles for a free press for journalists, civil society, and policy makers;
 - iv. Review the establishment and licensing criteria for newspapers in North, develop a policy and regulatory framework across Sudan that is conducive to a free and independent press and broadcasting system; and
 - v. Establish an independent media commission at the national and the Southern Sudan levels, and possibly beyond, to oversee the development of the independent media, both broadcasting and press.
 - b. Development of national broadcast capacity and expand access to news sources. Licensing procedures and public service/community media development should be established in coordination with the media policy/commission process, including:
 - i. Establish internet access and e-mail at all government administrative centres, provide reporters with internet access to support early countrywide gathering of news and information to support the peace process and the safe return of IDPs;
 - ii. Develop in the South an extensive FM and TV services system that reaches a great proportion of the population in their local languages and addresses their information needs, and improve access through distribution of free radios;
 - iii. Commence the establishment of MW, FM and TV services in Southern Sudan under its PSB board and the regulatory authority; and
 - iv. Establish PSB boards, both at the national as well as at Southern Sudan levels, to support and develop the focus of media to meet audiences' needs. They will

ensure that the transmission network remains accessible on a non-discriminatory basis to those who wish to use it.

- c. Capacity building of journalists and media workers. This should be targeting both the immediate vocational needs of working journalists as well as the establishment of national journalism education institutions at university level, which would include training of trainers. It is also vital that peer review is promoted, through association building among media workers and managers. In addition, specific training should be offered focused on the safety of journalists:
 - i. Upgrade skills of journalists and support educational opportunities for aspiring journalists;
 - ii. Provide training to support moves towards greater freedom of expression in the radio and press across the nation;
 - iii. Provide training of trainers workshops; and
 - iv. Promote the establishment and development of both self-regulating journalists and media managers associations.
- II. Production and dissemination of public information campaigns:
- i. Develop and execute a communication strategy for dissemination and popularization of the CPA⁴⁷ through the establishment of Peace Studios at the national and GOSS Level; and
 - ii. Support an extensive media and civil society information campaign to promote voluntary return in safety and dignity for displaced persons.

⁴⁷ Article 2.5.9 Protocol between GoS and SPLM on Power Sharing, 26 May 2004.

ECONOMIC POLICY

MARCH 18, 2005

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OVERVIEW

1. Economic development policy in Sudan over the next ten years should be guided by the twin overarching objectives of measurably reducing the risks of future civil wars and making a meaningful impact on poverty in the context of overall efforts toward the Millennium Development Goals (MDGs). Addressing these objectives simultaneously is necessary for successful development policy in post-conflict situations. While this requires that considerable efforts be directed toward more practical livelihood issues in the immediate post-conflict period, it is only through broad-based country-wide growth that Sudan is likely to attain the overarching objectives in the longer run.

2. As a post-conflict economy following a long civil war, indeed the longest civil war in Africa, Sudan is poised to realize the possibility of sustaining high growth rates of 7 to 9 percent for the next ten to twelve years. Sudan enters peace with a fairly stable economy and good rates of growth, which have been sustained for 8 years, and stronger economic policy institutions in Khartoum than is typically the case in post-conflict cases. The challenge for Sudan is not igniting growth, but rather to make that growth sustainable and pro-poor. Indeed, how and where growth happens is most critical for the achievement of the dual goals of peace consolidation and poverty reduction. Successful experiences in other post-conflict cases also show that a good policy environment, substantial progress in capacity, and adequate and timely development finance are critical for sustaining growth at these levels. Oil resources will be an important source for financing investment, especially in the South. However, managing oil in a way that mitigates the consequences of the "resource curse" – such as the Dutch Disease effect and the potentially corrosive effects on governance -- is likely to be a major challenge.

3. The macro stabilization of the mid-1990s was a major economic achievement, but was carried out without external financial assistance and came at a heavy price, as fiscal tightening reduced spending on social and development programs. These difficulties were exacerbated by, and possibly further fuelled, the civil conflict. While some progress was achieved in recent years in human development in general, poverty remains widespread, with significant regional disparities, especially in war-affected and disadvantaged regions.

4. This report begins with a brief review of the underlying economic and social conditions and the more recent development of an approach to a Poverty Eradication Strategy (PES). It then moves on to discuss economic reforms and current economic conditions, emphasizing the importance of macroeconomic stability for the economic growth achieved so far, while also covering growth accounting analysis, focusing on sectoral sources of growth and issues for enhancing economic diversification. The subsequent section is forward-looking, first providing analysis of medium term prospects, roughly through the Interim Period, followed by an analysis of longer-term growth and financing requirements to achieve the MDG of halving income poverty by 2015.

5. Growth in the medium term (2005-2009) should become broad-based and modestly accelerate to 8 to 9 percent, supported by a policy framework shaped by the need for macroeconomic stability and accelerated pro-poor growth. This would entail increased domestic investment and greater reliance on foreign savings for financing development. Moreover, given Sudan's staggering external debt, further substantial support for debt relief and arrears clearance would be needed as well.

6. The economic policy framework envisaged for the medium term is anchored in strong fiscal policy performance, including maintaining low domestically-financed deficits and enhanced allocations for human development. Federal government revenues are projected to improve over 2004-10 by more than 3 percentage points of GDP, thus allowing domestically-financed

expenditure to rise by 5 percentage points of GDP. Monetary policy will continue to target broad money growth rates consistent with the inflation and economic growth objectives, while accounting for the potential transitional surge in the demand for money associated with the monetization of the economy in the immediate post-conflict, especially in the South. The current managed float exchange rate regime is likely to be appropriate in the medium term, though exchange rate policy will face serious challenges in preventing real exchange rate misalignment in the face of rising oil, aid and private capital flows. In addition to prudent fiscal policy, deepened trade openness, including progress on reciprocal regional (AFTA, COMESA) and international (WTO) trade agreements, will enhance overall competitiveness of the economy as well as help ameliorate the pressure on the real exchange rate.

7. The MDG agenda for Sudan can be seen as an operational framework for the overall PES. The MDG/PES agenda is obviously demanding both in terms of growth and financing requirements. While the Medium Term Framework can be seen as a baseline scenario, it will not, however, be adequate for achieving the poverty MDG by 2015.

8. The section on fiscal realignment covers the problem of restructuring the budget to a more pro-poor orientation and the associated role of decentralization in that process. The next section deals with the institutional and capacity challenges associated with successful implementation of the CPA and the PES, in the areas of monetary policy, the dual monetary and financial system and the economic and governance challenges related to oil and aid, followed by a discussion on the issues of debt rescheduling and the clearance of arrears.

9. The final section reviews the bottom-up approach to assessing the costing and financing needs for Phase I of the JAM (2005-2007), based on detailed sector program analysis complemented with available information on the current structure of the budget. The analysis overall shows that the total external financing gap displays an inverted-U shape, increasing until 2009 and decreasing thereafter in line with additional domestic resources available to the National Government (NG) and the stabilization of needs for the Government of Southern Sudan (GOSS).

TOWARDS A NATIONAL POVERTY ERADICATION STRATEGY

The Extent and Dynamics of Poverty since the 1990s

10. Available evidence suggests that about 60-75 percent of the population in the North is estimated to be living below \$1 a day income, while estimates for the South are that around 90 percent poor, and human development indicators are weak.⁴⁸ Despite the sustained growth since 1997, most experts believe that poverty remained widespread and has actually increased, not declined, during this period. Analysis of the evolution of poverty in the 1990s tracing the relative influences of consumption growth and inequality as the two key determinants of poverty suggest that, as expected in a growing economy, per capita consumption grew (at rates ranging from 1.6 to 2.8 percent), but that inequality worsened at a much higher rate (4.5 percent). The net effect is that poverty rose.

11. Sectoral results help explain why the results of growth in the 1990s have been disappointing. While the traditional agricultural sector grew rapidly, this only managed to achieve a rebound from the steep decline of earlier drought-stricken decades.⁴⁹ As detailed by

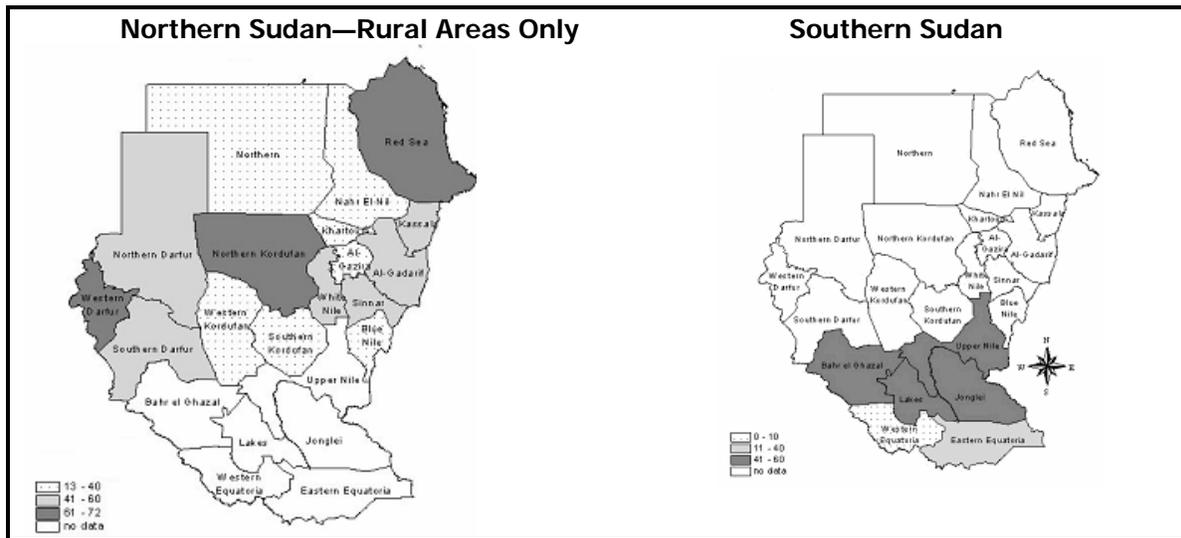
⁴⁸ The Household Survey of 1992 mainly for Northern Sudan, The Safe Motherhood Survey (SMS) of 1999 (carried out by the Central Bureau of Statistics {CBS} in collaboration with UNFPA) and the Multiple Indicators Cluster Survey (MICS) of 2000 (carried out in collaboration with UNICEF). While none of these surveys cover the whole, their results can nevertheless be used to shed light on non-income indicators of poverty and highlight regional as well as urban/ rural disparities.

⁴⁹ For example, the total volume of sorghum production during 1995/96-1999/00 (at 858,000 metric tones) was approximately equal to the volume produced in 1977/78-1981/82 (World Bank, 2003).

the Productive Cluster, even during years of high growth, the contribution to the economy of the traditional agricultural sector has always been lower than its share of the population.

12. The regional disparities that characterize the country can be summarized visually in Figure 3.1, which shows regional poverty rates across parts of rural Northern and Southern Sudan.

Figure 3. 1: Estimated Poverty Rates in the Rural North and in the South



*Poverty rate defined as the proportion below 40 percent of an economic status index based on asset ownership. Year: 2000 (North); 1999 (South). Source: World Bank staff calculations based on MICS and DHS surveys

13. Rising urban poverty is associated with high inequality alongside low productivity due to increasing informalization during the 1990s, especially in the capital, which now accounts for more than one quarter of the entire population of the country. A partial picture of urban inequality is reflected by the evidence from labour surveys, which suggests that the top 10 percent of salary earners income accounted for 52 percent of all earnings in 1990 and 64 percent in 1996, while the lowest 10 percent accounted for only 28 and 21 percent in 1990 and 1996, respectively.⁵⁰

14. In terms of human development, Sudan lags significantly behind the average for Sub-Saharan Africa. As more fully described the Basic Social Services Cluster, available data indicate that acute and chronic malnutrition are widespread, estimated at about 35 percent in the North and 48 percent in the South. All MDG indicators show inequalities in terms of gender, rural-urban divide, North-South and other regional differences, especially in basic education and health. There is also high incidence of child and infant mortality, infectious diseases, such as malaria and tuberculosis and rising rates of HIV/AIDS .

Understanding the Root Causes of Underdevelopment

15. Systematic analysis of the failures of Sudan's development experience requires a review, beginning with the colonial encounter as well as the nature of governance institutions.⁵¹ The stark historical economic disadvantage of the South, compared to the rest of the country, has

⁵⁰ These estimates are reported in Fageer and Merghany et al (2002).

⁵¹ For a review of the causes of conflict in the Sudan and the historical preconditions leading to the civil war, see Ali, Elbadawi and El-Battahani (2005), among others. Also see the Conflict Prevention Guidelines for the Sudan JAM (<http://www.unsudanig.org/JAM>).

been characterized as one of the key structural causes of the conflicts⁵². Sudan's lopsided development can be traced to the emergence of the cotton-based irrigated agricultural sector during the colonial era, which has been associated with an ensemble of extractive economic institutions⁵³. The whole modern economic system was oriented around irrigated agriculture and cotton in particular, and the bureaucracy, infrastructure and services were all geared towards this economy.

16. This historical pattern of bias did not enable broad-based development for the vast majority of the population in the rain-fed regions, most notably the South. The political instability that has characterized the country since its independence means that this dominant development model was able to persist. Indeed national rule has only managed to widen the country's major economic disparities among the regions. The failure to radically restructure the development strategy and the associated institutions has not only produced disappointing development outcomes such as poverty and deprivation, but it has also contributed to the conflictive discourse of the Sudanese politics.

17. Though it was itself a consequence of the above legacy, the civil war has, in turn, become the direct cause of massive human suffering and major political instability, and the most significant factor behind the economic development crisis. The consequences of the civil war include: failure to develop a long-term development vision; loss of life and displacement of people, destruction of physical and environmental assets, misallocation of physical and human resources towards military activities and assets; disruption of the country's external political and economic relations and the diminished legitimacy of the state; and the erosion of trust in society and social capital.

18. Economists' attempts to quantify the costs of the conflict in terms of forgone growth (see Box 3.1) suggest that during civil wars, on average, per capita GDP growth is estimated to be 2.2 percentage points per year lower relative to the counterfactual of no war (Box 3.1).

Box 3.1: Economic Costs of Civil War

Analysis of the economic cost of civil war recognizes the immediate and substantial decline of output, and the longer-term repercussions on physical, human and social capital of the affected countries. While peace will bring a "bounce-back" in economic activity, the loss of productive capital, especially human and social capital, takes more time to reverse. Economists distinguish between five effects of conflict (e.g. Collier, 1999). Military destruction reduces the capital stock. Government expenditure is diverted to the military. Disruption raises the cost of transactions and lowers the cost of opportunistic behaviour so that social capital starts to break down. People dis-save, and because investment opportunities are unusually poor and risky, agents will shift their portfolios abroad. These have implications both for the level and the composition of economic activity. During civil wars per capita GDP growth is estimated to be 2.2 percentage points per year lower than the counterfactual of no war. Moreover, the sectors that are intensive in, or are suppliers of, capital and transactions (e.g. manufacturing, construction, transport, distribution, finance) tend to suffer disproportionately heavy losses. So civil wars not only reduce the overall level of economic activity, but are particularly damaging to what are typically the most dynamic sectors of the affected economy.

Analyzing the economic consequences and causes of civil war is central to understanding the growth and development process in Sudan. Estimates of the possible costs incurred by the Sudan during just four years (1989/90-1993/94) and due to just two of the above channels -- (i) the intensity of the war, which is assumed to lead to political instability, erosion of the state and civil society instruments, and the consequent decline in property rights and the enforcement of contracts; and (ii) the diversion of the limited human, financial and physical resources to military ends suggest that the Sudan investment ratio ended up as less than one third of its potential level under normal conditions, leading to a reduction in the growth of real national output per person by 2 percentage points annually.

⁵² National income estimates for 1956 show that the Blue Nile region, the heart of agricultural development during the colonial period, was relatively better than other regions of the country with a per capita GDP that amounted to about LS.42 (US\$118), followed by the North-East region, with a per capita GDP of about LS.33 (US\$92) and the North-West region with a per capita GDP of LS.27 (US\$76). The South fared much worse than the Northern regions with a per capita GDP of about LS.14 (US\$39) reflecting years of neglect and marginalization during the colonial period. The poorest Northern sub-region had almost twice the per capita income of the South.

⁵³ See also Mamdani (1996:19).

Elements of a National Poverty Eradication Strategy (PES)

19. In August 2004, the GOS and the SPLM reached an agreement on a joint concept note detailing the overarching vision, key objectives and the elements of the policy framework of a National Poverty Eradication Strategy. It is envisaged that this concept note will be developed into a full-fledged strategy, for the approval of the NG. The note was a major first step for conceptualisation of a development vision firmly anchored in a deep understanding of the root cause of the conflicts and underdevelopment in the Sudan.

20. The concept note identifies the two overarching goals for the PES as: (1) achieving peace and reducing the risk of future conflicts; and (2) making a lasting impact on poverty and progress on other MDGs. Both goals require the achievement of widely shared growth as an intermediate development target for addressing accumulated historical horizontal inequities along regional, ethnic and gender lines. This concept of “widely shared growth” is articulated in the note through an explicit identification of the various types of political and economic exclusions as sources of poverty and deprivation. The note also recognizes that the achievement of widely-shared growth would require political accountability and good economic governance, especially with regard to management of oil resources and aid effectiveness. In turn, both political accountability and prudent economic management should be underpinned by a social-economic contract (the PES), anchored by broad-based political participation and support from the international development community.

21. The strategy commits the national authorities to several objectives and actions in the context of forging a sound recovery and development program aimed at achieving the MDGs:

- i. Implementing the CPA;
- ii. Building a decentralized multi-layered governance structure spanning the NG, GOSS, state and appropriate local levels, that is characterised by transparency, accountability and equitable resource allocations;
- iii. Crafting relevant and flexible policies to ensure a stable macro-economic framework consistent with post-conflict challenges;
- iv. Implementing comprehensive capacity building and institutional strengthening programs at all levels;
- v. Creating an enabling environment for private sector promotion, with a special emphasis on rural development and small and medium enterprises, including access to credit on reasonable terms;
- vi. Empowering local communities, vulnerable groups, youth, women's and civil society organizations;
- vii. Managing natural resources in an environmentally-friendly and sound way;
- viii. Exerting maximum efforts to create and spread a culture of peace that creates stability and effectively minimises the possibility of future conflict;
- ix. Promoting an accessible service delivery system compatible with the MDGs; and
- x. Creating a sound, simple monitoring and evaluation system to track progress in addressing poverty and tackling the MDG challenge.

22. In going beyond North-South issues, to stress the importance of realignment of economic and political powers from the central government to the states in all of Sudan, the PES also addresses a key implication of the CPA.

ECONOMIC CONTEXT

Recent Reforms and Performance

23. Against a longer-term performance that had been weak, and in the immediate context of a macroeconomic crisis, Sudan began implementing an ambitious economic reform program in the mid-1990s. This accelerated in 1997 and coincided with the agreement on a staff-monitored program (SMP) with the IMF. The reforms focused on macroeconomic stabilization, economic liberalization, structural reforms, and the strengthening of economic policy institutions. Sudan has made substantial progress over the past eight years of SMPs in achieving macroeconomic stability and advancing structural reforms. These reforms were carried out largely without international financial assistance. As a result, the policy tightening needed to stabilize the macro economy had adverse repercussions for social programs and funding for key productive sectors like agriculture.

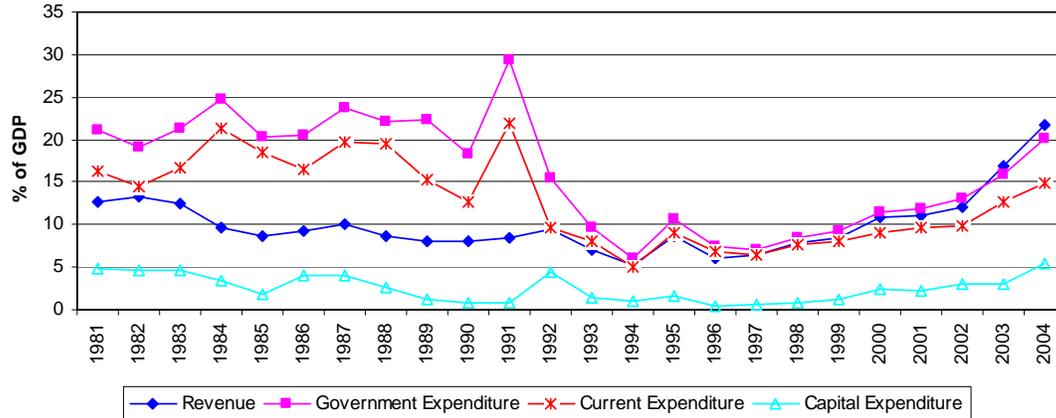
24. Overcoming years of stagnation and triple-digit inflation rates of the early 1990s, economic growth rose to an average of about 7 percent while inflation declined significantly (Figure 3.2). Sudan's external position has improved steadily over the last few years. The current account deficit (on cash basis, i.e. including cash payments of public interest dues) declined from about 10 percent of GDP in 2000 to 3.2 percent in 2004, reflecting prudent domestic economic policies, sustained increase in crude oil exports, and the recovery of non-oil exports. The overall balance of payments has also improved, largely because of continued FDI and other private capital inflows. Consequently, the import coverage of Sudan's international reserves has continued to improve from under one month of imports in 2000 to 2.9 months at end-2004.

25. Substantial progress has been achieved in economic liberalization. Price controls were lifted, all economic activities were opened to the private sector, a liberal foreign investment regime was established, and an ambitious privatization and public enterprise-restructuring program has been pursued. Important trade reforms were introduced, including substantial tariff reductions and the elimination of most of non-tariff trade barriers and a substantial reduction in tariff protection. Sudan began the process of WTO accession, and presented all the required documentation to the WTO working party.

26. Sustained efforts brought the fiscal position under control with the budget deficit (on a cash basis), averaging less than one percent of GDP during 1997-2002, and turning to surplus during 2003-2004. This adjustment, however, shown graphically in Figure 3.2, came at a cost, because significant resources were committed to security and emergency operations, and the fiscal adjustment has disproportionately affected development and social programs. Expenditure management has improved, but some weaknesses remain (see Institution Building Cluster). Cash management often resulted in unscheduled spending cuts to meet the fiscal targets.

27. Management of oil resources has been reasonable and efforts are underway to further improve the transparency of the oil sector operations. Oil revenues have been integrated in the budget and domestic petroleum prices were kept at par with international prices. An Oil Savings Account (OSA) was established in mid-2002 as a mechanism to stabilize expenditures in the face of unexpected oil price drops and prevent over-reliance on oil revenues. The Auditor General began to audit the accounts of the Sudan Petroleum Company (SPC) in 2000 and of its subsidiaries in 2004. The audits revealed a number of weaknesses, including the quality of accounting practices, which are being addressed. Finally, all oil sector netting operations were eliminated in 2003, including for pipeline fees and for transactions among government agencies.

Figure 3.2: Government Revenue and Spending (percent of GDP)



Source: Sudan Ministry of Finance and National Economy.

28. Exchange rates were unified in 1998. Since then, the BOS progressively implemented steps to strengthen the prudential regime and to lift exchange controls, including *inter alia* adopting new prudential regulations for banks' foreign exchange positions, eliminating the export surrender requirements and lifting the restrictions on the transfer of funds by non-bank dealers. By early 2002, BOS had eliminated all exchange restrictions on current account transactions, and in 2003, accepted the Article VIII obligations of the IMF's articles of agreement. Since mid-2002, the foreign exchange system has moved from a fixed to a managed float regime.

29. The financial system was substantially liberalized and progress was achieved in strengthening and restructuring the banking system. Controls on bank credit and on financing and deposits rates were eliminated. The BOS began to reorganize itself to move away from direct controls to more modern and market-based central banking operations (e.g., establishing a monetary policy committee and a weekly flash reporting system). The BOS also pursued a two-pronged strategy to strengthen the banking system. The regulatory and supervisory regime has been modernized and strengthened, and a program to strengthen the banking system, through capitalization and restructuring, has been pursued. Banking soundness indicators have shown steady improvement over the past few years.

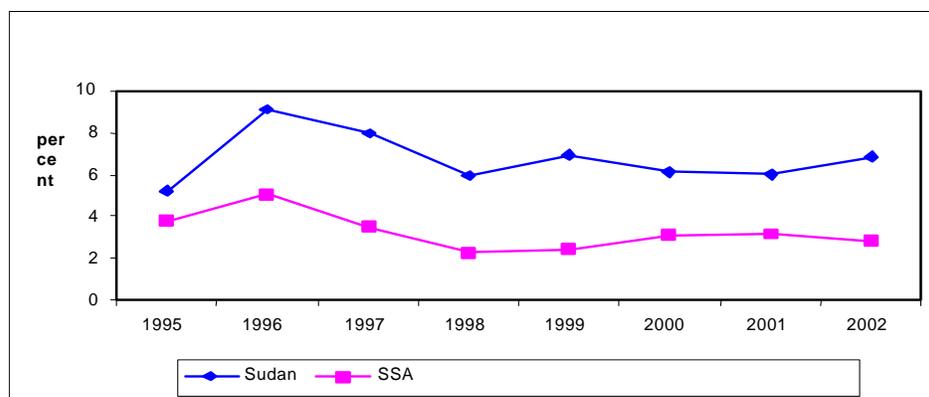
30. Progress was achieved in strengthening some basic debt management functions. An external debt unit was established at the BOS, with adequate capacity to effectively monitor developments regarding the current debt stock and accurately project forthcoming payment obligations. External debt data were reconciled with most of Sudan's creditors and a comprehensive debt database has been developed. A debt strategy and borrowing policy was prepared in 2004 to establish and enforce appropriate guidelines on contracting external debt.

31. In 2004, real GDP is estimated to have grown by about 7.3 percent, with rising oil production and continued robust growth of the non-oil sector—particularly in construction, agriculture and livestock. Average CPI-based inflation rose to 8.4 percent in 2004. The external current account deficit (on cash basis) declined to 4.2 percent of GDP, owing to both high oil prices and strong recovery of non-oil exports (the latter grew by about 37 percent). Imports also grew at a strong pace of 41 percent, mainly because of higher imports of machinery and transport equipment. Net private transfers and FDI flows grew by 37 percent (reaching \$2.4 billion). The exchange rate of the Sudanese dinar against the U.S. dollar appreciated by 4.5 percent in 2004.

Sources of Growth and Economic Diversification

32. Sudan's growth performance has been impressive since the mid-1990s, especially in contrast to the country's longer term performance and to other sub-Saharan African countries (Figure 3.3). The Government's economic reform program played a key role in this transformation, aided more recently by the expenditures to open up the oil fields and investments in anticipation of oil coming on stream, then rising production in the oil sector. Foreign direct investment has been attracted in oil, manufacturing, irrigated agriculture, telecommunication and financial sectors. Total FDI inflow has increased from about \$100 million in 1997 to over \$1.3 billion (about 7 percent of GDP) in 2004 making the country Sub-Saharan Africa's fourth largest recipient of FDI. It was, however, geographically concentrated, either around Khartoum and Gezira or in the oil fields. This may well have contributed to the large geographic inequalities noted above, which are detailed more fully in the Productive Sectors report.

Figure 3.3: Sudan's Growth in Sub-Saharan Africa



33. Crude oil production has been rising steadily since 1999 and reached about 300,000 barrels per day (bpd) by end 2004. So far oil production has not hampered the growth in other sectors, as evidenced by robust growth in non-oil GDP and exports. Non-oil tax efforts continue to strengthen despite rising oil revenue.

34. The core of the economy remains heavily agricultural, with 65 percent of the population depending on this sector for their livelihood. As discussed in detail in the Productive Cluster Chapter in this Volume, rural performance has been uneven because of its dependence on weather and structural difficulties. This sector is dominated by several key crops produced by a combination of rain-fed and irrigated agriculture. So far agricultural development policies have mainly concentrated on the irrigated and semi-mechanized rain-fed sub-sectors, which benefited from considerable public resources as well as the bulk of financing, research, and services. In recent years livestock has been the fastest growing non-oil sector, and its exports have been contributing rising share in non-oil exports. However this is putting pressure on the land, resulting in tensions in some parts of the country between groups involved in livestock and those involved in agriculture, and the very high off-take rates are likely not sustainable.

35. The contribution of industry to GDP has increased from 13 to 27 percent between 1999 and 2003, mainly in manufacturing, construction, utilities and mining, with the most successful non-oil industries being agro-based. The growth in the construction sector has increased due to building of the oil pipeline, refineries, infrastructure works in roads, power stations and most notably the Merowe dam. Between 1999-2003, the utility sector grew at an annual average of 8 percent.

36. The contribution of the services sector to GDP has exceeded that of agriculture and industry since 1999. Real growth in this sector has averaged about 6 percent per annum during 1999-2004, while its share in GDP has averaged over 44 percent in the same period. Trade, transport, and communications have been the fastest growing sub sectors in the past few years.

37. Sustaining high rates of real GDP growth requires utilizing the resource endowment of the country for broad-based and private sector-led growth. The country will likely continue to depend on production and export of resource-based products, though emphasis should be put on traditional agriculture. The main challenge is to stimulate the diversification of private sector-led growth. While this does require implementing prudent economic policies geared towards maintaining macroeconomic stability and mobilizing savings and investment, removing any remaining impediments to growth, and adopting sectoral policies to encourage reforms in key economic sectors, key to the strategy of spreading growth regionally is decentralization, including the need for local investments in economic infrastructure and services to effectively redress historical disparities.

FORWARD-LOOKING MACROECONOMIC FRAMEWORK

Outlook for 2005

38. This year (2005), macroeconomic policy challenges include maintaining growth and stability, while accommodating the mandates of peace. This requires mobilizing domestic resources, to the extent possible, reorienting fiscal expenditures to meet post conflict needs, and conducting a vigilant monetary policy. It is the year of restructuring the budget to accommodate the South and the oil producing states, and to reorient the budget strongly to a more pro-poor expenditure pattern including through decentralization of revenues to all the states. As a result, Sudan's external and fiscal positions are expected to weaken and international donor support will be important for the attainment of the 2005 growth objective.

39. The Sudanese economy will continue to grow rapidly in 2005 while inflation is targeted to decline. Real GDP growth is projected to rise to 8.3 percent owing to a significant increase in oil production (new oil fields are expected to raise oil production by 34 percent). Non-oil real GDP growth will remain robust but could fall below 6 percent, depending on rainfall. Domestic investment is projected to rise by about 2 percentage points of GDP, mostly due to development spending at the state level.

40. Sudan's external position will weaken in 2005. While continued recovery of non-oil exports and an increase in oil underpin a surge in exports (by about 32 percent), import demand is projected to grow at a similar pace reflecting the post conflict import needs. As a result, the external current account deficit (on a cash basis and excluding official transfers) is projected to worsen to about 5.8 percent of GDP.

41. An external financing gap could emerge in 2005 and the balance of payments will be vulnerable without donor support. The current account deficit will be partly financed, as in the past, by private capital inflows, some project financing and on-going international humanitarian aid. However, additional funding of at least \$400 million will be needed to fully finance the external current account deficit and allow a modest increase in Sudan's international reserves from a level sufficient to cover 2.9 months of imports in 2004 to a target of 3.2 months of imports (\$1.8 billion) in 2005. The increase in international reserves is needed to maintain

economic stability in light of the vulnerability of Sudan's balance of payments to movements in oil prices and private inflows.⁵⁴

42. The mandates of peace and decentralization are expected to weaken the fiscal position in 2005 resulting in a deficit of 1 percent of GDP. The 2005 budget envisages an increase in federal government transfers to the states (including to the GOSS) from 1.7 percent of GDP in 2004 to about 8.4 percent in 2005. To accommodate the increase in transfers, the 2005 budget envisages general expenditure restraint, but no new tax measures. No increase in salaries is envisaged in 2005, and allocations for emergency-related spending and for a number of federal social and development programs have been reduced. Some of the reduction of social and development programs will be partially offset by increased state-level spending in these areas.

43. Monetary policy will face the challenge of the post-conflict environment while keeping inflation in check. The broad money growth target is 28 percent, which is consistent with the growth, inflation, and international reserve accumulation objectives, as well as a structural increase in the money demand reflecting the reintegration of the South. The conduct of monetary policy will be challenging in the face of potential shocks such as large private capital inflows, oil export receipts, aid flows, fiscal shocks (at the National and GOSS levels), and the introduction of new currency. Active BOS monitoring and engagement with the markets and close coordination with the federal and GOSS will be essential for the smooth conduct of monetary policy in 2005.

Medium Term Macroeconomic Outlook and Policy Challenges

44. Over the medium- to long-term, Sudan will strive for rapid poverty reduction to meet the MDGs, while sustaining growth and macroeconomic stability. Structural reforms that enable private sector growth, coupled with public investments in health, education and infrastructure will sustain long-term growth, while a reorientation of public expenditures will allow for increased spending on poverty reducing programs.

45. Donor assistance will be critical for achieving the growth objectives and the MDGs, by supporting the balance of payments and higher investment levels for reconstruction, infrastructure and human development. Without such support, Sudan's economy will become more vulnerable to external shocks and will realize a lower investment level; adversely affecting the medium-term growth prospects and poverty reduction. Alongside reallocations of domestic spending, the extent of donor support will determine the speed at which the MDG objectives can be attained.

46. Substantial international support would also be needed for debt relief and arrears clearance. This will be important to facilitate the resumption of development lending by the international financial institutions. Additional major costs (described further below) that require international support include peace-keeping, DDR and humanitarian assistance, without which the first overarching objective of reducing the risk of future wars is not achievable.

47. The baseline growth rates are predicated on an increase in domestic investment and greater reliance on foreign savings.⁵⁵ Gross domestic investments at the national level would need to rise by about 3 percentage points of GDP. Regional investment needs will vary according to local conditions and are higher in conflict affected and disadvantaged regions. Most of the increase in investment would be in the initial years, reflecting substantial increase in public capital spending at all government levels, and particularly on reconstruction in the South. Private investment would need to rise steadily by about one percentage point of GDP. The investment profile would require greater reliance on foreign savings, while a modest increase in government

⁵⁴ A 10 percent decline in oil prices and private inflows could widen the financing gap by about \$500 million.

⁵⁵ The incremental capital output ratio indicated by projections is close to 2000-04 historical average of 3.

saving—through restraint on current expenditures—would allow a recovery in private consumption over the medium term.

48. Economic growth needs to become more broad-based. While a surge in oil production and post-conflict activities, coupled with continued strong private inflows and a favourable donor response, would underpin near term growth, over the long term, the economy should diversify as sectoral policy reforms and investments in economic and social infrastructure bear fruit. Non-oil sectors are expected to outstrip the oil's contribution to growth in the outer years.

49. According to the medium term projections, agricultural production is expected to rebound—with its growth over 2004-09 rising from 4.5 to 7 percent. However, assuming no significant technological change, agricultural growth rates of about 5 percent per annum would be more realistic.⁵⁶ Medium term growth in irrigated agriculture (especially crops) is expected to be rapid, reflecting on-going reforms and investments, particularly in the South. Non-agriculture sectors will continue to expand rapidly over the medium term, contribution to an increasing GDP share.

50. Oil production is projected to grow fast initially, but would taper off without the development of new oil fields. Based on the existing profile and confirmed new wells, oil output will rise from about 292,000 bpd in 2004 to about ½ million bpd in 2006, though it will begin to slow thereafter, reflecting diminishing capacity of existing wells after 2007. The slowdown will partly offset the rising production from new wells. Accordingly, the oil sector's growth contribution will rise sharply in 2005-06-- over a third of the expected growth—then subsequently drop in the absence of new oil discoveries. The share of oil in GDP is projected to rise to about 17 percent in 2005-06, before receding towards 15 percent by 2009.

51. The external position is likely to worsen over the medium term and could remain vulnerable to shocks despite increasing exports. Over 2004-07, the external current account deficit (on cash basis, net of official transfers) will climb to about 6.4 percent of GDP and stabilize thereafter. Oil exports are projected to nearly double during 2004-09, with most of the increase occurring during 2005-07. Non-oil exports will also rise steadily, albeit at a slower pace.

52. Fiscal policy—which is at the forefront of poverty reduction and growth—should aim at maintaining low domestically financed deficit to support macroeconomic stability, while mobilizing domestic resources, reorienting expenditures towards infrastructure development, human capital improvements, poverty reducing programs, and supporting decentralization. The domestically-financed budget deficit will be restrained. Savings of oil revenues will ensure fiscal stability in the face of unexpected oil price shocks, and facilitate macroeconomic stability. Effective fiscal policy would require urgent and sustained efforts to strengthen national and state fiscal institutions.

53. National government revenues are projected to improve over 2004-10 by about 3.5 percentage points of GDP, for a number of reasons. Total revenues from crude oil will rise by about 3 percentage points by 2010 (including additional 1.2 percent of GDP in OSA savings). Tax revenues are projected to rise by 2 percentage points of GDP by 2010 through reduced exemptions, broadening of the tax base, reinstatement of the petroleum excise taxes and improvements in tax and customs administration. However, the implementation of the tariff reform program—now planned for 2006—would result in some revenue loss.

54. Domestically-financed expenditures are also projected to rise by 5 percentage points of GDP by 2008-10. Current expenditures will rise rapidly by 2006, reflecting peace-related spending

⁵⁶ Unless technological change increases yields, annual growth in crop output would be a more moderate 4 or 5 percent bearing in mind the ever present chance of drought (see Productive Cluster). The livestock sector is also unlikely to continue its extraordinary growth of the 1990s because that would lead to an uncharacteristic substantial depletion of herds and flocks.

patterns, and stabilize at that level thereafter. Wages and salaries spending is expected to rise during the initial few years to pay for peace-related expenses (e.g. demobilization)—rising from 5 percent of GDP in 2005 to 5.8 percent in 2007—before the peace dividend allows some reduction. With improved security, emergency spending is expected to decline, in relation to GDP, over the medium term. Transfers to the South—related to the oil revenue profile—will rise as a proportion of GDP until 2008, before declining slightly in 2009 when oil production begins to level off. Lastly, consistent with the government’s decentralization efforts, transfers to Northern states are assumed to continue to increase.

55. Rising revenues will allow for a steady increase in domestically-financed public (national and states) investment spending from about 4.2 percent of GDP in 2004 to about 6.7 percent during 2007-2009. National development expenditures (domestic) are projected to reach about 4.5 percent of GDP by 2009. State-level development spending is expected to be about 3 to 3.5 percentage points owing to the large transfers.⁵⁷

56. Monetary policy will continue to target a broad money growth rate consistent with the inflation and economic growth objectives, but will face significant challenges. The prudent fiscal stance will help the existing broad money regime, allowing the CBOS to mitigate the effects of changes in external private inflows and oil prices. Most of the monetary policy challenges in 2005—namely, large private capital movements, oil export receipts, aid flows, and fiscal shocks (at the national and South government levels)—will likely persist over the medium term. In response, monetary policy will need to remain vigilant and flexible, and should be strengthened by improvements in information and monitoring capacity, indirect monetary management, and fiscal coordination.

57. Sudan is committed to an open trade regime. The liberal non-tariff trade barrier regime will be maintained and a second generation three-year tariff reforms program will be implemented starting in 2006. There has been substantial progress in regional integration, particularly with respect to the Arab Free Trade area (AFTA), and the Common Market for Eastern and Southern Africa (COMESA). Sudan continues to actively pursue its application for WTO accession.

Achieving the Poverty MDG by 2015: Medium Term Financing Needs

58. In the longer run, during the period 2008-2015, investment, and especially public investment would have to accelerate, if the poverty and some of the other MDGs are to be achieved. The aim of the investments would be to improve social and infrastructure services and labour productivity, by focusing on infrastructure needed to connect isolated regions to markets. This section estimates the magnitude of the required investment and derives the implied financing needs for both the NG and the GOSS.

59. The poverty MDG target that has been adopted in Sudan’s current approach to developing its PES is to halve average poverty in ten years across the whole country. This requires that the overall poverty headcount ratio for Sudan decline by an annual rate of about 6.7 percent, but the decline would vary by region:

- i. For the South (as well as the Three Areas and the poor regions of the North), poverty is targeted to decline by 60 percent, which suggests an average annual rate of decline of 8.8 percent of the headcount ratio in these regions.
- ii. For the better off regions in the North, a decline of 40 percent in poverty is consistent with the MDG target of reducing poverty by half in 2015 for the whole country.

⁵⁷ 50 percent of the transfers to the South and 25 percent of the transfers to other states are assumed to be allocated for development spending.

60. Assuming a unitary growth elasticity of poverty and a population growth rate of 3 percent,⁵⁸ real GNP must grow annually at about 10 percent for the Sudan as a whole – between 12 and 13 percent for the South, the Three Areas, and the poor North, and by about 9.5 percent in the rest of the North. To derive the resource requirements for achieving these rates of growth, the approach of setting the rate of GNP growth equal to the investment rate (investment/GNP ratio) divided by the incremental capital output ratio (ICOR) is conventional and allows for the estimation of the approximate magnitudes involved, although its rigidity calls for keeping in mind the assumptions that are being made.

61. Given the assumed ICORs, estimates of required investment can be derived. Financing requirement ratios for Southern Sudan are high due to the high growth requirements and the relatively small initial GNP. However, viewed in terms of overall national GNP the rates are feasible, ranging from 6.5 to 7.3 percent. For the North, investment requirements are 25 - 28 percent of national GNP. This means that the overall required investment rate is about 32 to 35 percent for the country as a whole.

62. In the MDG framework, the overall ODA required for achieving the poverty target would start at \$1.7 billion in 2008 then gradually fall to \$1.4 billion by 2011, and then precipitously to \$400 million by 2015. In terms of average ODA per capita, the numbers are \$43 in 2008, down to \$32 by 2011, and a further significant drop by 2015.

63. For Southern Sudan, it is assumed that expenditures on development, civil administration, and the military are the main areas of expenditure, and that oil revenue provides the main own financing source. Indeed, oil looms large in Southern Sudan's economy, contributing to more than 50 percent of Southern Sudan GNP in 2008 before its share moderates to lower levels in the outer years (barring major future discoveries). The South is also assumed to attract private investment, domestic and foreign with private investment standing at a modest 6 percent of GNP in 2008 and rising steadily to 15 percent of the South GNP in 2015. Non-oil tax revenues are assumed to start at a low level and pick up with time, from 5 percent of GNP in 2008, to 8 percent in 2011, and 12 percent in 2015.

64. Given total financing requirements and available domestic resources (including private investment), ODA financing needs for the South are estimated in this macro framework to be about \$600 million in 2008 rising to \$690 million by 2010, before slowly trending downward. In terms of per capita ODA, amounts are higher than the national average through the end of the period, averaging \$62 for 2008, \$57 by 2011, and declining to \$34 by 2015.

65. As noted above, the estimated financing requirements for Northern Sudan account for more than 25 percent of Northern GNP. Since resource mobilization efforts reached 20 percent of Northern GNP by 2004, the initial resource gap is about 5 percent. Four sources of non-ODA financing can be identified.

- i. Restructuring of the military-police-security sector, as per the CPA, will be costly and will entail a burden on the budget for the first four years but will eventually contribute significantly to resource availability for development.
- ii. The oil sector, which already contributes substantially to the budget, is expected to continue to grow moderately.

⁵⁸ The elasticity of poverty assumption is similar to that found in many other developing countries. The repatriation of refugees from abroad swells the population growth rate to 3.5 percent for the period 2005-2009, after which the growth rate drops to 2.9 percent per year. The overall population growth figures hide large internal movements of IDPs over the early years of the Interim Period.

- iii. Further fiscal efforts, including through elimination of tax exemptions, would increase resource availability, especially in the outer years, with non-oil (tax) revenues projected to reach 13 percent of GNP by 2015.
- iv. As the investment climate improves and peace takes root, private investment, including FDI, is envisaged to pick up, reaching 22 percent of GNP by 2015.

66. Thus over time this financing gap can be largely closed by new local resources, although substantial foreign aid is needed to bridge the gap in the years up to 2011. For Northern Sudan, in addition to its own substantial financing efforts, development assistance is needed to fill a gap facing the NG. The gap could be about \$1.1 billion in 2008, declining to \$800 million by 2011 and then falling sharply to reach zero by 2015. In terms of aid per capita, Northern Sudan is projected to receive much lower flows than the South, with aid per capita to this region averaging \$37 for 2008, \$25 in 2011, and zero by 2015.

67. In order to reduce disparities within the North, a large share of the development effort will have to be directed to the poorer regions, including the Three Areas. In order for income levels in the Three Areas to reach 70 to 80 percent of the level of national average income by 2015, annual GDP growth of about 12 percent (compared to 8 percent in the richer North) is needed, and the investment ratios (as a share of national GDP) will have to rise to 3 percent of GNP. It can be similarly estimated that investment needs of the poor regions of the North as a whole are 10 percent of national GNP to achieve similar growth and poverty reduction.

Table 3.1: Projected Pro-poor Fiscal Efforts in Disadvantaged States in the North Needed to Meet the Poverty MDG (as percent of North GDP)

	2008	2009	2010	2011	2012	2013	2014	2015
Pro-poor spending in poor North	15.5	15.5	15.1	16.2	16.6	16.6	17.0	16.9
Sources of Financing:								
Own revenue in disadvantaged states	2.1	2.1	2.2	2.3	2.4	2.5	2.6	2.6
Private investment in disadvantaged states	4.7	4.7	4.8	4.9	5.0	5.1	5.3	5.4
ODA in disadvantaged states	4.7	3.5	2.6	2.6	2.1	0.6	0.0	0.0
Pro-poor transfers required	4.0	5.2	5.5	6.4	7.1	8.4	9.1	8.9

68. The allocation of pro-poor ODA within the North should be substantially influenced by the likely geographic allocation of private investment. To the extent that private investors remain concentrated in the richer areas, at least initially, ODA as well as most of public development finance should be targeted to the poorer areas, including the Three Areas. Indeed, the challenge of poverty reduction in the North is very much related to the need to redirect public expenditures towards pro-poor spending and the poorest parts of the North, and to also attract private investment to these regions. This would occur through a decentralization drive, with a strong focus on capacity building, and empowerment at a household and community levels. Table 3.1 shows estimates of the needed level of financing requirements for development in the poorer parts of Northern Sudan, if the PES objective of substantially reducing regional/horizontal inequalities is to be achieved.

FISCAL REALIGNMENT: TOWARDS A PRO-POOR FISCAL POLICY

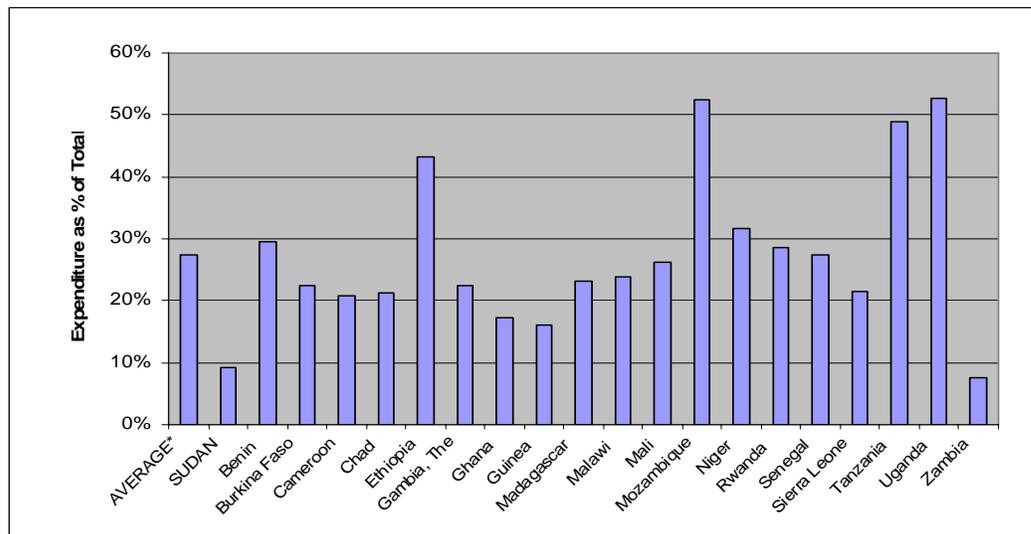
Budget Restructuring

69. High growth rates of recent years have contributed to higher levels of revenue as a share of GDP from oil and non-oil sectors, as reflected in the doubling of the resource envelope in the North between 1999 and 2004. An expanding resource envelope provides Sudan with fiscal room to increasingly orient public expenditures towards poverty reducing sectors and programs in order to accelerate progress towards the achievement of the MDGs.

70. While fiscal policy management has been impressive at the aggregate level over the past several years, there are serious shortcomings. In particular, poverty-reducing expenditures in the social sectors and rain-fed traditional agriculture which would have primarily benefited the poor have been very low.

71. As a share of public spending in the North, pro-poor programs accounted for 9.2 percent in 2002, which was quite low by international standards. Figure 3.4 shows Sudan's estimated pro-poor spending as a percentage of total spending, alongside other African countries.⁵⁹

Figure 3.4: Comparison of Pro-Poor Spending as percent of Total, 2002



72. Moreover, under both a broad definition (i.e. including both current and development expenditure) for 2001-2005, and a narrow definition (i.e. including only development expenditure) for 2004-05, spending on pro-poor sectors (education, health, water, agriculture, transfers to the states, and "other" indirectly pro-poor activities)⁶⁰ remains low in subsequent years. Broadly defined, although increasing over 2001-05, pro-poor spending remained relatively low at about 2.2 percent of GDP and 11 percent of total expenditure in 2004 (with 1.6 percent and 8.2 percent for the two ratios respectively for the social sectors of education, health, water, and transfers to the states).

⁵⁹ Pro-poor spending is defined according to each country's Poverty Reduction Strategy, thus figures should be interpreted with caution.

⁶⁰ "Other" indirectly pro-poor activities include (a) wages and salaries and goods and services for programs such as employment for graduates, health insurance support, administrative development, training and literacy centers, electricity subsidies, and anti-endemic diseases; and (b) development expenditure outside the social sectors.

73. The recently approved 2005 Budget begins to make a departure from the past. While the budget is still far from being pro-poor, it contains much higher transfers to the states than previous budgets and supports the fiscal federalism needed for effective poverty reduction. Poverty-related spending is projected to rise relative to GDP (to 2.7 percent). In terms of development expenditure, overall poverty-related spending was around 1.3 percent of GDP and 5.5 percent of the budget in the 2005 Budget.

Table 3.2: Poverty Related Spending in the Budget (in millions of Sudanese dinar)

	Broad Definition				Narrow Definition		
	(Current and development expenditure)				(development expenditure)		
	2001	2002	2003	2004	Budget 2005	2004	Budget 2005
Education sector (a)	17.3	23.9	32.2	50.8	46.3	8.2	9.1
Health sector (b)	8.3	8.0	10.5	20.9	29.6	6.1	5.9
Water sector (c)	1.6	1.1	1.4	8.8	1.9	8.8	1.8
Transfers to the States (d) *	...	...	...	...	61.4	...	39.0
Agriculture sector	15.6	14.8	42.4	25.9	21.4	20.1	13.8
Other poverty-related sectors ****	...	...	...	24.6	24.7	9.1	10.4
Total social sectors (a+b+c+d)	27.1	33.0	44.1	80.5	139.2	23.1	55.8
Total poverty-related sectors	42.7	47.8	86.5	131.0	185.3	52.3	80.0
Total expenditure	418.6	518.2	736.0	980.1	1,451.0	980.1	1,451.0
GDP	3,375.7	3,876.4	4,425.4	5,137.6	5,972.8	5,137.6	5,972.8
Social sectors/Total expenditure	6.5	6.4	6.0	8.2	9.6	2.4	3.8
Social sectors/GDP	0.8	0.9	1.0	1.6	2.3	0.4	0.9
Total poverty-related sectors/Total expenditure	10.2	9.2	11.8	13.4	12.8	5.3	5.5
Total poverty-related sectors/GDP	1.3	1.2	2.0	2.5	3.1	1.0	1.3

* Of which development expenditure transfers amounted to SD 39 billion, and the rest for transfers for wages and goods and services to higher education.

** "Other" includes (a) wages and salaries and goods and services for programs such as employment for graduates, health insurance support, administrative development, training and literacy centres, electricity subsidies, and anti-endemic diseases; and (b) development expenditure outside the social sectors.

Source: Ministry of Finance, PRSP Unit.

74. The task of significantly restructuring the budget is currently constrained by the twin objectives of meeting the costs of the peace (especially transfers to the South) and the need to maintain macro-stability, as well as by continuing large outlays on military and security in advance of a fully fledged demobilization program. The budget addresses the requirements of the CPA as follows:

- i. The budget allocated to the GOSS and the states/regions amounts to SD 499 billion, or about 39 percent of total revenues (8.4 percent of GDP), compared with only 15 percent of total revenues (1.7 percent of GDP) in 2004;

- ii. Of these transfers, SD 90 billion or about 18 percent of the total went to the Northern states (versus 69 percent of the total in 2004), while the rest went to the GOSS, the Southern states and the Three Areas;
- iii. About 22 percent of these transfers went to development and reconstruction projects, while the rest went to current expenditures (including wages and goods and services for functions to be moved to the states, e.g. higher education, the judiciary, and police) and other outlays (including compensation for agricultural taxes, excises on Benzene, and special transfers to oil-producing states).⁶¹

75. The main accommodations in 2005 that these transfers necessitated include: (i) refraining from a general wage increase promised in 2005-06 (except for a 5 percent increase on the basic wage bill to compensate for part of the inflation of around 8 percent); and (ii) confining capital allocations to ongoing key development projects. Over time, increased revenues and savings on the expenditure side will allow further increases and reallocation of expenditures by the NG towards pro-poor programs, and thus become part of the overall JAM financing envelope. Therefore, a larger share of transfers to the states and of the investment budget would go to pro-poor expenditures, and local revenues would also rise: based on discussions with MOFNE the share of pro-poor expenditures financed from the NG own budget is expected to continue to rise, from about 2.2 percent GDP in 2004 to 2.7 percent GDP in 2005, and to 6.5 percent in 2007 (Table 3.3). At the same time, the need to maintain macro-stability means that external financial assistance would be required. Development assistance should be prioritized toward high poverty-impact programs, which would help steer the 2005 and future budgets toward the benchmark pro-poor budgets, necessary for sustaining growth as well as increasing its impact on poverty and other desirable social goals.

Table 3.3 Recent and Projected Trends in NG Budget Allocation (percentage of GDP)

	2004	2005	2006	2007
Total revenue	21.5	22.6	25.4	24.8
Tax Revenue	8.2	7.8	8.1	8.5
Non-tax revenue	13.3	14.7	17.3	16.3
of which: oil	11.3	13.0	15.9	14.7
Total Expenditures	20.2	24.3	27.6	27.1
Poverty Reducing Expenditures	2.2	2.7	5.9	6.5
Federal	0.6	0.7	1.5	1.7
States	0.7	2.0	4.4	4.8
Other	17.5	17.0	16.1	15.4
Transfers to the South	0.5	4.6	5.6	5.2
Memo: Poverty reducing as percent of total expenditure	11	14	27	30

Source: MOFNE, with IMF and Bank staff.

The Role of Decentralization

76. Financial resources to states have gradually increased during 2002-04 but are still not commensurate to deliver basic services. States' own revenue (excluding central government transfers) is extremely limited. Except for the relatively well-to-do states, such as Khartoum, Gezira and Bahr Al Ahmar, which generate much of their revenues, states' tax base is extremely narrow and, with the elimination of agricultural taxes, they rely mainly on a share of VAT, small business profits tax, stamp duties, and fees. Some localities levy taxes on livestock.

⁶¹ Development expenditure for the GOSS was estimated at 18 percent of its total transfers of SD 274.2 billion, while development transfers for the states and regions were explicitly specified in their budget transfer allocations.

77. There are several types of unconditional transfers to the states. These have been increasing gradually over time, but remain too low to meet the mandates of the states to deliver basic education, health, water and sanitation, which have been now expanded to include higher education, police and judicial services as well. Analysis indicates that state governments spent most of their Chapter 1 expenditures (wages) on health and education and little on water and sanitation, and had little resources for supplies in social sectors. However, these governments have managed to allocate their chapter 4 expenditures towards projects that directly benefit the poor – e.g., sanitation, water, rural roads, rural electricity, etc.

78. As discussed more fully in the Institutional Reform chapter (Cluster 1), devolution and decentralization of power designed to bring political empowerment to local communities and access to resources is needed to reduce underdevelopment thereby enforcing the peace process, eliminating the danger of further regional conflicts and strengthening the sense of national belonging. More targeted equalization needs to be achieved through the Fiscal and Financial Allocation and Monitoring Commission (FFAMC). Decentralization is extremely important for efficient and effective delivery of social services for rapid human development. Such a development will obviously have to take into account existing human and institutional constraints that are likely to limit the speed and extent with which devolution and empowerment can take place. A clear road map should be worked out based on enhanced human and institutional capabilities built through a well defined and detailed capacity building program with full donor commitment and support (See Cluster 1).

79. Resources to support such decentralization will, over time, come from an ever-deepening process of fiscal federalism with taxation authority shifted more and more to localities (determination of tax rates as well as tax collection, again taking the lessons of experience of the resent system on board, and enhancement of institutional capacities at the local level), the sharing of national resources, and access to foreign aid.

INSTITUTIONAL AND CAPACITY BUILDING NEEDS

Monetary Policy and Central Banking

80. The conduct of monetary policy and restructuring of the BOS are the two key challenges facing the BOS in the period ahead. The former will face a number of significant challenges, including potentially large private capital movements, rising oil export receipts, aid flows, and unforeseen fiscal shocks (at the national and Southern government levels). The introduction of new currency to replace the dinar, and conventional banking in Southern Sudan are distinct challenges that arise from the CPA, as is the BOS restructuring.

81. As discussed above, the BOS made good progress in moving towards market-based monetary policy and the existing monetary regime, in close coordination with fiscal policy, is broadly adequate. However, further strengthening of institutional arrangement and technical capacity are urgently needed to ensure that the significant challenges ahead do not overwhelm the BOS capacity to implement an effective monetary policy.

82. To ensure monetary stability, it is important to plan and execute an orderly currency conversion. This task will be challenging given the size and diversity of Sudan, and the use of co-circulating foreign currencies, as well as Sudan's old currency (the pound), in some parts of Southern Sudan. In addition to the traditional risks involved in a currency conversion (i.e., the possibility of fraud in the exchange process and the opportunity of counterfeiting the new currency), two additional issues present themselves. First, given the size of Sudan and underdeveloped internal communication systems, it is important to mount an effective publicity campaign to avoid confusion, particularly in more remote areas. Second, while the CPA allows for exchanging the old pound circulating in the South with the new currency, every step should be

taken to prevent pounds stashed in other parts of Sudan, if there are any, from being converted illegally.⁶²

83. It is critical for the effective conduct of monetary policy, in the presence of Islamic and conventional banking, to set in place monetary control instruments that transmit uniform monetary policy signals to all banking institutions. The BOS's intention to rely fully on indirect monetary controls through open market operations (OMO) by mid-year should facilitate the process of uniform monetary policy intervention in the presence of a financial asset that can be easily used in both banking modes. The Government Investment Certificate (GIC), which was introduced in mid-2003 to finance the central government budget and replace the Government Musharaka Certificate (GMC), could serve this purpose well. The GIC has similar characteristics to conventional bonds but also satisfies the Islamic finance requirements. The GIC can be used in open market operations by the BOS to regulate bank liquidity and establish a financial price benchmark for Islamic and conventional banks. However, two steps will need to be taken: first, the market for the GICs should be deepened and, second, the NG should immediately begin issuing GICs with different maturities and auction all GIC issues on a regular basis. This would ultimately establish a yield curve that can be used to price BOS lending, when necessary, to both Islamic and conventional banks, as well as to price banks' financial products.

84. Proposed actions to strengthen BOS's institutional capacity include: (a) strengthening the MOU as a key body within BOS with sufficient empowerment to execute short-term monetary policy actions; (b) strengthening the existing weekly flash reporting system, (c) developing capacity to carry out short-term liquidity forecasting; (d) strengthening research department capacity to collect relevant data and prepare appropriate analytical research; and (e) institutionalizing a mechanism to coordinate with the fiscal authorities' actions involving movements of government deposits at the BOS (at present this covers the GOS and GOSS).

85. The laws governing the banking sector are generally adequate. The BOS has broad powers and discretion, including access to a range of corrective measures. Prudential regulation and supervisory activities by the BOS have improved significantly in recent years. The regulations cover most important areas of concern and have been adapted to incorporate Islamic principles, but the needed modifications have not been drastic. The practice of supervision has improved and compliance is enforced through appropriate off-site supervisory activities and on-site inspections. The focus now should be on amending banking laws to facilitate the introduction of conventional banking and the new structure for the BOS, and improving the regulatory regime, including for the purpose of covering conventional banking, and strengthen supervision, as the system develops and expands.

86. The restructuring of the BOS involves establishing a new board of governors, as mandated by the CPA, and the setting up of regional branches for the BOS, first among them will be the Bank of Southern Sudan (BOSS). Under the new BOS structure, monetary policy will be formulated centrally, and most of its actions will take place in the key economic centres in Sudan. The regional offices will play an important role in supporting banking and payments operations within the regions, and thus deepening the provision of financial services in areas that largely did not benefit from such services in the past. Regional offices should also be able to conduct regionally-based research, which would contribute to better monetary policy formulation and execution.

Financial Sector Development

87. The Sudanese financial system is small and consists essentially of the banking sector. The financial system went through substantial disintermediation since the 1980s, with broad

⁶² It is possible that pounds remain in the North unconverted to dinar for fear of detection by the authorities.

money and credit to private sector dropping (in percent of GDP) by more than half, to 10 percent and 2.8 percent, respectively, by 1997, reflecting pervasive controls and substantial macroeconomic instability. A general reform program was initiated in the late 1990s, and entailed the liberalization of the financial sector, the modernization of legislation and prudential regulation as well as the introduction of government securities. Reform efforts combined with prudent macroeconomic policies have succeeded in reversing disintermediation. Broad money and credit to private sector rose, in percent of GDP to about 19 percent and 8 percent, respectively, by end-2004.

88. Notwithstanding this progress, the financial system in Sudan remains underdeveloped and the unmet financing needs are large and pervasive. The current 8 percent ratio of private sector financing to GDP positions Sudan at the bottom of a group of countries at a comparable level of development. Even the largest companies still have limited recourse to bank financing. Not surprisingly, SMEs, particularly in the agricultural and industrial sectors, have limited access to credit facilities. The availability of financing to the agricultural sector is especially problematic.

89. Sudan's development needs require that substantial credit be made available to a broader base of borrowers. While expansion of financing is desirable, it should be based on significantly improved credit analysis and risk management techniques. The high level of non-performing loans (NPLs) suggests that the banking system is still unable to securely transform savings into recoverable claims, even at the present low level of financial intermediation. To be able to increase their supply of longer term investment funds, Sudanese banks need to strengthen their investment deposit mobilization efforts. Strengthening corporate governance, with special emphasis on full disclosure of accounting and reporting practices, is essential.

90. To promote a sustainable increase in credit availability, the BOS is acting at present through two channels: strengthening banks' capital and operations, and licensing new banks (including with foreign participation). The former channel will require banks, if they are to raise fresh equity, to formulate new business strategies that will offer existing and potential new shareholders attractive long-term profitability prospects. A by-product of this strategy will be the consolidation of the number of existing banks with resulting efficiency gains. The latter channel is expected to inject additional financial capacity, increase competition and stimulate much-needed product innovation. Finally, the establishment of conventional banking in Southern Sudan will present an opportunity to deepen the financial system.

91. Important challenges to be addressed in the financial sector include:

- i. Current market structure and practices may impair the effectiveness of these policy measures. For instance, the banks' ability to undertake core financial intermediation functions within a framework of prudent risk management techniques may have been weakened by protracted high returns on relatively low risk short term investment assets and large availability of zero-cost current accounts. Concerted efforts are needed to ensure that remedial measures are implemented to ensure competitive and sound banking practices.
- ii. The current payments system is slow and constitutes a significant barrier to active inter-bank money and capital markets. The system hinders liquidity and asset management by banks because of delays in settlement and inadequate provision of information. It also generates significant risks, most of which are borne by the BOS.
- iii. Non-bank financial sector is small, and its development can contribute importantly to the mobilization of savings, the allocation of investment, and the economic opportunities available to poorer sections of society. Particular emphasis should be given to the insurance sector, securities market, and micro-finance institutions.

- iv. The insurance sector in Sudan is small even compared to those in other African countries. To develop the sector steps should be taken on two fronts: encouraging the sector to develop new products, including agricultural insurance,⁶³ and revising the current Insurance Law and modernizing insurance sector supervision and regulation.
- v. The securities markets currently comprise three components: a secondary market in government certificates, an equity market, and mutual funds made up of certificates or equities. The Khartoum Stock Exchange (KSE) has made some advances, but the market is small and trading is thin. Weak corporate governance, poor securities market regulation, lack of corporate transparency, and low awareness by the public are key hindrances to its development. Indirect investment through mutual funds may help mitigate weak corporate governance, but these funds currently constitute only 4 percent of the market. It is critical for the securities market to expand to strengthen its regulations and supervision and modernize its operations.

92. The micro-finance enterprise (MFI) sector is still very small, particularly relative to the needs. In recognition of the potential benefit of expanding the sector, the BOS and the MFE have recently established a committee which should seek to encourage new entrants, for example, by approaching government or donors for support. However, to be sustainable, MFIs need to offer savings facilities. Experience shows that for many of the poor, saving is more valuable than financing. However, taking deposits creates the need for consumer protection. Therefore, and in conformity with the BOS's mandate in the Banking Law, the BOS should begin developing a graduated regulatory framework, under which donor-supported pure financing MFIs would have to do little more than register, and deposit-taking MFIs would be subject to closer monitoring (see also the Productive Sectors report for more details).

93. The introduction of conventional banking in Southern Sudan will be challenging given the lack of experience at the BOS level. While the current regulatory and supervisory regime is reasonably suited for conventional banking, BOS staff had no experience in interacting with conventional banking institutions. Furthermore, the capacity of the BOSS, which will be responsible for the day-to-day interaction with the conventional banks in the South, would need to be established and strengthened.

Avoiding the Oil Curse

94. Sudan oil production and capacity has been rising rapidly. Many regions are being explored and much of the country remains available for future concessions. Oil production is currently around 315,000 bpd and could rise to 500,000 bpd by the third quarter of 2005. With exploration continuing at existing and new oil fields, the government hopes to raise production to around one million bpd by late 2009. There is considerable uncertainty in Sudan's future production and estimates of recoverable oil reserves vary. The proven and recoverable reserves are estimated at about two billion barrels.

⁶³ A portion of the financial support currently provided directly to the agricultural sector or to investment financing for agriculture might be made available to support agricultural insurance.

Box 3.2: Oil Sector Management – Institutional Framework

The oil industry in Sudan is vertically integrated and the NG plays a major role at every stage through the fully state-owned Sudan Petroleum Corporation (SPC) and its subsidiaries. The Energy Ministry has been given regulatory and supervisory roles in the sector with the Finance Ministry responsible for taxation and related fiscal issues. The SPC has been required to be involved in a wide range of activities including regulating, monitoring and controlling the financial flows of the oil industry on behalf of the NG. The Production Sharing Agreement (PSA) has been used to define relations between the government and the oil companies, describing all the rights and obligations. The Oil Savings Account (OSA), accessed only by order of the Finance Minister, was established at the BOS in 2002. A National Petroleum Commission (NPC), co-chaired by the President of the Republic and President of GOSS, will be established as a top oil sector regulatory body. NPC is expected to play a key role in setting up oil-industry policy. The NPC will be in charge of formulating policies and approving all oil contracts for the development of oil.

95. As noted above, oil has been the most important component of economic growth, and exports of oil have brought dramatic changes in the GOS's external position and revenue base. Table 3.4 shows that the high degree of reliance on oil in exports and government revenues will continue in the next five years.

Table 3.4: Sudan: Oil Sector Indicators 1999-2009

	Actual				Projected		
	1999	2001	2002	2003	2004	2005	2009
Oil production annually (kbbbls)	14,885	66,000	84,680	95,677	106,872	142,575	245,693
- per day (kbbbls)		181	232	262	292	391	673
Oil GDP (real) growth rate		23.7	24.7	13.0	21.2	30.1	5.1
Oil export price (average) (US\$/b)	19.8	22.0	23.0	27.0	36.8	34.0	32.0
Fiscal Sector							
Oil revenue/GDP	0.6	4.4	5.4	9.5	11.2	13.0	13.6
Total revenue/GDP	7.8	11.0	12.1	16.8	21.5	22.6	25.0
Oil revenue/total revenue	7.7	43.2	44.8	57.0	52.5	57.8	54.4
Gov't expenditure/GDP	8.6	11.9	13.0	15.8	20.2	23.2	26.3
External Sector							
Crude oil exports (\$m)	276	1,268	1,397	1,968	2,953	4,082	5,946
- in percent of GDP	2.7	9.7	9.5	11.6	14.9	17.1	14.8
- in percent of total exports	35.4	74.6	71.7	76.4	78.2	82.1	76.0
Current account balance (\$m)	-525	-1,289	-918	-827	-833	-1,361	-2,449

Source: Sudanese authorities and WB and IMF projections.

96. With the oil sector so substantially transforming the Sudanese economy, mitigating the downside risks of oil dependency presents significant challenges. These include avoiding rent-seeking and bad governance, combating the "Dutch disease" through economic diversification, and managing the effects of oil price volatility on the budget and on the economy.

97. Country experiences suggest that rising wealth associated with oil could encourage unproductive rent-seeking activities. In fractionalized societies with weak institutional capacity for nurturing inter-social group collaboration (e.g. because of lack of broad-based political governance and democratic practices), each group seeks to appropriate as much as it could during resource booms. In a dynamic sense this could lead to over-borrowing and expose the economy to an imminent collapse when oil revenues decrease. It can also lead to an environment of institutionalized theft. This analysis suggests that political governance matters for ensuring

better management of oil resources (Annex 3.1 presents a brief typology). The experiences of Botswana, Nigeria, and Venezuela offer three relevant examples in managing the oil windfall wealth. The success story of Botswana has been one of a stable democracy and prudent macroeconomic management and strong links to the rural economy by the elites. On the other hand, the examples of Nigeria and Venezuela are tales of fractionalized societies, unstable democracies, or predatory military dictatorships. This in turn has been associated with myopic economic policies and wasteful management of the oil resources.

98. To address these risks, a host of institutional improvements could be considered, including: (i) expanding the coverage of the Sudan Petroleum Corporation (SPC) audit by the Auditor General to include, *inter alia*, other operations related to bonuses and net profit from subsidiaries; (ii) establishing a transparent legislative and institutional framework supported by competent staff with necessary skills and expertise to control oil revenues, including reconciling payments due and payments received on a regular basis; (iii) aligning the accounting system of the SPC with commercial accounting standards; and (iv) carrying out diagnostic studies (operational audit) of the activities of the SPC. These actions are consistent with enhancing transparency and reducing the potential for off-budget spending. Moreover, steps need to be taken to enhance the capacity for monitoring and projecting oil revenues, folding the latter into medium term macro-fiscal planning, and implement a hedging strategy against the oil price shock. Lastly, Sudan's participation in the Extractive Industries Transparency Initiative (EITI) would be a useful way in facilitating transparency.

99. "Dutch Disease" can arise where substantial growth in resource-based revenues, such as oil, means that the price of tradables falls relative to non-tradables so the profit margins of non-oil exports are squeezed, alongside increased competition from now-cheaper imports. So far, despite the rising significance of oil, the Sudanese economy is still relatively diversified, with agriculture retaining a key role. Policies should aim to directly reduce any distortions in the economy created by the resource boom.

100. Oil economies are often subject to volatility in export revenues, with adverse impacts on development, including on growth, investment, income distribution, poverty, and educational attainment,⁶⁴ and on political governance. As has been the recent practice, the authorities should limit the volatility of expenditures, while keeping the primary non-oil deficit within manageable limits. The experience of the OSA thus far has been good. It could be further refined to facilitate coordination between NG and GOSS given the complexity in fiscal management created by the CPA.

Enhancing Aid Effectiveness: Lessons from Post-Conflict Experiences

101. This assessment identifies the needs for external resources during Sudan's post-conflict period. Recent experience from assistance to post-conflict countries suggests that although aid is subject to diminishing returns, it is associated with higher economic growth and poverty reduction if delivered in a good policy and institutional environment. In post-conflict situations, if well sequenced, aid can be extremely effective in raising growth and reducing poverty. Aid is likely to be unusually productive and associated with rapidly increased absorption, improved policies, and super-normal growth. But post-conflict aid might not be effective if the typical conflict legacies of high inequality, marginalization, and low capacity for economic management remain pervasive.

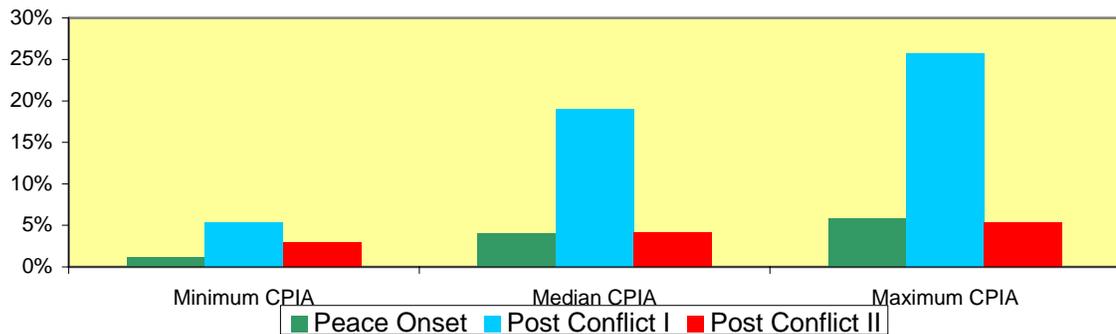
102. International evidence from economic growth analysis suggests three distinctive phases in the first post-conflict decade (Figure 3.5):

⁶⁴ See for example, IDB (1995), Gavin and Hausman (1996), Aizenman and Marion (1999), Caballero (2000), Flug et. al. (1996) and Duryea (1998).

- i. In the immediate one to two years following peace (Peace Onset), absorptive capacity is modest, while institutions and capacity are slowly being built up from low levels. Economic growth tends to be modest but increasing slowly. Aid is important, particularly in providing quick results through restoring infrastructure and replenishing revenue bases. In addition, aid should prioritize and reinforce social policies to contribute to human resource development and increasing capacities.
- ii. During the next phase (Post Conflict I), absorptive capacity is increasing rapidly and tends to peak about 5-7 years after peace. During this period, aid flows should optimally be at least twice as high compared to other situations, in order to reinforce good policy and growth trends.
- iii. The next phase (Post Conflict II) sees a return to normal absorptive capacities. By the end of this phase, aid can revert to normal levels.

103. Cross-country analysis based on the World Bank's annual policy rating, the Country Policy and Institutional Assessment (CPIA), confirms that across each of these post-conflict phases, higher institutional and policy performance allows economies to effectively absorb more aid. For a given level of CPIA, absorptive capacity was usually modest during the immediate post-conflict (Peace Onset) and tends to peak in the second period (Post Conflict I) before moderating.

Figure 3. 5 Optimal Aid (percentage of GDP) under Various Assumptions for Country Policy and Institutional Assessment



104. Sudan's CPIA is similar to the average for conflict-affected countries. While macroeconomic management is above average, other components, such as social policies, sectoral management, and institutional aspects of public management, are below average and need to be strengthened to enhance aid effectiveness.

105. It will be essential to ensure that aid is balanced between its long and short term impacts. Under-provision of support to education, health, and long-term capacity building in the first few years following peace will threaten growth in the medium to longer run. Alongside aid flows, the unique skills and experiences of expatriate Sudanese should be utilized and, as discussed in Cluster 1, coordination, including harmonization of aid procedures, is essential for promoting ownership and aid efficiency.

EXTERNAL DEBT SUSTAINABILITY AND ARREARS CLEARANCE

106. Sudan's external debt is mostly in arrears and is unsustainable by any standard. To achieve external viability, Sudan will require comprehensive and deep debt relief, going well beyond traditional mechanisms, from multilateral as well as bilateral creditors. A comprehensive approach to Sudan's external debt problems is needed, which addresses the various challenges facing Sudan and international community in clearing arrears and bringing debt to sustainable levels.

107. Sudan's external debt is very large and is mostly in protracted arrears. The end-2003 stock of public and publicly-guaranteed debt is estimated at \$25 billion, of which an estimated \$21.3 billion is in arrears. In nominal terms, about 18 percent of the total debt was owed to multilateral creditors (the largest being the IMF and World Bank), 34 percent to Paris Club creditors (the largest being the United States, the United Kingdom, and Austria), 34.6 percent to non-Paris Club bilateral creditors (mainly Kuwait, Saudi Arabia, and China), and the remaining 13.4 percent to commercial creditors. Among the multilaterals, the IMF is Sudan's largest creditor (\$1.6 billion), followed by the World Bank (\$1.4 billion). Whereas only about 20 percent of the debt to the World Bank is in arrears, almost all obligations to the IMF are in protracted arrears.

108. Sudan's external debt is unsustainable according to the criteria of the enhanced HIPC Initiative. In resolving the debt problem, the first challenge will be clearing large arrears to at least major IFIs (IMF, World Bank, AfDB). Sudan's arrears to the World Bank and AfDB are relatively small (about \$400 million). In order to reach the HIPC decision point and receive deep debt relief, Sudan will have to first clear its arrears to the IMF – possibly by arranging a bridge loan equivalent to the overdue obligations – and have in place a successor arrangement with the IMF. Sudan needs to sustain a policy track record for arrears clearance through a Rights Accumulation Program (RAP) or other upper credit tranche program(s) monitored by the IMF. This allows Sudan to demonstrate, through a firm track record of cooperation with the Fund, that Sudan is sufficiently committed to sound economic policies and improving relations with external creditors. In recent years, Sudan's performance under the successive Staff Monitored Programs (SMP) has been strong and the IMF Board had recognized the recent SMPs as similar to a RAP in terms of policy content. The Board would ultimately decide the appropriate length of the RAP, but recent strong economic performance could contribute toward a relatively short RAP.

109. Avoiding a sharp jump in debt service payment obligations after the traditional debt relief is important. Initial estimates suggest that debt service payments after traditional debt relief would be prohibitively large at a time when Sudan has major reconstruction needs. Thus, the usual traditional debt relief mechanisms will not be enough to ensure positive net resource inflow. Creditors (particularly Paris Club and other major bilateral creditors) will have to consider all alternatives to match the ensuing debt service with Sudan's capacity to pay, including changing the cut-off date for eligible debt and capitalizing interest up to the completion point.

110. As the share of debt owed to non-Paris Club bilateral creditors is large (35 percent), these creditors need to provide debt relief comparable to that of Paris Club creditors. To facilitate debt rescheduling with non-Paris Club creditors on comparable terms, the Paris Club could consider including representatives from key non-Paris Club creditors in any future meetings on debt rescheduling with Sudan.

FINANCING NEEDS AND COSTING

111. Implementing the CPA and making sustained progress on the priorities outlined in this Framework will entail substantial commitments on the parts of the NG and GOSS, but also require support from the international community. This effort will shift over time from the current focus on humanitarian assistance, to a recovery phase during 2005-2007, proceeding to a development phase which should allow Sudan to reach most of the MDG targets by 2015.

112. The financing needs have been estimated through the end of 2007 (Phase I) based on detailed sector program analysis complemented with available information on the current structure of the budget. Estimates for the outer years (Phase II covering the period 2008-11) will be reassessed in the context of preparation of the PES. The total external financing gap displays an inverted-U shape, increasing continuously until 2009 and decreasing thereafter in line with additional resources at the disposal of the NG and the stabilization of needs on the GOSS side:

- i. The recovery needs over the period 2005-07 have been estimated by JAM sectoral experts from the bottom up. Beginning in the latter half of 2005, to prepare the ground for the full-blown Phase I program during 2006-07, the identified needs for the NG (including the Northern States and Three Areas) amount to \$4.3 billion. For the GOSS, the estimated needs are about 3.6 billion (see Table 3.5).
- ii. The NG, given the pressing needs of the Three Areas and disadvantaged Northern States, and partly to accommodate the newly instituted transfers of oil revenue to the South, should seek a frontloading of donor assistance. The GOSS will be able to cover a considerable portion of the JAM estimated needs with its own share of revenues, but should be able to absorb increased assistance as capacity increases due to early efforts to build institutions, and improve transportation and communication infrastructure.
- iii. Shifting from consolidation of the peace and recovery, to accelerated development during 2008-11 (Phase II of JAM), with the objective of generating broad-based growth to meet the MDG of halving income poverty, will incur very large costs. Preliminary estimates point to \$1.5 billion a year in ODA, though further work is required to better identify own resources and needs as well as to quantify the impact of PES programs and external debt rescheduling.

Table 3.5 : Estimated JAM Needs and External Financing Gaps, Phase I (US \$ billions)

	Total JAM needs	Financing gap
Northern Sudan	4.3	1.2
of which Three Areas	0.7	
Southern Sudan	3.6	1.4
<i>Total</i>	<i>7.9</i>	<i>2.6</i>

Notes: For 2005, July-December only.

113. The cost estimates for the JAM-identified priorities are based on assessments by cluster teams, covering over 20 sub-sectors. It is based on work undertaken over the past twelve months by international technical experts working closely with national teams in the North and South. This bottom-up approach was coordinated with a top-down macroeconomic approach to ensure consistency. The unusually long duration of the Sudan JAM enabled much more detailed cost estimates than has been possible in previous post-conflict assessments. Extensive discussions with Sudanese counterparts at various Ministries and Secretariats and joint analysis with IMF staff have decreased the risk of double counting (Volume II Appendix details the methodology and unit costs). The cost estimates are linked to the cluster matrices presented in Volume II, which reflect international and national judgment and experience on how best to

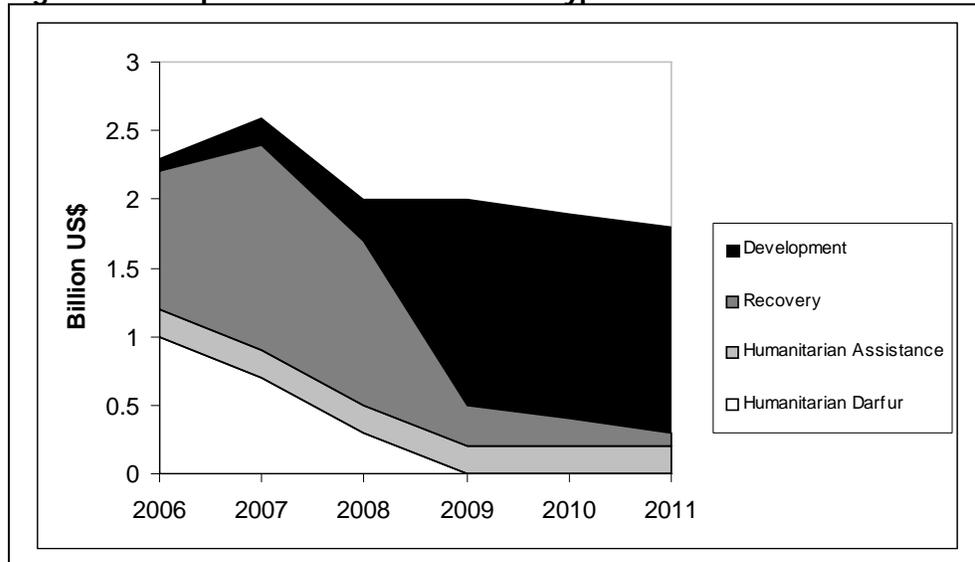
reduce poverty in an extremely challenging post-conflict environment with low absorptive capacity.

114. Public investment and expenditures on service delivery have to rise substantially relative to current levels. Such a major expansion in public expenditures will be facilitated by the NG, the States, and GOSS own efforts at mobilizing public and private resources, and by redirecting existing expenditures towards pro-poor purposes. On the NG side the effort is evidenced in the strong upward trend in the own financing effort which reduces the overall financing gap already by 2007. On the GOSS side, the gap continues to increase for several years, mainly because the immediate financing needs are held down by capacity constraints. In both cases, there are strong links between the JAM cost estimates, results, and government budgets.

115. A snapshot of the relative size of the needs that have been estimated in different regions of the country shows that the South, as expected, has the highest per capita financial requirements. Interestingly the per capita needs of the Three Areas are also large, and above those in the disadvantaged Northern states which are poor but nonetheless have a better starting point. These needs reflect the best judgments of the clusters, and core team, employing the methods detailed in Volume II.

116. Beyond the costs of the recovery and development programs identified under the JAM, the financial requirements of supporting the peace are substantial and include: costs of mounting a large UN peacekeeping force; continued humanitarian relief; the costs of recovery and reconstruction in Darfur; fully fledged DDR programs, and last but not least, funds for arrears clearance and debt relief. A possible pattern of different types of foreign assistance that will be needed over the Interim Period but which excludes the above costs is presented in Figure 3.6.

Figure 3.6: Expected Evolution of Some Types of International Assistance, 2005-11



Note: Does not include costs associated with peace-keeping operations, DDR, or debt relief.

117. In recent years, humanitarian assistance to Sudan has risen substantially. Between 2003 and 2004, total reported funding more than tripled, to \$1.31 billion, an increase largely driven by the international response to the humanitarian crisis in Darfur. In the commitments to the Work Plan for 2005 (as of February), close to 70 percent has been pledged towards food aid.

118. As the JAM has documented, the additional challenge now is to shift increasingly toward ensuring that development needs are addressed. Several international partners already have major development programs underway, over and above the significant contributions to alleviate humanitarian needs and to help address the crisis in Darfur. For example under the UN Work Plan for 2005, \$266.7 million (18 percent of the total) has been requested to support development programs, notably in support to the return and reintegration of IDPs and refugees, area-based recovery, preparation for a DDR programme, and rehabilitation of transport infrastructure. The United States has expanded its program of support for Southern Sudan to at least \$250 million for this fiscal year (through October 1, 2005), which is playing a crucial role in the early stages of supporting institutional development, emergency rehabilitation of infrastructure, and enable rural development and private sector growth in Southern Sudan.

119. In the medium term, investment in Sudan's financing needs will increasingly shift away from humanitarian and recovery toward development and long term capacity building priorities financed via own resources. While intense donor engagement will be necessary at the outset of the post-conflict era to meet the immediate needs identified by the JAM, as well as funding of ongoing and planned humanitarian and security operations, over time the external financing gap will steadily decrease, albeit with different patterns in the North and South. As explained above, by 2015 the external financing gap is projected to have fallen to zero in the North and \$400 million in the South.

Annex 3.1: Classifying Oil Exporters		
Political Features	Institutional Implications	Economic Implications
Mature Democracy		
Stable party system Range of social consensus Strong, competent, insulated bureaucracy Competent, professional judicial system Highly educated electorate	Long policy horizon Policy stability, transparency High competitiveness, low transaction costs Strong private/traded sector, prostabilization interests vis-à-vis prospending interests	Saving likely Expenditure smoothing Rents transferred to public through government-provided social services and insurance or direct transfers
Fractional Democracy		
Government and parties often unstable relative to interest groups Political support gained through clientelistic ties and provision of patronage Wide social disparities, lack of consensus Politicized bureaucracy and judicial system	Short policy horizon Policy instability, nontransparency, high transaction costs Strong state role in production Strong interests attached directly to state expenditures; politically weak private non-oil sector and prostabilization interests	Saving very difficult Procyclical expenditure; instability Rents transferred to different interests and to public through subsidies, policy distortions, public employment
Paternalistic Autocracy		
Stable government, legitimacy originally from traditional role, maintained through rent distribution Strong cultural elements of consensus, clientelistic and nationalistic patterns Bureaucracy provides both services and public employment	Long horizon Policy stability, non-transparency Low competitiveness; high transaction costs Strong state role in production Strong interests attached directly to state expenditure Weak private sector	Procyclical expenditure, mixed success with stabilization Risk of unsustainable long-term spending trajectory leading to political crisis Little economic diversification
Reformist Autocracy		
Stable government, legitimized by development Social range of consensus toward development Constituency in non-oil traded sectors Insulated technocracy	Long horizon Policy stability, nontransparency Drive for competitiveness, low transaction costs Strong constituency for stabilization and fiscal restraint	Expenditure smoothing, stabilization State investment complementary to competitive private sector Active exchange rate management to limit Dutch disease
Predatory Autocracy		
Unstable government, legitimized by military force Lack of consensus-building mechanisms Bureaucracy exists as mechanism of rent capture and distribution; corrupt judicial system Little or no civic counterweight	Short horizon Policy Instability, nontransparency Low competitiveness; high transaction costs Spending interests strong vis-à-vis private sector or prostabilization interests	No saving Highly procyclical expenditure Very high government consumption, rent absorption by elites through petty corruption and patronage, capital flight
Source: Gelb et al. (2003)		

 **JAM SUDAN** 
Joint Assessment Mission البعثة المشتركة لتحديد إحتياجات السودان

PRODUCTIVE SECTORS

MARCH 18, 2005

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NORTHERN SUDAN

OVERVIEW

1. This report analyzes the needs and prospects for the recovery of the productive sectors in Northern Sudan in the light of neglect during the decades of civil war. It will review the status and future prospects, with an emphasis on those regions most affected by civil war. The analysis focuses on the roles of the public and private sectors in their joint efforts to stimulate economic development growth and employment, improve the investment climate, and reduce poverty reduction.

2. There was substantial growth in the Northern economy during the 1990s, at rates of about 6.5 percent and 6.1 percent in 2002 and 2003, respectively. This was driven by growth in the petroleum and mining (9.1 percent per year) and construction sectors (4.7 percent per year) and in manufacturing (8.2 percent per year). Services contributed a substantial share of GDP and the growth in this sector was maintained at 4 percent over the past two years.

3. During the nineties the traditional rain-fed farming sub-sector (including traditional cropping and most of the livestock in Sudan) contributed about 60 percent of agricultural GDP and grew more quickly than any other part of the agricultural sector. In more recent years, growth rates have moderated to around 4 to 5 percent per annum. This rate may be more indicative of the longer term trends for agriculture because the performance during the nineties was stimulated by the removal of controls on most commodity markets. Pastoralism accounted for 45 percent of the total value of agricultural production and grew at 2.5 and 5.3 percent in 2002 and 2003, respectively.

4. Investment in traditional smallholder farming is a key priority. The incidence of poverty in rural areas in Sudan is estimated at between 65 and 90 percent but there is a wide distribution of incomes and hence welfare. Indeed, the traditional farming areas produce a share of agricultural GDP which is much lower than the share of the rural population in those areas. In the absence of large remittances or substantial off-farm employment opportunities for families on small-scale traditional farms, they are much poorer than those outside the traditional farming areas. The focus on the rain-fed traditional farming does not mean that other farming systems are important. The semi-mechanized farming needs major restructuring. Irrigated agriculture, which accounts for about 27 percent of agricultural GDP, is in need of substantial institutional reform.

5. Growth in traditional agriculture will depend heavily on gains in productivity since serious environmental concerns preclude further increases in the areas cultivated unless carefully monitored. The constraints which have always been known to be important in Sudanese agriculture include: (i) land policy; (ii) constraints in the marketing of agricultural products, and particularly the monopoly powers granted to the Gum Arabic Company over the export of raw gum arabic; (iii) inadequate resources for policy analysis and data collection; (iv) weak support services, including financial services to smallholders; (v) environmental degradation; and (vi) lack of policies and programs to effectively support women in rural areas.

6. That the constraints are not being addressed is due to shortcomings in governance and policy, namely: (a) inadequate allocation of public expenditures to the agricultural sector, including livestock, fisheries and forestry; (b) a tendency for public policy to interfere in markets for inputs and outputs with the aim of capturing a share of revenues, which squeezes out the private sector and reduces incentives for private investors and traders to buy and sell, and for farmers to produce a surplus; and (c) the lack of capacity building in the public service to ensure competent analysis of public policy issues and the effective delivery of adequate support services that the public sector should provide.

7. The Government of Sudan (GOS) has made significant strides in a wide variety of the critical areas necessary to foster an effective investment climate. This includes the strong macro-economic performance of the past few years, significant liberalization and privatisation and recent reforms to the investment code, and preparation of a new competition act. There are nonetheless areas for further action: (i) eliminating ministerial discretion in primary Investment Climate laws such as the Investment Code and the draft Competition Act; (ii) maintaining the significant progress on privatisation, but recognizing that Public Enterprises have overall failed to deliver basic infrastructure and other services (e.g. financial) to the population—hence the need to identify alternative Public-Private Partnership mechanisms and arrangements for the delivery of these critical basic services; (iii) improving corporate governance, including promulgation of a Corporate Governance Code for Sudan; and (iv) focusing on addressing the constraints that micro, small and medium enterprises face, since this sector provides real employment and income growth potential.

8. The domestic private sector also highlighted the following issues: (i) the government needs to guard against interventions and actions that tilt the playing field in favour of particular business interests or business communities, which is particularly the case with those enterprises—often deemed “strategic”—that are either directly owned by the government or with close links to the government; (ii) the need for better-trained manpower, which also includes better language skills and a greater understanding of how markets function; (iii) the need to review practices and effectiveness of Government-awarded and monitored usufruct rights to land; (iv) the lack of efficiency and predictability in the judicial resolution of commercial disputes, which are important areas where improvements are required if perceived investment risks are to be reduced; (v) uncertainties and increased costs caused by inefficient government implementation of policies, laws and regulations; and (vi) the need for increased even-handedness and transparency in dealing with the different business interests at the national and the state levels. In war-affected states, businesses and their representatives consistently spoke of the need for a more pro-active and balanced effort on the part of the national government towards the regions and away from Khartoum.

9. With Millennium Development Goal (MDG) 7 (environmental sustainability) in mind, it is important that the industrial, manufacturing and investments sectors integrate environmental concerns into their development processes and strategies. When feasible, Environmental Impact Assessments should be conducted, best practices and environmental standards should be introduced, and environmental awareness campaigns should be promoted throughout these sectors.

10. It is recommended that the program of assistance to foster increased productivity and income growth within the traditional smallholder farmer sector be complemented by actions that would foster private sector development, particularly in war-affected areas. The initiatives in the agriculture sector would focus on strengthening support services, agricultural marketing reforms, and strengthening the capacity of financial institutions to deliver agricultural credit programs and other financial services. On the private sector side, a “two track” approach is recommended. The first track would address outstanding policy and institutional change actions required to further improve the overall investment climate. The second track would look more specifically at actions and services required within specific sector value chains and at the enterprise level in the war-affected areas.

RELATIVE IMPORTANCE OF PRODUCTIVE SECTORS IN THE ECONOMY

11. The Northern Sudanese economy grew at rates of 6.5 percent and 6.1 percent in 2002 and 2003 respectively. The distribution of this growth across the different sectors of the economy is presented in Table 4.1.

Table 4.1: Growth rates and its components
(81\82 constant prices)

Sector	2002	2003
	Growth Rate	Growth Rate
GDP	6.5	6.1
Agriculture	7.3	5.2
Irrigated	2.2	4.3
Mechanised	27.1	78.2
Traditional	38.2	-4.9
Forestry\other	4	4
Livestock	2.5	5.3
Industry	8.1	10.6
Petroleum\Mining	12	11.4
Manufacturing	7.1	10
Electricity and Water	3.7	5.1
Construction	4	12
Services	4	4
Government	4	4
Other	4	4

Source: Bank of Sudan Annual Economic Report.

12. The main industrial activities in Northern Sudan are manufacturing, construction, electricity and water, and mining. Other than large-scale investments, such as in sugar, oil refinery and cement, the manufacturing sector consists of medium- and small-scale private enterprises, mainly in food processing, pharmaceuticals, and transport. Manufacturing performance is characterized by low growth (averaging only 4 percent a year during 1980-95), reflecting poor capacity utilization, which is as low as 30 percent in many plants.

13. Service sectors (transport, communications, hotels and restaurants) have been among the fastest growing sub-sectors. This is associated with increased demand for services from oil and oil-related industries, although there is considerable excess demand in non-oil sectors. A major new hotel and services complex investment in Khartoum, 100-percent financed by the Libyan-Arab Financing Investment Company, is scheduled for completion in 2006.

14. The Economic Policy Cluster in this Volume addresses macroeconomic policy issues. As discussed there, in the mid 1990s, liberalized domestic and export markets for agriculture, the removal of subsidies in most sub-sectors, a government-supported allocation of credit to agriculture by the commercial banks, and additional funds for the Agricultural Bank of Sudan stimulated agricultural production, which was much higher and more stable during the 1990s than it was during the 1980s.⁶⁵ Although seasonal conditions during the 1990s were much more favourable to agriculture than the 1980s, the economic reforms had a substantial additional impact on average growth in agricultural GDP, which reached 11 percent per annum in the 1990s, compared with an average of about 0.6 percent per annum during the 1980s.⁶⁶ Average annual GDP growth in recent years moderated overall but remains strong.

The Government's Vision

15. The GOS has developed 5 and 25-year plans for the agricultural and industrial sectors, which can be summarized as follows:

- i. The Agriculture Sector Five-Year Plan provide the context for the JAM. The main policy objectives are (a) public investment in infrastructure, such as rural roads and electronic

⁶⁵ The widespread drought of 1984/85 created massive disruptions in agricultural and pastoral production with drastic effects for the Agricultural Bank of Sudan.

⁶⁶ There are some misgivings among seasoned observers about the very high growth rate in agriculture during the nineties. Nevertheless this growth rate is based on the official production data.

- communications; (b) focus on small-scale farmers in rain-fed farming areas; (c) crop insurance programs; (d) research; (e) institutional reforms such as land policy; (f) increased role of the private sector in areas such as marketing; and (g) participation of farmers in policy making. The plan is logical but lacks specifics and priorities.
- ii. The Industry Sector Five-Year Plan—General Policy for Manufacturing Industries 2002-2007 has the following main policy objectives: (a) encouraging local and foreign investment through improvements to the investment climate—e.g. taxation, regulations, adoption of quality standards; (b) strengthening competitiveness in regional and international markets (linked to Sudan's accession to the WTO and convergence to the terms of membership to Common Market of Eastern and Southern Africa (COMESA) and to General Arab Free Trade Agreement (GAFTA); (c) providing essential infrastructure services to the private sector (electricity, transport, communications, water, sewage); and (d) development of small-scale and rural industry through the facilitation of financial, technical and business services and backward and forward linkages.
 - iii. The Agriculture 25-Year Plan is intended to “to stir and trigger rural development so as to give rise to urban communities in which all services are provided fresh water, technical education, healthcare, electricity, fossil fuel and renewable sources of energy and other development projects with fair and just distribution between all regions, cultures and ethnic groups.”⁶⁷
 - iv. The Industrial Sector 25-Year Plan⁶⁸ as set out in the Ministry of Industry's (MOI) Strategy gives priority to the strengthening of the competitive advantage of local industries through the adoption of market-oriented, environmentally sustainable policies and facilitation of services (financial, technical, vocational) particularly to small, medium and artisanal enterprises.

16. The next sections investigate to what extent the Government is on track with these strategies and plans.

STATUS AND CHALLENGES

Agriculture⁶⁹

17. Agriculture currently accounts for about one-third of GDP in Northern Sudan and, despite the growing importance of the oil industry, agriculture will remain a major source of future economic growth and also dominate life for the majority of Sudanese for decades to come. Map 1 shows the distribution of livelihoods in the agricultural sector.

18. More than 60 percent of the population in the North lives in rural areas. Agriculture remains the main source of employment and household income in rural areas, and was the main source of exports until the start of oil production in 1999. Sudan's substantial agricultural resource base covers several agro-economic zones that include forests, swampland, arable cropland, and grazing land for livestock, as well as fisheries in the Nile Basin and the Red Sea.⁷⁰

⁶⁷ Republic of Sudan, Ministry of Council of Ministers, National Strategic Planning Council, “*Strategic Quarter-Centennial Plan 2003-2027, The Vision.*”

⁶⁸ See the Ministry of Industry's (MOI) “*General Policy for Manufacturing Industries 2002-2007.*”

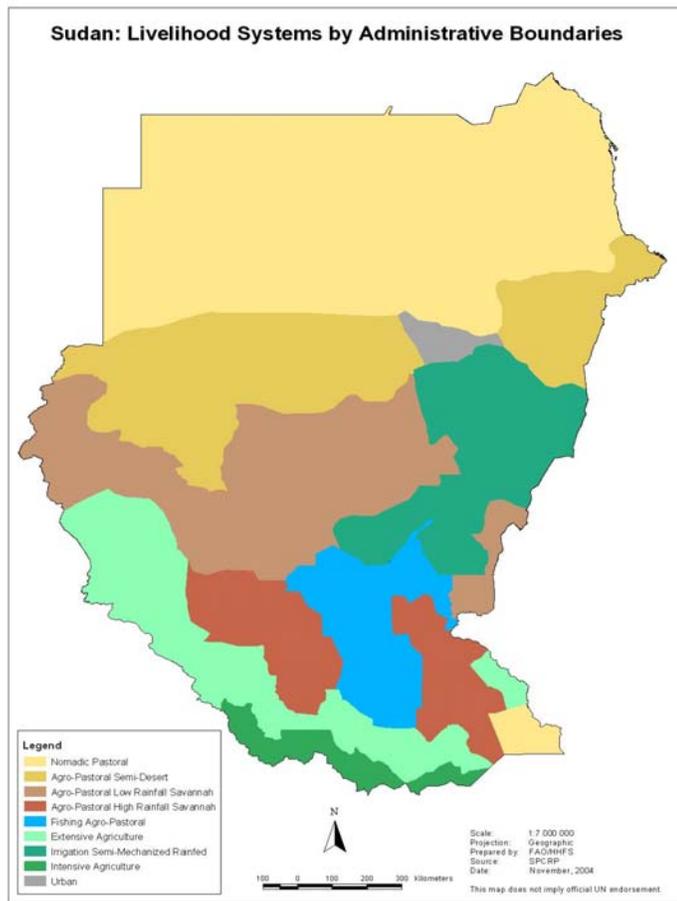
⁶⁹ Because separate official data for North and South are not available, this section covers both areas, but in the South the coverage is limited to the GOS-controlled areas.

⁷⁰ The latest estimate of land use is from 1975, reported in World Bank Report no. 6502-SU, “Sudan: A Strategy for Rain-fed Farming—A Commentary on the Government Steering Committee Report,” April 28, 1987. This report indicated that of Sudan's total area of about 2.5 million square kilometers, 35.4percent was suitable for agriculture, with around 3.3percent cultivated at any one time (the remainder would be out of use or fallow); 10.1percent was pasture; 38.5percent was forest and scrub; and 16.0percent was not usable for agriculture, grazing or forestry.

19. The area currently cropped is estimated at 41 million feddan,⁷¹ about 20 percent of the potential arable land. The relatively light infertile soils and the limited availability of water for domestic consumption are, however, constraints to agricultural production in most areas. Rainfall varies from near zero in the extreme Northwest to a high of 1,600 mm per year in the temperate and rich forest zones in Southern Sudan. About half of Sudan is susceptible to periodic severe droughts that often span two years. Even with average rainfall, large areas are ecologically sensitive and require careful management in order to achieve sustained agricultural and pastoral production.

20. Northern Sudan has three major farming systems, namely irrigated, rain-fed semi-mechanized and rain-fed traditional agriculture. Irrigated agriculture accounted for an average of 21 percent of the value of total agricultural production in

Map 4.1. Major Livelihood Zones



Source: FAO.

the 1990s; semi-mechanized rain-fed agriculture accounted for 6 percent; and traditional rain-fed agriculture, 13 percent. Pastoralism (predominantly livestock production in the traditional rain-fed areas) has always been classified as a separate farming system, even though it is integrated with other farming systems. In the 1990s, the average value of livestock production accounted for 47 percent of the total value of agricultural production.

21. The majority of the poor live in the traditional rain-fed production areas. About three quarters of the Sudanese population lives in rural areas and depends either directly or indirectly on agriculture for its income and welfare. Yet growth in agriculture (and therefore the growth of the whole Sudanese economy) varied considerably over the past two decades due to good and bad macroeconomic and agricultural policies that created fluctuating incentives for agricultural and pastoral production, weak development of new technology, and distortion of export markets, as well as droughts, floods and locust attacks. Nevertheless, the growth rate of the agricultural sector during the 1990s, when there were no droughts, was an extraordinary 11 percent per annum according to official statistics – and yet poverty is said not to have declined. While agricultural output has been strong, the distribution of benefits from growth has favoured those with access to capital and land, and has therefore not benefited the poor.

22. The incidence of poverty in rural areas in Northern Sudan during the eighties was estimated at about 83 percent.⁷² El Tahir Nur, using the 1992 Poverty Baseline Survey in

⁷¹ One feddan is 0.42 hectares, or 1.038 acres.

⁷² Ali Abdel Gadir Ali (1994), *Structural Adjustment Programs and Poverty*, Arab Research Centre, Cairo.

Northern Sudan, estimated rural poverty at between 71 and 86 percent.⁷³ Ali used a higher poverty line and estimated rural poverty in 1992 at close to 94 percent. Using a different poverty line and based on interviews with a sub-sample, Ibrahim A. Ibrahim estimated the incidence of rural poverty to 65 percent in 1990,⁷⁴ and then 94 percent in 1996. None of these estimates of poverty are definitive given doubts about the 1992 survey, but are nonetheless the best available and suggest that the rural poverty rate is between 65 and 90 percent. Experienced Sudanese observers claim that, despite the strong growth in the economy and particularly in the agricultural sector, there has been no significant reduction in rural poverty in recent years.

23. Poverty in Northern Sudan is much higher than in neighbouring countries. The upward trend in poverty estimates during the 1990s is consistent with the general perception about the incidence of poverty in Northern Sudan. The estimated levels of rural poverty (in the range of 65-90 percent) are out of line with a range of 50-60 percent for Sudan's neighbours, whose GDP per capita levels are typically lower. Variations in the estimates may reflect the different poverty lines adopted, while the estimates are affected by the alleged low accuracy of expenditure and income measurements in the 1992 survey. Nonetheless there is undoubtedly a very skewed income distribution in Sudan,⁷⁵ and levels of welfare in rural areas are often grim, with some indicators of human development showing a deteriorating trend in recent years.

24. Traditional farming areas produce a share of agricultural GDP that is much lower than the share of the rural population that it supports (Box 4.1). Unless there are large remittances or substantial off-farm employment opportunities in services or manufacturing for the families on small-scale farms, it is inevitable that they will be poorer than those outside the traditional farming areas. The evidence, though incomplete, is that services and manufacturing in the traditional farming areas are minimal, and the trend has been worsening as the viability of rural towns has declined in the context of a badly functioning decentralization (see Capacity Building Cluster).

25. Agricultural incomes, particularly in the traditional rain-fed farming areas, must grow substantially in order to reduce poverty and improve rural welfare. The focus on the rain-fed traditional farming does not mean that semi-mechanized farming or irrigated agriculture is irrelevant to the future of Sudanese agriculture. The semi-mechanized farming needs major restructuring and a study to develop an action plan is proposed later in this report. On irrigated agriculture, which accounts for about 27 percent of agricultural output, there is already a set of proposals for reform.

Box 4.1. Rural Poverty is Concentrated in Traditional Farming Areas

In 1999 the traditional rain-fed farming areas accounted for about 56 percent of agricultural GDP, compared with about 70 percent of the rural population. In contrast, the semi-mechanized areas typically produce 7 to 8 percent of agricultural GDP, but only about 0.7 percent of the rural population lives there. Irrigated areas produce about 22 percent of GDP from agriculture, and are occupied by about 12 percent of the population. Of course, there are absentee lease holders in both these semi-mechanized and irrigated areas; nevertheless, the broad picture is a skewed distribution of per capita GDP among the three major farming systems. Therefore, in relative terms, those who live and work in large numbers in the traditional farming areas will always be poorer than those in other farming systems until there are changes in average farm size and technological change. These, along with lack of infrastructure and education, are the reasons for chronic poverty across large areas occupied by traditional rain-fed farming.

Source: World Bank, Sudan Country Economic Memorandum, 2003.

⁷³ El Tahir Mohamed Nur. 1997, *Welfare Distribution and Relative Poverty in Sudan 1992*, UNDP/ILO, Khartoum.

⁷⁴ See Ibrahim Ahmed Ibrahim, *Poverty Survey 1997*, mimeo, 1997.

⁷⁵ It has been estimated that in 1996 the Gini coefficient for incomes of wage laborers was 0.65, with a Gini coefficient for urban areas of 0.72 (see Ibrahim Ahmed Ibrahim, Abdalla M. Elobodi and Mustafa Y. Holi, *Poverty, Employment and Policy Making in Sudan*, Draft, November 2001).

Prospects for Development, Growth and Income Generation

26. Sudanese agriculture is large and diverse, complex also because of its range of agro-climatic environments. Therefore a wide range of policies, institutions and infrastructure will be needed for the sector to generate sustained growth. The sector's diversity is reflected in the differing performance of the major sub-sectors over the decade – due to different problems and substantially different prospects. A brief review of sub-sectoral performance helps put agriculture as a whole into focus.

27. Table 4.2 shows performance over time. Of the three main farming systems, irrigated agriculture accounted for an average of 21.1 percent of the value of total agricultural production between 1991 and 1999 and grew at an average annual rate of 6.6 percent; semi-mechanized rain-fed agriculture accounted for 6.3 percent, declining in terms of value of production at 6.7 percent per annum; and traditional rain-fed agriculture accounted for 12.5 percent of GDP but grew at 24.6 percent per annum. Pastoralism (predominantly livestock production in the traditional rain-fed areas) has always been classified as a separate farming system, even though it is integrated with other farming systems (particularly with traditional rain-fed farming). In the 1990s, the average value of livestock production accounted for 47 percent of the total value of agricultural production and grew at 15.9 percent per annum. The traditional rain-fed farming sub-sector (based on traditional crops and most of the livestock in Sudan) contributed about 60 percent of agricultural GDP during the 1990s and grew more rapidly than other agricultural sub-sectors.

28. Recent performance shows more moderate but still respectable growth rates of 4 to 5 percent (Table 4.3). This may be more indicative of the longer term trends for agriculture since activity during the 1990s was stimulated by the decontrol of markets. The dominance of the livestock and traditional farming sub-sector continues to stand out. The only exception to solid growth of the agricultural sector over the last five years was 2000, a drought year.

Table 4. 2. Growth rates and GDP shares for sub-sectors in agriculture, 1981/82-1999 (percent)

Sub-sector	1981/82-1990/91		1991/92-1999	
	Growth Rate (per annum)	Share of GDP within Agriculture	Growth Rate (per annum)	Share of GDP within Agriculture
Irrigated crops	1.5	25.8	6.6	21.1
Rain-fed semi-mechanized crops	-9.2	8.1	-6.7	6.3
Rain-fed traditional crops	-8.4	10.0	24.6	12.5
Minor crops	1.2	1.1	-1.4	1.2
By-products	7.5	6.8	2.4	5.9
Total crops	-0.8	51.8	8.5	47.0
Livestock	2.0	36.9	15.9	46.9
Forestry	0.7	9.9	-21.5	4.8
Fisheries	1.0	1.4	9.0	1.3
Total	0.6	100.0	10.8	100.0

Source: Central Bureau of Statistics. Note: The years 1983-1985 and 1990/91 were drought years.

Table 4.3: Growth rates and GDP shares for sub-sectors in agriculture, 2000-2004 percent)

Sub-sector	Growth Rate (per annum)					Share of GDP within Agriculture				
	2000	2001	2002	2003	2004	2000	2001	2002	2003	2004
Irrigated crops	7.6	12.3	0.3	4.3	2.2	27.4	29.4	27.6	27.1	26.7
Semi-mechanized crops	-55.7	5.4	27.4	7.8	34.9	2.3	2.4	2.8	4.8	6.2
Rain-fed traditional crops	-5.9	-12.0	37.3	-4.9	5.2	16.4	13.8	17.6	16.0	16.0
Livestock	5.7	6.0	2.5	5.3	2.1	47.0	47.6	45.4	45.5	44.4
Forestry, fishing etc	4.9	4.9	4.0	4.1	6.4	6.9	6.8	6.5	6.6	6.7
Total agriculture	0.8	4.7	7.3	5.2	4.5	100.0	100.0	100.0	100.0	

MANUFACTURING, INDUSTRY, FINANCIAL SECTOR AND INVESTMENT CLIMATE

29. GOS's economic strategy over the past decade has emphasised macroeconomic stability, liberalization, recent reforms to the investment code, preparation of a new competition act, and increasing openness to the global economy. Notwithstanding these commitments, there are areas where further actions are critical. The investment climate and access to finance impinge most directly on competitiveness and MSME development. Constraints that confront Sudanese enterprises are both at the level of firm competitiveness and in terms of the overall investment climate. Both areas will be reviewed as a first step in devising a framework of assistance for private sector development in Northern Sudan, paying particular attention to agro-processing and industry opportunities in disadvantaged regions.

30. The investment climate comprises several factors that influence the costs, risks and barriers to competition faced by businesses. Some fall within the purview of government while others are mostly exogenous in character. The principal elements of the investment environment that remain the GOS's responsibility to deliver or facilitate are indicated on Table 4.4.

31. The new Investment Act (1999) and subsequent amendments were designed to rationalize the cumbersome investment procedures and the Code contains many positive provisions and offers incentives at or beyond what is offered by countries in the region. The general perception of business is that the Act is good, and an assurance that the GOS remains committed to private sector development and against past nationalization efforts.

32. The current portfolio of investments mainly targets urban areas, overwhelmingly Khartoum and Port Sudan, and important improvements could be made to the Code. Clear and uniform rules and provisions are frequently weakened by Ministerial discretion, since the Code allows for such petitions. Evidence internationally indicates that a need to seek favours—as opposed to clear and equal entitlements—and the resulting potential for corruption has a disincentive effect on responsible investors.

33. There is evidence of significant FDI growth momentum in Sudan. The data provided demonstrate a rapid increase in expressions of interest and investment approvals, year over year, since 2001, although this may also reflect better reporting. Growth in the oil sector has stimulated investment in that sector (See Economic Policy Cluster).

Table 4.4: Status of investment climate in Northern Sudan—the impact of GOS policies and behaviour

Assessment Categories	Determining Factors	GOS Policies and Practices
Costs	Corruption	While private sector did not highlight corruption per se as a major concern, insider dealing and cronyism, particularly in regard to SOEs and privatization is an area to be addressed.
	Taxes	There have been large increases in indirect taxes (custom and excise). Non-tax revenues (oil) amount to more than half of government revenues. Tax privileges to 'strategic industries' under the Investment Enhancement Act generate lobbying and uncertainty to investors.
	Red Tape	Good laws are weakened by poor implementation, including ministerial discretion. Customs procedures, particularly at Port Sudan, are widely highlighted as constraints to trade.
	Infrastructure and Finance Costs	Poor infrastructure and limited access to financial services represent major constraints to business. The current 7 percent ratio of private sector financing to GDP is low compared to countries at comparable levels of development. Banking focuses on few corporate clients.
	Labour Markets	Basic (including language) and other labour skills inadequate. The 1992 Trade Union Act established a trade union monopoly controlled by the government. Since then, strikes are outlawed and collective bargaining is nearly non-existent. A new Labour Code was effective December 2000. Businesses say procedures on hiring/firing are administratively costly.
Risks	Policy Predictability	Considerable work still needs to be done to interpret the Wealth Sharing Agreement and put in place policies and laws.
	Macro-economic stability	Implementation of policies and laws can be improved. Private sector expressed frustration with poor policy dialogue and communication and lack of consistency in application and follow-through, particularly outside of Khartoum.
	Rights to Property	Under the Unregistered Land Act, 1970, almost all land is owned by the government. Private land registered before 1970 is limited to agricultural land along the Nile and areas along other water courses, which accounts for about 1 percent of all land. Individuals can, however, obtain leases of government land and assume usufruct rights. Businesses commented that the recent Investment Encouragement Act, which provides usufruct rights to eligible investors, still leaves many uncertainties, which diminishes investment response.
Barriers to Competition	Contract Enforcement	Resolution of disputes through the legal process is slow and unpredictable for many businessmen.
	Expropriation	
	Regulatory barriers to entry and exit	Registration currently requires a number of steps.
	Competition law and policy	Draft competition law currently before Parliament. Fundamentally a good law, with some areas for improvement. Capacity for implementation will be a challenge.
	Infrastructure and finance services	Major constraints exist in the infrastructure and financial services sector—particularly in areas of the country outside of Khartoum.
Market determination of prices	Major reforms have liberalised many prices, with the exception of the gum arabic monopoly.	
Private Participation in Service Delivery	The GOS has indicated its interest in fostering private sector engagement in service provision through the use and application of various contracting arrangements, from straightforward service contracts through to management, concessioning and leasing.	

Source: Based on Table 1.1, World Development Report, 2005.

34. The Privatization Program has been underway since the 1990 "Disposal of Public Enterprises Act." The objectives are to: (a) reduce the budget deficit, absorb excess liquidity and curb inflation; (b) encourage the private sector to increase expenditure and investments, and cause private companies to increase their capital stocks to assist in mobilizing the economy; (c)

utilize liquidity available to the private sector according to priorities; (d) expand the range of competition between investors to serve the public interest; (e) enlarge direct private ownership by converting some public entities into public limited companies that accommodate small investors; (f) improve the investment climate to attract local and foreign investment; (g) acquire and utilize advanced technologies; and (h) eliminate bureaucratic behaviour and practices, improve administrative systems and propagate principles of transparency.

35. More than 150 enterprises have been privatized, including important players in the financial and telecommunication sectors. Between 1999-2002, 107 public enterprises were identified for privatization, of which 70 have been disposed. GOS has also recently completed the liquidation of the Sudanese Building & Construction Company; National Company for Water Resources; National Company for Drilling and Investment and Shibak Transport Company.

36. GOS continues to schedule further enterprises for disposition. Enterprises are classified according to strategic standards, economic efficiency and social impact. The method of disposition is considered with choices being made among outright sale, partnership, concessioning, creating a public share company, merging or liquidation. The 2003-2004 program initially scheduled nine enterprises but has now been extended to 13 enterprises, including two banks. But there is further to go and it needs to be recognized that public enterprises have overall failed to deliver basic infrastructure and other (e.g. financial) services to the population—hence the need to identify alternative mechanisms and arrangements for the delivery of these critical basic services (see also the Infrastructure report). There were some concerns expressed within the public sector that the remaining public enterprises continue to absorb significant quantities of money, both directly from the GOS and from the financial sector. This will continue to “squeeze out” the nascent private sector and endanger future growth.

37. Reforms in trade policy have mainly focused on removing restrictions, abolishing state monopolies in the export of commodities, and rationalizing taxes and tariffs. With few exceptions, all exports and imports are free from non-tariff restrictions. GOS abolished export and import licensing, although there are restrictions on imports determined on the basis of security, religion (particularly consumption of alcohol) and public health. Export licensing has been replaced by administrative procedures. Since 2001, only four import tariff bands are in use besides the zero rate. The effective tariff rate is currently about 12 percent on average.⁷⁶ Currently tariff revenues amount to roughly 20 percent of government revenues (excluding grants). Sudan joined the COMESA free trade zone in 2000 and is in the process of accession to the WTO. Under terms of the GAFTA, Sudan is expected to reduce tariffs by 16 percent per year, starting in 2005. A number of bilateral agreements are currently effective—totalling 12 with Arab states, 7 with sub-Saharan African and 4 with European states.⁷⁷

38. The current draft law on competition is, for the most part, of good quality and should prove be a cornerstone of an improved business environment, in terms of competition policy, anti dumping provisions, and consumer protection. Consideration should be given to revising the draft Act to bring it more into accordance with international best practice policies and terminology. Especially at a time when Sudan is seeking to strengthen its market economy and is preparing to join the WTO, it is important that economic and commercial laws be carefully designed and use terminology, policy and application mechanisms clearly understood by investors and the private sector in Sudan and internationally. In particular the Consumer Protection and anti-dumping provisions should be handled and administered in separate enforcement units.

⁷⁶ Comparing the effective rate with the SAC (simple average tariff) rate of 23 percent, it becomes apparent that preferential regional trade agreements play an important role in Sudan’s trade relations. See the IMF Staff Report for the 2003 Article IV Consultations, October 2003.

⁷⁷ See “WTO Accession—Overview Report”, UNIDO Report, prepared by Yara Salem, 2004.

39. Private investors will not likely invest in a country without a sound business environment and will not invest in firms that do not subscribe to sound corporate/enterprise governance principles. At a minimum, the relationship between shareholders, the Board of Directors and Management should be clearly defined and understood. The role and protection of minority shareholders needs to be clearly defined. All shareholders, private or public, domestic or foreign, must be equally respected. The financial management of the firm must be carefully and independently audited under the supervision of an independent audit committee.

40. There are a variety of factors behind the limited performance of the Sudanese industrial and MSME sector. Inadequate and unreliable electricity supply even in the major urban centres imposes serious costs on entrepreneurs. As a result many business owners install their own generators. Outdated capital equipment and limited access to finance, technology and business know-how combine with policy uncertainties to discourage new investment, particularly outside of Khartoum. The potential for increased linkages between the agricultural sectors and private sector operators involved in processing and marketing needs to be further investigated and developed in order to increase the value-added in these industry chains. The Sudanese Trade Points established under the Ministry of Trade are providing some of these services, with the Khartoum operation showing a growing clientele. However outreach beyond Khartoum and Port Sudan is limited. Moreover, the mandate, budget and cost-recovery practices of the Trade Points constrain the scope for any expansion in the range or outreach of the services provided through this program. The Trade Points are not well-suited to provide industry-specific technical and business advice expertise.

Access to Finance

41. The financial sector, which is based entirely on Islamic principles, currently consists of the Bank of Sudan (BOS), 26 operating banks, 17 insurance companies, 9 foreign exchange bureaus, the Khartoum Stock Exchange, the government securities market and a number of MFI and informal lenders. The government holds controlling shares in four commercial banks, including the largest and the Agricultural Bank of Sudan (ABS). The system, while growing, remains relatively small and financial services, which entail a wide variation of Islamic instruments, are predominately targeted to short-term (commercial loans are predominately three or six month) credit, particularly trade and to earning fee-income (e.g. demand deposits). Net domestic credit has grown by 9-26 percent over the past three years. Despite encouraging recent trends, there remains a shortage of credit to all but the largest and most established clients. Traditionally, the financial sector has been characterized by heavy Government intervention and regulations and financial intermediation to agriculture (specifically irrigation and semi-mechanized agriculture) and small-scale businesses and traditional rain-fed agriculture have received minimal amounts.

42. Banks have suffered from many defaults, which have made them wary about lending to the productive sector.

Table 4.5: Current bank finance to the Micro, Small and Medium Enterprise sector

Bank	Current Credit Levels
Bank of Khartoum	10.6
El Nilein Bank	2.1
Animal Resource Bank	6.3
Omdurman Bank	20.9
Saving and Social Development Bank	2.2
Agricultural Development Bank	5.6

Table 4.6: Ratio of non-performing loans in selected financial institutions

Bank	NPL Ratio
Bank of Khartoum	6
El Nile Bank	15
Animal Resources Bank	26
Omdurman Bank	10
Saving and Social Development Bank	22
Agricultural Development Bank	n.a.

Note: As of 30th September 2004—target ratio 9 percent
Source: Mission estimates – see text. 1

Table 4.5 summarizes current BOS reports on the extent to which the banking system is responding to the BOS directive to earmark 10 percent of loan portfolios to the MSME sector. In discussions with banks, it would seem that this policy directive is viewed as a social obligation as much as, if not more than, as an economic opportunity. Various commercial bank officials referred to this portfolio as their “social welfare” lending. To a certain degree⁷⁸ the share of non-performing loans (see Table 4.6), which overall remains above BOS benchmarks, likely reflects the banks approach to the management of this portfolio of “social welfare loans.”

43. Financial services to the agricultural sector have been public sector-controlled, inequitable, and in disarray, with substantial losses for many years. During the 1990s, after the government decided to liberalize the agricultural market, a consortium of commercial banks provided much of the annual financing needs for the irrigation sub-sector under the protection of a guarantee from the central government. But the NG then had to intervene to compensate for the poor repayment record of the irrigation schemes. Since then the main financing burden has been shouldered by the Sudan Cotton Board. Irrespective of the financing mechanisms, the scheme managements have managed the distribution and repayment of credit to producers through individual accounts, and the collateral was cotton production ginned by the schemes. There are prospects that, with the implementation of reforms in the irrigated sector, accounts may no longer be controlled by the scheme managements.

44. Credit for the large semi-mechanized farming area was provided by the ABS for inputs as well as capital equipment. In 2001 this amounted to SD17.9 billion—41 percent of all agricultural credit. While there have been many attempts over the years to improve access to credit for small-scale farmers in rain-fed farming areas through actions by the commercial banks, ABS, cooperatives and group credit arrangements, these efforts have failed. A study is urgently needed to find a solution.

Views from the Domestic Private Sector

45. Boxes 4.2 and 4.3 summarize the feedback received from interviews and focus group sessions with a significant cross section of the private sector in Khartoum.⁷⁹ Common priorities for GOS were to upgrade and extend infrastructure services, particularly power and water, and the need for human capital, including language and market skills. The greatest concern of the business community was the need for the GOS to pursue its liberalization policy more vigorously.

46. Government-awarded and monitored usufruct rights to land and the lack of efficiency and predictability in the judicial resolution of commercial disputes were identified as important areas for improvements. The business sector also highlighted the uncertainties and increased costs caused by inefficient government implementation of policies, laws and regulations. A difficult and sensitive matter relates to government even-handedness and transparency in dealing with different business interests at the national and state levels. In war-affected states, businesses consistently spoke of the need for a more pro-active and balanced effort by the national government.

⁷⁸ This would need to be verified with a closer portfolio assessment of the NPL.

⁷⁹ This includes meeting in Khartoum with the Rotary Club, the Business Association and including groups representing interests in livestock, fisheries, gum arabic and in Red Sea and in Kassala States.

Box 4.2: Private Sector—Khartoum Views on the Investment Climate in Northern Sudan

Infrastructure. Unequal infrastructure development reinforcing investment bias towards major cities

Business and Investment Registration. Lengthy delays experienced in registration and unnecessary involvement of security organs in vetting foreign investors.

Commercial Dispute Resolution. Need to enhance legal professional know-how with commercial issues, including general improvement in capacity to work in English.

Labour Policy. Various restrictions act as a disincentive to labour recruitment. This includes: (a) dismissal procedures in the 1997 Labour Act; (b) labour office approval of recruitment notices; (c) poor basic and tertiary education skills and limited technical and vocational and language training; and (d) recent changes in social insurance regulations significantly impact compensation packages.

Taxation. Issues: multiple taxes imposed at the national and state level and inefficient administration increasing business uncertainty—with efforts to introduce unified tax offices not yet seen to be effective.

Specific considerations are as follows:

- *Business Profit Tax:* reduced to 10 percent for manufacturing. Remains at 35 percent for other industries. GOS officials are unwilling to take audited accounts as stated. This increases uncertainty and cost of doing business.
- *Payroll Tax:* Includes 20 percent expatriate tax on gross salaries and additional 10 percent tax on casual labour.
- *VAT:* severe penalties applied for non-compliance. These penalties are imposed before appeal and are not refundable. VAT administration weak with little expectation by the private sector that they will be able to recover refundable VAT payments. VAT officials unwilling to trust sales and cost figures which results in unnecessary expenses.
- *Zakat:* need for the ZAKAT administration to streamline assessment and levy capacity.
- Stamp Duties: these charges — such as for the wounded and the student — are an unnecessary tax grab

Finance: General concern as to how the Islamic and conventional banking will operate in tandem. Specific issues raised include:

- *Accounts and Credit:* Account opening procedures relaxed, although BOS approval required for accounts and financing facilities to foreign companies and those with foreign shareholding.

Trade: Customs should be levied on CIF invoices and not based on average price database maintained and adjusted unilaterally by the customs agency.

Box 4.3: Focus Group with Business Membership Organisations: Kassala State—Major Constraints to Business

Farmer's Association

- Productivity is compromised by war, drought and water and electricity shortages.
- Marketing very inefficient due to infrastructure constraints.

Businessmen's Association

- Production costs to businesses high due to poor infrastructure services, particularly power which necessitates the use of generators.
- Floods and IDPs create social stress and pose unemployment problems. Estimated that businesses lost \$5 million in last years floods. Forests are being depleted by the IDPs.
- Shortage of financial services to businessmen.

Fruit and Vegetables Association

- Would like to introduce new seeds that produce seedless crops and find non-chemical ways of pest control. Also looking for new poultry technology and tissue culture for bananas.
- Irrigation and disease management need to be improved.
- There are two processing factories in the State (drying onions, sesame paste and canning fruits), but grid electricity provides at most 25 percent of demand.

Chamber of Commerce

- Electricity, transportation (including railways and airport) and irrigation services need to be rehabilitated and upgraded.

Framework for JAM Assistance to Agriculture and Private Sector Development Two to Six Year Vision for Agriculture—Prospects and Major Issues

47. With the CPA, Sudan stands at the threshold of major economic achievements, which could result in an increase in domestic and foreign investment, improved infrastructure, more efficient telecommunications, a gradual return to trade with Southern Sudan, increased production of oil, and steady broad-based growth in agricultural production based on technological advances. These would bring significant changes in the structure of the economy in Northern Sudan during the Interim Period. The oil and agricultural sectors will be the driving forces behind growth and the structural changes in the economy.

48. During the 1990s the main driving force for growth in agricultural crop production was area harvested, while yields declined overall. This is surprising since seasonal conditions were generally good, and suggests weak support services available to farmers and the expansion of crop cultivation into marginal, less fertile lands. Unless technological change increases yields, annual growth in crop output could decline to perhaps 4 or 5 percent bearing in mind the ever-present chance of drought. Livestock growth is likely to slow also, although projections are difficult in the absence of herd size and age composition data. A livestock growth rate of about 5 percent per annum appears a reasonable basis for planning, again assuming no significant technological change.

49. The average real growth rate for agriculture in the Interim Period could thus be about 4-5 percent per annum. Given population growth, per capita incomes in the agricultural sector would rise by only 1.5 to 2 percent per annum, unless supplemented by income from employment in sectors such as services or if there is a massive migration from rural areas to major towns and Khartoum. This is insignificant compared to the annual growth rate of income required (7 to 10 percent) to make serious inroads on rural population poverty.

50. Support from the NG is needed to bring productivity gains in rain-fed conditions in the traditional farming areas with adoption of the available improved technologies, continued research and much stronger support services. The use of improved technology could add 2 percent per annum to the growth of agricultural GDP, assuming no droughts, floods and insect attacks. There are, however, a number of other important intermediate outcomes that need to be achieved before the constraints to achieving higher productivity are removed, in particular:

- An outdated land policy that limits the sector's ability to achieve structural change and asset transfer through a land market—whether individually or communally;
- The high costs of marketing agricultural products and the continued monopoly of the Gum Arabic Company over the export marketing of raw gum;
- Inadequate support for agricultural policy analysis and data collection in the national and state governments;
- Weak delivery of public support services for the agricultural sector, such as research and extension;
- Severe limits to access of individual traditional small-scale farmers in rain-fed farming areas to seasonal credit; inadequate involvement of communities in development planning and implementation;
- Weak enforcement of Environmental Laws and Regulations; and
- Lack of Attention to Gender Issues. The experience of IFAD in improving the development of small-scale farming in Kordofan provides some important lessons.

51. Periodic droughts and other shocks such as locust plagues and floods, as well as policy failures as discussed earlier in this report, have increased prices for basic foods such as sorghum,

and created severe food access problems for the poor. Civil conflict has also created similar problems with severe deprivation in regions such as Darfur. At least three quarters of the population is potentially vulnerable to food insecurity, with severe consequences for children's mental and physical development and the ability to work. Since market liberalization, additional food supplies have frequently become available through imports and regional movements of grain. The GOS still, however, maintains a national food reserve managed by the Agricultural Bank of Sudan, which releases supplies on the instructions of a food security unit in the Ministry of Finance. At the same time households store grain above and under ground, although the incentives to do so have been undermined in some areas by food aid.

52. The market-based strategy has been largely successful, except when market-based solutions have become impossible, as has been the case in Darfur. It is then that the World Food Programme has provided assistance under its food for recovery (FFR) and food for assets (FFA) programmes. However a chronic issue is the high malnutrition rate in Sudan, particularly among children, which has been exacerbated by civil war. Programs need to be put in place through clinics, schools and outreach programs so as to safeguard the cognitive development of children.

Dual Track Approach for the Private Sector

53. The program of assistance to foster greater private sector development, particularly in war-affected areas, should comprise a "two track" set of initiatives. The first would address outstanding policy and institutional change actions to further improve the overall investment climate, while the second would look more specifically at actions and services required within specific sector value chains and at the level of the enterprise. These two tracks are mutually dependent.

54. Under Track 1, a full Investment Climate Assessment needs to be completed, together with the broader review of the Investment Code. This would provide a comprehensive and more definitive analysis on which to base a detailed investment climate program. This initiative should be linked to the work⁸⁰ on "Doing Business in Sudan" in order to further benchmark Sudan internationally. Both the investment climate survey and the "cost of doing business" benchmarking would provide the core evidence on which the government could develop the policy dialogue process and build a renewed and broad public-private sector partnership and agenda of longer-term actions for investment and growth.

55. Track 2 would focus on value chain and enterprise level interventions, and the first phase of work would target agro-processing (including edible oils, leather, sugar), textiles, local housing and construction and environmental services.⁸¹ This will also involve further market development initiatives, encompassing more commercially- and demand-driven approaches to the development and provision of the services required to support a growth drive in these sectors, not just in terms of financial and non-financial services, but also with respect to infrastructure and vocational and technical skills development. The goal will be not just to increase the competitiveness and value-added in the targeted industry chains, but also the share of this value-added going to poorer households.

⁸⁰ See <http://rru.worldbank.org> for information on investment climate surveys and "cost of doing business" benchmarks can be found.

⁸¹ This value chain work, which will look at the underlying market dynamics and commercial economics of the value chain and the operators within it, will build on the engineering and technical work completed to date in the areas of low cost housing materials and environmental activities.

SOUTHERN SUDAN

OVERVIEW

56. This report now turns to address the wide range of issues covering the history, current performance, future potential and risks confronting the new Government of Southern Sudan (GOSS), as it strives to mobilize its productive resource base—human, physical and institutional—in support of poverty eradication and wealth creation for the people of Southern Sudan. Though by necessity this report generalizes needs and possible interventions, the incredibly diverse social, physical and environmental factors across regions will need to be taken into account at the state, county, *payam* and *boma* level when specific programs are designed and implemented.

57. The productive sectors cannot thrive in isolation. Given the apparent existence of a “low-level productivity trap”, a range of complementary policy action, investments and the realization of technical and financial externalities are necessary to create of a supportive enabling environment.

58. Recent lessons learned from post-conflict experiences elsewhere highlight the following:
- i. Focus on Community Driven Recovery (CDR), and private sector and NGO capacities, in initial stages can achieve rapid results during public sector scale up;
 - ii. Priority attention needs to be accorded to central administrative functions including establishment of clear procurement criteria, terms and procedures adapted to the post-conflict requirement and support to develop the necessary capacity for implementation;
 - iii. Trade-offs will arise between fast-tracked rehabilitation and service delivery objectives, and the more incremental nature of sustainable national capacity building;
 - iv. Careful attention needs to be paid to the wage level that gets established in a post conflict economy, including the negative impact that can be generated by large and lumpy inflows of development assistance funds that can result in inflation which creates enormous problems for the poor; and
 - v. Local private sector and market-driven activities can be crowded out by a government-based service delivery fuelled by substantial grant flows.

59. The proposed Action Plan takes into account the lessons learned from previous post-conflict reconstruction programs, and is based on the priorities and policies laid out in the SPLM agenda for the agriculture sectors and private sectors.⁸² It combines actions required at the policy, legal and regulatory levels to provide the institutions and investment climate conducive to growth in the agriculture and private sectors with actions at the firm and farm level that will be necessary to support these actors to take advantage of the opportunities provided. For this framework to have traction in the immediate post-conflict period, there are a number of core, underlying issues to be addressed by the GOSS, which relate to governance and infrastructure, public-private sector balance and institutional development, the challenge of breaking from the past, dependency on external assistance and managing expectations.

NATURAL RESOURCE BASE

60. In Southern Sudan, there are nearly 50 million hectares of prime agricultural land while another 25 million hectares can be categorized as marginal agricultural land. Good agricultural lands and climatic conditions allow for the cultivation of a variety of crops, including cereals, oil

⁸² In particular, this section builds on the presentations and outcomes of the SPLM Retreat on the PSC which took place in Nairobi from November 22-24.

crops, root crops, vegetables, pulses, beverages, fruits, and other tropical crops. The potential for producing cash crops such as cotton, tea, sugar cane, coffee and many others exist and remain unexploited. Sudan currently has the second largest livestock population in Africa after Ethiopia, including about 6-8 million head of cattle in Southern Sudan. However most of the livestock in Southern Sudan are kept under traditional systems and suffer from heavy disease loads and drought, which has been responsible for water and pasture shortages.

61. Southern Sudan has substantial forest potential. The Nile and its tributaries are very rich in a variety of fish, and the wildlife is as varied as Southern Sudan's habitats. However, many wildlife species are rare or endangered, and a recent study by a team of Southern Sudanese experts showed that the wildlife population in parks has fallen by 80 percent due to poaching and human settlement. Most wetlands are unprotected, despite their importance for preserving biodiversity—not to mention the dependence of much of the human population on accessing food from rivers and wetlands, especially during famine. Little is known about underground water resources, yet a very large proportion of the urban and rural population is heavily dependant on underground water, particularly during the dry season. Similarly, surface run-off water, which fills rivers, streams, and the swamp systems, has not been well studied.

62. The mining industry has grown substantially with the exploitation of oil. A range of studies have identified potential areas for mineral development including gold, chrome, copper, iron, manganese, asbestos, gypsum, mica, limestone, marble, and uranium. Serious mineral exploration is needed to determine the distribution and quantity, especially of industrial minerals such as marble, mica and clays, and petroleum.

63. Southern Sudan has a wide variety of energy sources, including oil, coal, water, wood, biogas, solar and animal. Yet nearly the entire population uses biomass energy from trees, crop residues and dung for cooking, heating and lighting. If alternative energy sources such as gas fuel, wind, solar and hydroelectric power are not developed, there will not only be serious environmental degradation due to intense pressure on forests, but agro-industrial development, which is highly dependant on reliable supply of power and energy, will also be constrained.

64. In order for the economy to meet the MDGs and demands of a rapidly growing population—with the anticipated influx of IDPs—substantial increases in output and productivity are required. The natural resource base and location of Southern Sudan provides an economic endowment that can drive growth. Critically missing are the public and private institutions that will enable the region to take advantage of these endowments and generate sustainable growth.

AGRICULTURE AND RURAL DEVELOPMENT

Agriculture in the Economy and its Structure⁸³

65. The total surface area of Southern Sudan is about 650,000 square kilometres with more than 95 percent suitable for agriculture, and of which dense forests occupy about 24 percent. Feasibility studies carried out before the civil wars indicate that less than 2 percent of land suitable for agricultural production was under cultivation, and the share now would undoubtedly be below one percent. The relatively low percentages of land under crop production in Bahr el Ghazal, Eastern Equatoria and Jonglei can largely be explained by the characteristics of this agro-ecological zone, which is suitable mainly for livestock. Livestock and animal husbandry activities were dominated by pastoralism, with no commercial ranching or modern dairy farming.

66. Given Sudan's rich natural resource base and opportunities for trade and agro-business development, agriculture should play a major role as an engine of growth, contributing

⁸³Part of this section of the paper relies on Lual Deng, "Sketching the Macroeconomic Environment for a Post-Conflict Southern Sudan Economy", Draft, April 14, 2003

significantly to the efforts towards eradication of poverty including via trade, linking the economy of Southern Sudan to the region and other parts of the world. The challenge is how to transform traditional subsistence agriculture. In this endeavour, there are lessons to be learned from the failed policies adopted by previous regimes, both colonial and post-independence Sudan.

Characteristics and Patterns of Agricultural, Pastoral & Fish Production

67. The overriding characteristic of the Southern Sudanese economy is the low level productivity trap that emanates from an agriculture sector that is crippled by rigidities in factor and product markets. These rigidities, including the lack of mobility and poor skill base of labour, disincentives to capital investment and inefficient land utilization, brought on by extremely limited infrastructure and the absence of other services and improved technologies, coupled with communal land policy practices, security problems (mines, unexploded ordinances) and other non-commercial risks—dramatically limit the production possibility frontier. Although reliable data on productivity are not available, crop farming in Equatoria, for example, is known to operate at low yields compared to those achieved in neighbouring Uganda. Farmers will only be able to emerge from their low-level trap by achieving a much higher level of technology (moving to a higher production function), having access to improved support services including credit, and gaining access to efficient markets for land, labour and surplus production. Enabling utilisation of the already-available technology is the main challenge facing the reconstruction and rehabilitation program.

68. Agriculture is in a low-level productivity trap. As a group, farmers in Southern Sudan are not prepared to risk the cost of improved technology and the associated cost of inputs given uncertainty about markets for additional output, and distorted prices in an uncompetitive, isolated market due to poor infrastructure and an almost complete absence of market information. Farmers therefore remain in a system of shifting agriculture and subsistence farming. Many fled to escape the uncertain and stagnant farming conditions as well as the civil war. But for most rural families there was no escape. The conflict impeded the ability of farmers to settle on land or work as labourers in locations outside their customary community areas.

69. Factors driving the low-level productivity trap for each sub-sector are:

Crop Production—based on slash and burn rotations, primitive technology, no purchased inputs, and a subsistence orientation; isolation from domestic and international markets implies weak incentives for surplus production. Because most households have access to some land on which they produce their own food, the domestic market for food is thin, except in drought years (but then additional food supplies have been provided by WFP).

Livestock Producers—isolation from markets, inefficient marketing infrastructure, low productivity exacerbated by periodic droughts, and heavy disease burdens. However markets for livestock appear to be less distorted than those for food crops.

Fisherfolk—very primitive equipment for fishing, rudimentary fish processing equipment to make fish available for use over time, isolation from markets, and low productivity of cropping/livestock activities for those who also have land.

Forest-based enterprises—maintenance, replanting and management of government-owned forests for long term production is weak; likely that lack of roads means little is logged, yet evidence of considerable felling of trees for housing, firewood and sale.

70. The leadership of the SPLM envisages that "the agricultural sector is the key sector toward the achievement of the SPLM's three strategic policy objectives of poverty eradication, sustainable economic growth and integration into the regional and global economies".⁸⁴ Three

⁸⁴ "SPLM Strategic Framework for War-to-Peace Transition", SPLM Economic Commission, August 2004.

core elements of the existing SPLM strategy are reviewed briefly here. First, is food self reliance an efficient food security strategy? A dominant SPLM vision is that agriculture must ensure self-reliance in food after decades of shortages covered by food aid deliveries. But, food self sufficiency is only efficient in economic terms if food can be produced in Southern Sudan at prices equal to or lower than the import parity price. In practice, with improved productivity, Southern Sudan should have no difficulty producing enough food efficiently to meet domestic demand, or export enough other products to pay for food imports from neighbouring countries, many of which are also surplus food producers. The second SPLM priority is agricultural production for sale to domestic and international markets. Since there are no data on comparative advantage for these options, studies are urgently needed to ascertain the most profitable exports so that support services can focus on those producers. It appears that agro-processing offers a sound potential for exports. Third, the SPLM leadership has declared that Southern Sudan could become the largest organic farm in the world.⁸⁵ While recognizing that this policy goal will not be feasible across the whole of Southern Sudan, since large areas are currently low yielding because of decades of shifting slash and burn agriculture which has depleted the fertility of the soil, it may be technically possible to designate some areas for exclusively organic farming and allow other areas to develop using inorganic inputs.

PRIVATE SECTOR DEVELOPMENT

71. Available data suggest a very limited degree of production and traded market activity occurring in Southern Sudan. It is an economy very much dependent on subsistence livelihood activity supplemented by barter and quasi-barter arrangements, particularly for intra-rural business that cannot easily access and use the currencies in circulation in the various towns.⁸⁶ While these data clearly underestimate the flow of goods, total exports amounted to less than \$1 million per year (2000-2003) and ranged around \$2.5 million. In terms of share of estimated GDP for 2003, these figures suggest an export to GDP ratio of 0.1 percent and import-to-GDP ratio of 5.6 percent. The civil war and associated problems (mines, complete absence of infrastructure, currency constraints) have drastically impeded the development of markets and the growth of exchange and transactions.

72. At the same time, cross-border trade has triggered the establishment and expansion of many local and regional market centres in Equatoria and Lakes Regions. Although Northern Bahr el Ghazal and Western Upper Nile have also experienced increased economic activities, the area continues to receive food aid to supplement own production. This is due to insecurity resulting from the activities of government militia and from ethnic conflict. With the implementation of the CPA, it is now expected that several production and marketing obstacles will be reduced significantly.

73. Despite substantial constraints facing production and marketing efforts in Southern Sudan, there are some potentially strong candidates for quick successes. Southern Sudan is an area that produces enormous quantities of perishable seasonal vegetables and fruits. Production outstrips demand and cannot usually be marketed fresh because of limited markets, and also because of poor infrastructure that will take years to re-build. In addition, these products are heavy and, even with good roads, will be relatively costly to transport to markets (high marketing margins), while the same products from other regions inside and outside Southern Sudan will create considerable downward pressure on prices during the peak of the production season. Agro-processing, which can reduce product weight and perishability, is a potentially key strategy for Southern Sudan. Examples of potential products are dried fruits, dried cassava, karkadeh,

⁸⁵See "Peace through Development: Perspectives and Prospects in the Sudan", SPLM, February, 2000.

⁸⁶ During discussions with women in Nyal in Upper Nile, in a community where there was no cereal being sold in the local market, one discussant commented that what she saw as most necessary was the establishment of financial institutions that could retain savings for the community and reduce the risks of keeping wealth in cattle which, in this area, is vulnerable to loss through disease and banditry.

fruit extracts and concentrates, and lalup. Additionally Southern Sudan's forests are rich in products that will also increase in value as a result of processing and have attractive domestic and international markets. For example, honey, shea butter, dried and processed fish. Honey is a particularly good example of a high value forest product.

74. Southern Sudan has a long tradition with the cooperative movement, and this continues to be a principal mechanism for civil society engagement in the economy. If cooperatives are to continue to operate in the market and commercial sector, this autonomy will need to be complemented by capacity building on commercial financial practices.

75. There has been a practice whereby the Chambers of Commerce implement price controls on key commodities. The Chamber does, it appears, continue to arrange for price collusion, although this does not now occur in consultation with the Secretariat for Commerce. Ceiling prices on maize meal and wheat flour have inevitably dampened incentives to produce. It also seems that cattle producers regularly avoid the Yei livestock market which is influenced by the beef price control, preferring to sell their animals at the Kaya market for export to Uganda.

76. The CANS is an actor in the productive sector. It is expected that, with the establishment of the GOSS, commercial interests of the SPLM will be reviewed by its leadership and put on a non-war footing, either through transfer of existing business contracts to the GOSS and then, through a transparent process, a mechanism will be put in place to determine what, for the future, will be the nature of the public-private partnership (including sale to wholly private interests) that will handle these activities.

77. The single largest constraint relates to infrastructure. Moving goods in and out of Southern Sudan is an expensive and risky proposition. Moving goods within the Southern Sudanese territory is even more of a challenge. Unlike emergency relief organizations, the private sector cannot afford to ship goods by air due to the high cost—some \$1,400 per tonne. In addition to high transport costs, business in Southern Sudan has also to contend with red-tape and rent-seeking impediments to business.⁸⁷ Considerable costs are incurred as a result of the deficit of infrastructure and the impact of too much discretion resting in the hands of officials operating with unclear or poorly publicized laws and regulations. Also significant are the current set of risks confronting business. In the absence of some minimum level of clarity and predictability about policies and due process, and until a track record of good governance is established, businesses will judge the environment to be extremely risky and tend to be discouraged from investing and doing business. A “wait and see” approach is likely to be taken by much of the private sector, both domestic and international, interested in operating in Southern Sudan. Current SPLM legislation discriminates against foreign companies both in the real and the financial sectors.

Financial and Business Development Services

78. Lessons learned from around the world indicate increasingly that getting the investment environment “right”—in terms of legal, regulatory, institutional and infrastructural reforms and actions, while essential, must be supplemented by actions and the provision of services that will serve to mobilize entrepreneurial activity. Where these services are provided on commercial terms through business-to-business relationships and contracting, there is a greater probability that they will result in robust intra and inter-industry linkages which increase the sustainability, value and competitiveness of the industry chain. The potential to develop these service markets for private sector involvement in the immediate and longer term will depend crucially on the philosophy and approach adopted by the GOSS towards private sector development at the commencement of its administration of the region.

⁸⁷ Abele, Wanola, Ferris. Rapid market opportunities identification study in Southern Sudan, USAID, CRS, 2004.

Access to Services—Financial

79. The most established operation in Southern Sudan's nascent financial sector is the Sudan Microfinance Institution (SUMI), established with a capital base of \$3 million, and branches in Yei, followed by Yambio and Meridi. There have been a number of NGOs operating in the region that have provided limited credit services,⁸⁸ but which all have a poor repayment record and very limited outreach. There has clearly been very minimal credit risk assessment and modern portfolio management practices in these credit programs.

80. Four *informal currency zones* seem to be in operation, which increases transaction costs to business and increases foreign exchange risks from the perspective of a lender, which in turn further reduces available credit. The upshot is a depressed level and velocity of exchange within the region, a disproportionate reliance on barter as a means of transaction and resultant significant inefficiencies within the supply chains of major products.

81. In order to put in place a financial service platform with capacity for greater outreach (especially to farmers) and greater long-term sustainability, a number of actions should be considered. On both the demand and supply sides of the financial services market. On the supply side, reforms to the enabling environment within which financial institutions can operate will need to be fast-tracked. In addition, some innovative institutional capacity building will be essential to complement the enabling environment initiatives and jump-start the industry. On the demand side, there is a clear need to provide focused financial education to critical segments of the population (e.g. farmers, IDPs and demobilized soldiers) covering personal and business financial management, and commencing the task of tackling the attitudes and practices that have been fostered over a conflict period of aid dependency.

82. To avoid substituting aid dependence with indebtedness it is necessary to distinguish between the economically active poor (including smallholder farmers), the very poor who lack access to productive assets, and the special categories like returning IDPs and demobilizing soldiers. In some instances continued use of grants may be the optimal short-term strategy. In particular, where the intention is to provide safety net financing designed to assist individuals to rebuild livelihoods and replace lost assets or deal with natural disasters, limited and time-bound grants, tied to, for example, skills training, are preferable to the provision of a loan.

Access to Services—Business Development

83. Currently in Southern Sudan there is only the most basic and ad-hoc supply of non-financial services. Discussions with traders, Chambers of Commerce and farmers revealed that, with the exception of agricultural support services provided via certain NGO programs and market advice and advocacy services provided by the Chamber to its members, there is no sustained delivery of services to target clients. Under the SSARP, agro-business training centres are being rehabilitated around the region (six in all), each with a specific focus on one of the major agricultural sub-sectors (agricultural technology, livestock, crop and forestry, wildlife, fisheries).

84. Further work is required to identify the most critical business development products needed in the market and to determine the most appropriate mechanisms through which to deliver these services. In this respect, the following tracks should be pursued:

- Core entrepreneurship and financial services training should be provided to a cross-section of the population, including farmers, IDP returnees, and micro-entrepreneurs;
- Generic BDS training, particularly in book-keeping and financial management, cost management, entrepreneurship and business plan preparation and marketing; and

⁸⁸ Chemonics MicroEnterprise Market Study.

- Specific services in development, industry networking and market access and technology transfer in targeted value chains—particularly smallholder farming and the grain, honey, and edible oils chains. Linkages with providers elsewhere in the region with established track records in these targeted sectors are also critical.

85. Over the past twenty years of war, the population has been forced into an increasingly aid- and grant-dependent culture. This is reflected in the extensive free distribution of essential goods, and the mixing of loan and credit services managed by institutions with social and welfare, rather than commercial and financial management, mandates. Transitioning out of this culture, while also responding to the immediate material and social needs of demobilized soldiers, IDP returnees and the existing local populations, is a complex and risky challenge that will require a balance of political and technical skills.

Private Sector Investment—Domestic and Foreign

86. The SPLM Strategic Framework highlights the policy objective of “poverty eradication and sustainable economic growth, with agriculture fuelled by oil money as the engine of growth...” and recognises, together with labour and land, the important role that investment will play in the realisation of this policy vision. There are considerable agriculture, oil and mineral resources and services potential in Southern Sudan. The rate and quality of development in these crucial sectors stands to benefit from private investment—both domestic and foreign. To develop vibrant and robust value chains and fulfil the goal of creating strong backward and forward linkages between the agriculture and industrial sectors, it will be necessary to ensure this investment reaches the firms in these chains and that they develop competitive advantages and cooperative network linkages with regional and global markets.

87. While there is much to gain from opening the Southern Sudanese economy to international investment, there remains also a political consideration. After a two generation struggle, there is wariness about foreign ownership. It is recognized that foreign investment brings not just much-needed financial resources, but also technological and market know-how. At the same time, the GOSS should ensure that the region’s resources are used to benefit a population that has sacrificed so much.

88. There is a larger question about commercial public sector involvement in the oil, lumber and potentially mineral sectors. Worldwide best practice is increasingly for the public sector to fulfil the public interest not through ownership, but through efficient regulation and transparent recording and utilization of royalties, leaving the operational investment to the oil companies themselves. Different approaches to the use of oil rents should to be reviewed by GOSS authorities. Good governance—both public and corporate—is fundamental. The full publication of rents paid and received, a clear and accountable process by which these funds are allocated, used and monitored is essential for mutual trust to be created and sustained between private sector (domestic and international), the local communities and the government.

CROSS-CUTTING ISSUES

89. A number of cross-cutting issues have been considered in developing the Productive Cluster’s assessment and plan, where progress will be essential to realizing Southern Sudan’s economic potential. The themes of gender, land policy, trade facilitation, telecommunications, and natural resource management are highlighted below, and have important multi-sectoral implications. Additional key issues are covered extensively in other cluster reports, including human capital development and HIV/AIDS (Basic Social Services), infrastructure development, and human rights (a particular focus of the Governance and Rule of Law report).

90. Policies aimed at stimulating production need to recognize the gender division of labour as well as the asymmetrical rights and obligations of men and women resulting from socially-

constructed roles. A baseline study on the status of women conducted in Yei and Mundri counties showed that women spend longer hours doing domestic chores and spend as much time on subsistence farming although their role may be slightly different—planting, weeding, harvesting and storage, milking and taking care of smaller domestic livestock such as goats and poultry.

91. Women have limited access to economic resources such as land and credit, and while they do most of the work on the farm, they may be excluded from decisions on how and when to use farm proceeds. Addressing women's workload will require increasing access to labour-saving technology, whether for economic or domestic activities as well as access to economic resources; investments in women's health and education to make them more efficient development agents as well as provide common goods, such as roads, transport and gender-sensitive policies which will remove obstacles and pave the way for more effective participation in the economy. Investments needed to enhance women's economic participation include:

- i. Development of a new land policy to ensure women's rights to land;
- ii. Support for research to develop improved technology, i.e. seeds for cash/food crops;
- iii. Support to women's access and acquisition of new improved technology;
- iv. Support to gender-inclusive producer, processing and marketing co-ops/associations;
- v. Facilitation and support of on-farm and off-farm agro-processing cottage industries; and
- vi. Establishment of revolving fund and microfinance business credit for women's empowerment.

92. Land policy in Southern Sudan is currently based on customary law, and there are considerable inconsistencies in the how customary laws are applied in different regions. One common principle is that "land belongs to the people" which is different from the North where all land (apart from a relatively small number of freehold titles along the Nile and in cities and towns) has been declared as government land. It is generally agreed that land laws in Southern Sudan are not sound because of lack of tenure security. Moreover, land use conditions are not clear. Lack of security of land rights and clarity on land use conditions weaken incentives to invest. Hence the need for a review of land policy.⁸⁹ The interim constitution for Southern Sudan is expected to contain some core policies on future land policy. The upcoming Land Commission for Southern Sudan will consider future land policy in detail and it is anticipated that land policy in the future constitution will be based on the conclusions and recommendations of the Land Commission.

93. Trade facilitation is aimed at reducing the delivered costs of goods in order to increase competitiveness on local and international markets. It is a multi-sectoral challenge with political, economic, administrative and technical implications and requires reforms at all levels. Sudan needs to comply with internationally-recognized standards, to reduce times for border-crossing of goods and to build infrastructure for implementing computerized programs for reducing the cost and time for customs clearance. Trade and industry facilitation are especially important for the Southern Sudan where there is a strong policy and business interest in expanding trade relations with neighbouring countries. The main trade gateway for exporting and importing goods to/from other markets is the port of Mombassa in Kenya, while Kampala, Uganda is the second most important trade destination.

94. Measures to enable trade include:

⁸⁹ The literature provides convincing arguments for customary law as the initial approach for improving tenure security. See "Land Policies for Growth and Poverty Reduction," A World Bank Policy Research Report, World Bank and Oxford University Press, 2003.

- *Reducing Transport Risks*, including security, de-mining, rehabilitation of existing or building new roads and transportation services.
- *Increasing Storage Infrastructure*. The shortage of storage infrastructure forces farmers to sell their crops immediately after the harvest season when the supply is high and prices are low.
- *Building Supportive Market Institutions*. Market information services, telecommunications, internet, postal service, banks and other services related to trade transactions and conducting business are limited or non-existent in the South. Remittances from abroad cannot be received in Southern Sudan.

95. Telecommunications can have a broad impact across a wide range of sectors, both social and productive. The sector can readily attract private investment, even in immediate post-conflict circumstances. Business applications encompass financial services, access to market information (e.g. commodity and agricultural prices) and simple logistics management. In many countries (e.g. Nigeria, Democratic Republic of Congo) mobile phone companies are also providing rural and village telephony, either as part of an offset arrangement with the concession or as a business initiative. Economic benefits that accrue to the community are both in terms of income opportunities (often to women who take on the community phone business) and to those who use the service.

96. Across the gamut of local governments, enterprise and farmers associations and community organizations there has been recognition of the role that improved telecommunications could play in facilitating development, for example through obtaining regional prices for crops. Rural telecommunications can also play a significant social capital building role through linkages to other communities and major service centres and towns (e.g. Juba, Wau, Rumbek). There are also learning products that could be delivered with rudimentary IT services in place in emerging education facilities. The further development of the telecommunications sector will need to take account of the relevant provisions of the CPA. One of the major challenges is the interpretation of concurrent jurisdictions and functions in the charters of state, GOSS and NG authorities.

97. The absence of any formal management of Southern Sudan's natural resources during the decades of civil war and the destruction of many valuable natural resources underlines the need for a Southern Commission on Natural Resources Management. The Commission would be responsible for preparing an inventory of natural resources, designing a strategy for their rehabilitation and long-term sustained management, and clarification of the powers and responsibilities of the NG, GOSS, states and communities with regard to rights pertaining to and management of natural resources.

98. Clearance of vast lands for mechanized farming and the continuous forest mining for fuel wood, charcoal and construction materials to meet the growing demand for wood from within the area and from larger neighbouring urban centres has led to the disappearance of much of the forest. Overgrazing of grasslands and the removal of nutrients in the form of agricultural by-products without replenishment has also resulted in the degradation of the watershed. Erratic rainfall, recurrent cycles of droughts and declining land productivity have contributed to widespread crop failures, and consequently poverty, malnutrition, and other health problems in the area. Watershed management interventions are also needed to address the underlying causes of land degradation and lack of alternative livelihoods.

99. As the recovery gains momentum, environmental considerations should be mainstreamed into all key decisions in order to achieve long-term prosperity, economic security and sustainable livelihoods. This requires a comprehensive environmental diagnostic, creation of a detailed

environmental action plan, and restoration, protection, and sustainable management of resources for the benefit of the people of Sudan—while at the same time maintaining ecological functions and processes. Infrastructure projects require careful planning in order to avoid major adverse impacts on wetlands, on which many Sudanese depend for their living in some way. Furthermore, the incredible diversity of wildlife should be protected through hunting bans on certain species and protection of priority wildlife areas.

100. The influx of IDPs may cause challenges and additional pressure on scarce resources (e.g. for agricultural and grazing land, building material, and fuel wood). While some degree of deforestation and land clearing is inevitable, community-based initiatives should be encouraged that aim to decrease the additional pressure on forest biomass for fuel, as well as that aim to allocate land and grazing rights and avoid settlement in marginal lands. In areas of returning IDPs, access to fuel wood as well as allocation of additional agricultural land and grazing rights can easily lead to conflicts between resettlers and receiving communities and pastoralists. Community-based support programs targeting IDPs *and* host communities are thus needed to allow for peaceful reintegration, and to improve land use and forest management; promote agro-forestry; supply small scale replanting, woodlots, and planting of valuable tree species for marketing; and promote and provide energy alternatives. This could include support to small-scale enterprises for production of energy-efficient stoves, regulation of charcoal production and community consensus-centred regulation for grazing around settlements to allow for establishment of tree seedlings.

101. Improved management of the Eastern Nile watershed area would benefit more than two-thirds of the irrigated agriculture, most of the mechanized rain-fed sector, livestock production, and a huge number of wildlife species and areas of traditional subsistence farming. The area makes a major contribution to the national economy and supports more than half the population of the country in addition to many refugees from neighbouring countries. The Nile Basin Initiative holds promise to help harness the potential of the Nile in the South, as well as the North of Sudan (Box 4.4).

Box 4.4: Nile Basin Initiative (NBI)

Regional cooperation and integration hold significant prospects for Sudan for greater development, poverty alleviation, and regional peace and stability. The NBI is a partnership between the Nile riparian countries (Burundi, D.R. Congo, Egypt, Ethiopia, Kenya, Rwanda, Sudan, Tanzania, Uganda) that seeks to develop the river in a cooperative manner, share substantial socioeconomic benefits, and promote regional peace and security. The NBI has developed a Strategic Action Program comprising two complementary programs: the basin-wide Shared Vision Program, to build trust, capacity and enabling environment for investments, and two Subsidiary Action Programs in the two major Nile sub-basins, the Nile Equatorial Lakes and the Eastern Nile sub-basins.

The NBI promises opportunities for Sudan—North and South—within both the Basin-wide and the Subsidiary Action Programs. The *Shared Vision Program* projects have been launched (or are in the process of being active within the next months) and thus offer immediate opportunities, mainly in terms of capacity building efforts within each of the seven projects, including significant support for training and skill building in integrated water resources management, environmental management, and other related sectors. Furthermore, Sudan is active in both *Subsidiary Action Programs*, which both offer significant development opportunities, including increased agricultural production and trade, power production and interconnection, environmental management, inter-country transport and other links.

102. Enabling more reliable access to water is one option for escaping from the critical conditions of the low-level subsistence trap, and reduces water and pasture land related conflict. Providing reliable access to water through conventional irrigation investment programs typically has a long gestation period, and requires strong design and planning skills. However, relatively simple and inexpensive construction of micro-dams and water catchments infrastructure is being

piloted in Southern Kordofan and Kapoeta County. The experiment in the Southern Kordofan has raised the water table while increasing the potential for growing off-season crops and fodder for animals. In a number of high potential areas, small-scale affordable technologies could be promoted through community and private sector initiatives. This could include establishment of a local manufacturing and supply chain, capacity strengthening of local private sector, product development, marketing and dissemination, and, where available and feasible, micro-finance.

103. Abundant surface water resources in Southern Sudan alongside periodic droughts point to the need for assessments of more conventional irrigation potential. These assessments should include the preparation of feasibility studies for medium- and long-term irrigation development. This would also involve, *inter alia*, the preparation of a public irrigation policy and strategy, a clear delineation of the potential roles and responsibilities of the private and public sectors, and capacity strengthening of public and private sectors with respect to irrigation development, assessment of potential for various kinds of irrigation development, promotion of a more favourable enabling policy environment for community and private irrigation development initiatives, and the preparation of specific public investment opportunities.

AN ACTION PROGRAM FOR ADDRESSING CONSTRAINTS

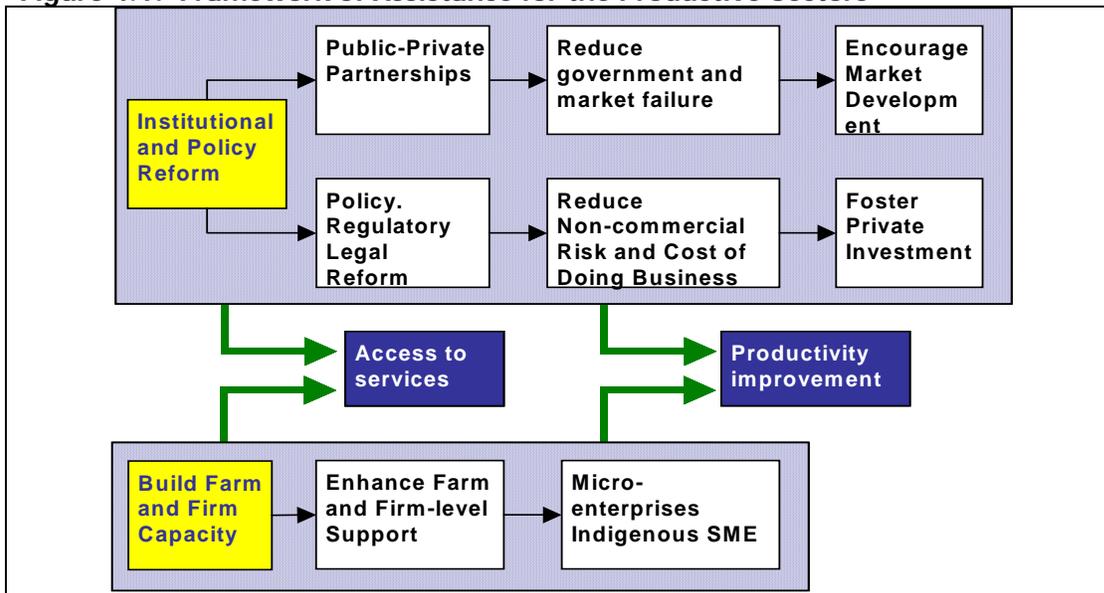
104. An Action Program that addresses the low-level productivity trap and builds markets and institutions that provide income, employment and growth for the Southern Sudanese will need to be based on the agricultural sector, but have a strong private sector orientation. Schematically the framework is set out in Figure 4.1 below, which is based on the priorities and policies laid out in the SPLM agenda.⁹⁰ It combines actions required at the policy, legal and regulatory levels to provide the institutions and investment climate conducive to growth, with actions at the firm and farm level that will be necessary to support actors to take advantage of the opportunities provided. For this framework to have traction in the immediate post-conflict period, there are a number of core, underlying issues that the GOSS will need to address. These issues relate to governance and infrastructure, public-private balance and institutional development and the challenge of breaking from the past, and managing expectations.

105. The GOSS will face, as an overriding priority, the need to put in place predictable and stable civil governance and macro-economic environment working to recognised and promulgated laws and regulations. A minimum core of infrastructure services needs to be in place as quickly as possible. Establishment and enforcement of a code of conduct for government business is needed to give the right checks and balances to contain corrupt and rent-seeking activities related to tax, licensing, inspections and other traditional government business climate functions. This will benefit from an active collaboration with business associations that are accountable to a strong membership base.

106. The GOSS will need to clarify the role it intends to play in the economy vis-à-vis the private sector. There will be a pressing need to ensure an appropriate public-private balance in the economy. This is not just about the structuring of public-private partnerships to ensure the efficient and sustainable delivery of services, but also to ensure that policies such as the salary scale of the public service do not undermine the capacity of the private sector to achieve competitiveness.

⁹⁰ In particular, this section builds on the presentations and outcomes of the SPLM Retreat on the PSC, Nairobi November 2004th.

Figure 4.1: Framework of Assistance for the Productive Sectors



107. As the most important component of the private sector in Southern Sudan, the approximately one million farmers will typically want to be free of government interference in agricultural production and marketing. Government is expected to provide a policy environment conducive to agricultural investment, a stable currency, a low inflation rate, and adequate rural infrastructure. Government should also facilitate the provision of support services such as agricultural research and extension, to the extent possible through private sector providers, or otherwise government should determine how best to intervene. In any case clarity on the role of the GOSS is needed, and will enhance the private sector's contribution to development.

108. Where the public-private partnership requires a subsidy to address a market failure that otherwise would restrain private sector involvement, the challenge is to provide this subsidy such that it fosters a commercial approach and the longer term creation of a sustainable market. This would require that any subsidy be designed in line with the following clear criteria to ensure that the subsidy does not spoil the market for commercial activity:

- *Specificity.* Subsidies should be designed to achieve specific market development objectives (performance-based).
- *Duration.* Time-bound with a specific criterion for reduction and elimination as market objectives are achieved, i.e. an exit strategy.
- *Point of Application.* Upstream and downstream rather than at point of transaction (e.g. price of service).

109. Institutional development is a pre-requisite for economic development. Institutions that are essential for the agricultural sector include the rule of law, land laws and their regulations, financial institutions such as the central bank and the commercial banks that provide credit facilities for farmers and pastoralists, labor markets, product markets, cooperatives, and support services such as research and extension services. Capacity building in these areas will be key. The GOSS will also face major challenges in terms of breaking from the past and managing expectations. The urgency to deliver services can erroneously bias decision-making towards a dependence on public sector delivery mechanisms, yet this will have substantial repercussions for public sector job creation. More insidiously, it can bring about a perception that social status and

financial security come from the public sector. The GOSS, like all governments around the world, has a huge task converting policy pronouncements in support of private sector development into a culture of private sector leadership and empowerment within the economy.

Rural Development

110. If rural development is to be achieved and sustained, the agricultural sector needs to move from stagnation to sustained growth, which will require a substantial improvement in technology and economic conditions. Strategies need to be put in place to improve support services that will assist producers in improving productivity, complemented by actions to address the cross-cutting and private sector factors such as land policy, trade, financial and business development services. The programs that are proposed can be grouped around the following:

111. *Technology and Extension.* There is an urgent need to develop a national agricultural research program. A key first step is to establish a national technical forum on agricultural research, with broad membership of prominent leaders in agricultural research and management, as well as important stakeholders including women from Sudan and abroad. One task for the forum will be to consider the role of the public and private sector in agricultural research, and the preparation of a short and long term research plan to set the stage for technological progress for the coming decades. This should lead to a program for human capital development, identification of priority research activities, and the rehabilitation/construction of public research infrastructure.

112. Available and future technology should be disseminated to farmers—including women and youth—as soon as possible. Quick delivery of a cadre of extension specialists to provide leadership in training and development for many teams of extension officers is needed. An assessment should be conducted to establish the appropriate roles of the public and private sectors in delivering advice to farmers, including women, and in indicating the public-private institutional arrangements for establishing an effective extension system linked to ongoing research.

113. *Improved Infrastructure.* While infrastructure development is the focus of a another JAM cluster, its crucial importance for agriculture and other parts of the private sector cannot be over-emphasized. Unless this is achieved transport of all goods including livestock will remain exceedingly costly and a major constraint on trade and the growth of profits from trade. Telecommunications are also necessary to support efficient trade, marketing and the growth of economic activity.

114. For agriculture, there are watershed and irrigation systems, small wharves in the Sudd for fishermen, and agricultural marketing facilities that need to be rehabilitated and built. It is not possible to make specific proposals on small wharves because of the numerous possibilities in the huge area of the Sudd. In irrigation there are important actions required in watershed management, rehabilitation of existing irrigation schemes, small-scale irrigation using small pumps on river banks, and multi-purpose water resource development schemes in the Baro-Akobo-Sobat river systems.

115. Proposed short and medium term actions to strengthen institutions for agricultural development and natural resource management, include the following:

- *Improved Information and Planning Base* on environmental and natural resources to provide a platform for development planning. Better data and information are needed in all aspects of natural, water, and environmental resource assets. Information needs should be determined in consultations with local and regional entities in Southern Sudan.
- *Institutional and Human Resource Capacity Building.* There is a need to strengthen and/or create effective institutions for natural resource management, and to build

capacity for management and conflict resolution in relevant line agencies and at the community level. This includes technical assistance/training on infrastructure development, and community consultations, which are particularly important due to damages caused by oil production in the past. These functions should be managed by a designated unit that would also contribute into broader development planning. Wetlands are fragile and also necessitate careful planning for irrigation road development. Community-level extension services could encourage community-driven natural resource management, forestry, and conflict resolution initiatives.

116. *Establishment of a Rural Finance Program for small-scale farmers.* This will be a key element of the solution to the low-level productivity gap, but implementation options are presently constrained by the absence of viable delivery institutions. For the next few harvests, the proposal is to provide grants to eligible farmers for specific services. This is preferable to commencing with a credit program that would have a very high probability of failure, which would in turn spoil the market over the long-term and exacerbate the dependence issues associated with food aid. The proposed approach is to provide for small grants program initially, alongside in-depth analysis of the potential market and institutional and "scale up" options, in order to build up the appropriate institutions to provide sustainable financial services. This could then be followed by the capitalization of a rural credit fund. This approach would be complemented by a broad-based financial education program and other matching requirements for grant eligibility that would assist farmers and other prospective credit recipients to adapt to and manage credit arrangements and other financial services, particularly savings, and thereby facilitate their transition to credit as soon as the right institutions can be put in place. Another short term option to be investigated is contracting out of credit services.

Private Sector Development

117. Product markets and viable on-farm and off-farm agro-processing needed to be promoted. This will require a package of initiatives encompassing investment climate and trade facilitation activities, alongside the mobilization of firm and farm-level support in the form of financial and business development services. A four-part strategy to build competitive value chains offers some initial steps forward. Success will be conditional on establishment of basic infrastructure.

118. *Build open and efficient product and service markets.* Marketing is costly due not only to the grossly inadequate road network but also to constraints and costs imposed by various government and sometimes private institutions, meaning that marketing margins on agricultural products are high and net returns for producers low. Road improvement is a prerequisite for reducing costs, and for livestock stock routes the associated water yards will also need to be rehabilitated and the routes better defined and managed. Public and private investment is also needed in ancillary services—for example, support and advisory services for agro-processing and marketing could be provided to communities or individual entrepreneurs interested in investing in these industries.

119. There are real areas of private sector opportunity beyond agro-processing where export potential has already been evidenced (e.g. honey, edible oils), including:

- Donor and GOSS-funded contractual opportunities for local firms and workers in reconstruction, especially infrastructure (roads) and small-scale construction;
- Private provision of selected services, including telecommunications, possibly urban waste services, and some extension services; and
- Micro and small and medium term linkage services to major oil and other extractive industry activity such as in lumber and minerals.

120. While there are companies in Uganda and Kenya that are currently better positioned to enter into many of these markets, local enterprise capacity can be built with support in the form of business and financial services. Without access to these services, enterprises will have limited capacity to compete and build their businesses and incomes. The GOSS could play a key role mobilizing these service providers not just through policy and institutional actions that establish an attractive investment climate, but also through the judicious use of matching grant and technical assistance support.

121. *Value chains and the economies of agglomeration.* Southern Sudan's low population density and the shortage of professional and formal businesses pose a challenge. Initially, public and private activity will be concentrated in urban areas such as Juba, which is expected to become the capital city for the GOSS. Juba already has relatively more infrastructure including power, telecommunications, and some paved roads, and thus has the potential to become a major base for service provision and a source of demand for the business and agricultural community throughout Equatoria. Building up a core set of services in selected towns such as Juba could create economies of agglomeration that will reduce production and distribution costs. However, this potential should be developed in the context of the overriding GOSS policy objective of "taking the towns to the rural areas" and delivering services to the rural and agricultural population. This means that the government and the private sector, working with local farmer's groups and cooperatives and Chambers of Commerce, will need to carefully assess the town-village linkages and the most effective ways to build competitive value chains and links that create incentives for all.

122. *Enhance trade facilitation capacity.* In order to strengthen value chains, attention should be given to be paid to the bundle of institutions, infrastructure and laws and regulations that most affect cross-border activity. Setting up an interagency trade facilitation body would provide the forum to address key issues, and include main stakeholders in the private and public sectors. The Sudanese business community will take an active participation in such a body and along with the governmental counterpart to elaborate a trade facilitation strategy and implementation plans aimed at removing barriers to trade. This trade facilitation coordination committee would work closely with international specialized organizations—UNCTAD, WTO, COMESA, World Customs Organization, and UN Economic Commission for Africa—in order to identify suitable best practices. Training for Sudanese officials and representatives of professional organizations will also be important.

123. *Private investment: Investment climate, non-commercial risk and industry linkages.* The investment climate—including the laws, regulations and institutional arrangements put in place by the GOSS — will be key to realizing private investment from domestic Sudanese, from the diaspora and from the wider international market. This report has identified an agenda of actions and issues for consideration by the GOSS—from reforms to the current CANS Investment Act, through policy and legal initiatives that will serve to promote availability of financial resources to approaches that the GOSS can consider for the development of their natural resources and the utilization of the flow of funds that will derive from these resources.

124. Non-commercial risk will be a major barrier to private investment over the forthcoming years of the Interim Period. Possible concerns related to the use of expropriation, breach of contract and the potential for resumed war and civil disturbance will remain very high on the private sector radar screen until Southern Sudan and its institutions have established a track record. The GOSS could mitigate these risks through the provision of a political investment guarantee facility, similar to of those put in place in other post-conflict countries (e.g. Afghanistan).

125. Local firm linkages with the major companies operating in the oil, mining their timber industries have potential, for example through outsourcing arrangements, to meet goods and service requirements. To win these out-sourcing opportunities the local business and farms need to be able to satisfy the standards requirements established by the company. A commitment to do this, which would require also technical and capacity building support from the company to the local firm, can be built into offset arrangements in the concession/contract. The GOSS would then be concerned only with monitoring conformity with the contract and leave the specific business-to-business arrangements to the parties directly concerned.

PROPOSED PROGRAM

126. The pipeline of programs proposed is focused first and foremost on getting technology and services to the smallholder farmer in order to boost incomes and food security in Southern Sudan. At the centre of this effort will be the fast-tracked launch of a rural finance program and mobilization of extension services and agricultural research. In addition to targeting the farmers and community organizations and cooperatives, capacity building to core public and government services, including the creation of a new Natural Resource Management Commission and agricultural extension training will be initiated. In parallel, in order to increase value in natural resource and agricultural chains and foster enterprise growth and employment creation, resources will be directed to the creation and expansion of the financial and business service providers and mechanisms put in place to mitigate investor risk. For a substantive supply response to be mobilized, it will be critical to address legal, regulatory and institutional constraints in the investment climate. A more detailed outline of the proposed programs, and associated costs, can be found in the costing tables and Cluster Matrix (Volume II).

 **JAM SUDAN** 
Joint Assessment Mission البعثة المشتركة لتحديد إحتياجات السودان

BASIC SOCIAL SERVICES

MARCH 18, 2005

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INTRODUCTION

1. Improved access to education, health, water and sanitation will allow Sudan to make substantial progress towards achieving the Millennium Development Goals (MDGs) by 2015 and realising the ambitions laid out in the National Poverty Eradication Strategy Concept Note. This Basic Social Services (BSS) report is a distillation of assessments of the available information, and of extensive consultations with the main sector partners Government of Sudan (GOS) federal and state counterparts, the Health, Education and Water Secretariats of the SPLM, UN agencies, NGOs, and donors. The findings were presented and discussed at workshops in Khartoum and Nairobi in October 2004.

2. Against most indicators, Sudan – particularly Southern Sudan - is one of the most deprived places in the world. There is across-the-board acknowledgment that there is a great deal of work to do, and there is also a solid political commitment from both the North and South of Sudan to improve BSS indicators and to ensure access to these basic rights for all citizens. The purpose of this report is to harness that commitment by identifying the most urgent needs, in order to tackle them as quickly as possible. Peace offers a unique opportunity to all Sudanese (authorities, communities and individuals), both in the North and the South, and to their partners (the ministries of the GOS, the SPLM secretariats, UN Agencies, bilateral and multilateral donor communities, NGOs and civil society) to create and implement, with adequate resources, a coordinated BSS strategy that truly addresses the needs of Sudan's diverse peoples.

3. There are wide differences in Sudan's BSS delivery by gender – compared to their male peers, few girls receive an education. Of the 1.4 million school-age children in Southern Sudan, less than 400,000 were enrolled in school by the end of 2003. About 500,000 girls (or 82 percent of all school-age girls) are currently out of school. Less than one percent of girls in the South complete primary education. Overall, 61 percent of school-age children in Northern Sudan attend basic school, and although the disparity between male and female enrolment is not as extreme as is seen in the South, gender disaggregated enrolment rates do show a difference of 7.5 percentage points. Only two-thirds of children who enter the first grade of primary school eventually reach grade five.⁹¹ Statistics in Sudan's BSS sector also often mask great disparities at the sub-national level.

4. The limited studies available estimate the maternal mortality ratio (MMR) for Southern Sudan as 1,700 per 100,000 live births.⁹² The MMR per 100,000 live births for Northern Sudan and sub-Saharan Africa is 509 and 1,100 respectively.⁹³ There are many factors contributing to these dire statistics, many of which can be addressed by a more holistic approach to BSS: schools with adequate water and sanitation encourage female enrolment; educated women are less likely to die in childbirth; and women with access to primary healthcare give birth to children who are healthy. If those children are then educated, they will in turn be more productive and healthy in the future.

5. Malnutrition continues to be a serious concern in Northern and Southern Sudan. Surveys in recent years in a number of areas have found high levels of acute malnutrition among under-five children, between 12 percent and as high as 30 percent among populations affected by conflict. Surveys in 2004 continued to find areas with high levels of malnutrition: 22 percent in Greater Darfur, with some locations experiencing rates as high as 39 percent, 20 percent in Wau (Bahr el Ghazal) IDP camps, 18 percent in Benitu (Unity State), and 32 percent in Red Sea State.

⁹¹ 2000 Multiple Indicator Cluster Survey (MICS).

⁹² New Sudan Centre for Statistics and Evaluation (2004). "Towards a Baseline".

⁹³ 1999 Safe Motherhood Survey (SMS).

6. Overall HIV prevalence was estimated at 2.6 percent in 2004, with an estimated 500,000 people living with HIV/AIDS (PLWHA). Higher prevalence is reported among vulnerable populations, such as sex workers (4.4 percent), with considerable variations across different regions. Despite efforts to increase awareness of HIV/AIDS, socio-behavioural research indicates relatively limited knowledge, considerable misconceptions, a certain level of stigmatising attitudes toward PLWHA, and very low adoption of preventive practices. The expected movement of populations following the CPA (demobilization, opening of commercial roads, return of IDPs and returnees) will increase this vulnerability.

7. A poliomyelitis outbreak affects 17 of Sudan's 26 states. The outbreak was detected in May 2004 in West Darfur State and has resulted in 112 cases as of January 2005.⁹⁴ A renewed campaign is currently being waged against the disease and will require continued support if the disease is not to spread further within and outside Sudan's borders.

8. Alongside inequalities in service provision by gender, geographic disparities – and not only between North and South – are a defining characteristic of Sudan's BSS sector. Agency efforts have been focused on areas to which there was access. Little accurate information is available from vast areas of this topographically difficult, climatically challenging and war-ravaged country. It must be presumed that in these regions, BSS provision is even worse than in those where at least some data have been recorded. The situation in Darfur, for example, must have deteriorated from already poor baseline levels. There are no data at all for vast areas of the South. In the North – where there is great socio-economic inequality – under-5 mortality (U5MR) is 118 per 1,000 live births within the lower third of households, as ranked by economic status.⁹⁵ The Southern U5MR is 250;⁹⁶ the overall Northern U5MR ranges from 104 for the Northern states to 123 for the urban areas of the South.⁹⁷

9. The BSS in Southern Sudan have, for all but ten of the years since independence, been run either by the communities themselves or, particularly since the early 1990s, by NGOs and faith-based organisations. Southern education has been almost entirely administered by communities and staffed by volunteers.

10. The focus of this assessment is on recovery during the Interim Period, but does not overlook the fact that humanitarian needs will persist after the CPA; indeed they are likely to increase with the massive movement and resettlement of refugees and IDPs, and the opening up of inaccessible areas. The estimated population of the South is currently nine million with an estimated 2.5 percent natural population growth. In addition there are several million potential returnees, mainly in Greater Khartoum, who started moving to the South spontaneously after the CPA (see Livelihoods Cluster). Regional experience suggests that many initial returnees will drift to cities and areas of higher income potential.

11. The work done so far by the Sudanese authorities and their partners has allowed for the definition of the main orientations and priorities for action. Specific information gaps, however, need to be rapidly filled. Whereas the broad picture seems reasonably reliable, sound recovery plans must be based on a more precise understanding of the situation on the ground. These exercises should be coordinated to avoid duplication. If an integrated approach to BSS is followed, resources will be used more efficiently to provide the basic human rights of education, clean water and primary healthcare that the people of Sudan have a right to expect. This approach should also be integrated with Social Protection (see Livelihoods Cluster), since the

⁹⁴ WHO (2005) "Weekly epidemiological record," No. 5, 80, 41-8.

⁹⁵ 1999 Safe Motherhood Survey (SMS).

⁹⁶ New Sudan Centre for Statistics and Evaluation (2004).

⁹⁷ 1999 SMS.

most vulnerable groups – like child soldiers, and female-headed households – are those most likely to experience difficulties accessing services.

12. Water point source mapping is an urgent priority in order to determine populations with the most critical access constraints. This mapping could act as one of the foundations for the clustering of BSS interventions for water, education and health. High priority should be accorded to the clustering of new water and sanitation services with school rehabilitation efforts and the expansion of primary healthcare services as a key strategy. This will help particularly in the enrolment and retention of pupils, especially girls, in school and in the delivery of key health, hygiene and nutrition promotion interventions.

13. Given absorptive capacity constraints and the difficult operational context – particularly in the South and West of Sudan – initial BSS expansion may have to be modest. Striking the right balance between needed humanitarian assistance and reconstruction and development, providing access to basic needs and rights, and supporting the recovery of the education and health system while simultaneously satisfying some of the soaring expectations, is one of the main challenges faced. Achieving a balance between scaling up services and taking a more sustainable, long term approach in the most deprived and vulnerable areas will be difficult.

14. With a view to accelerating progress towards the MDGs and promoting long-term sustainable development, it is important that policies and projects developed to improve BSS also take into account the need to sustainably manage natural resources and protect the environment. Equally important is the need to develop, in the population at large, an understanding of how natural resources and the environment contribute to people's livelihoods and how they help in fulfilling basic social needs. The incorporation of environmental education within curricula and the training of environmental experts and practitioners is extremely important.

15. Moving from independent projects (each with its own management structure, particularly in the South) to a more holistic sectoral approach is critical for ensuring the coherence of interventions, obtaining efficiency gains in the use of resources, and facilitating the efforts of the authorities to coordinate and integrate activities. Preparing the ground in the phase one for the substantial investment foreseen in the subsequent period will help lower the risk of the long-lasting distortions and waste of resources that are always present in transitional contexts.

16. Targets are proposed that are realistically consistent with projected increases in capacity, public funds and sustained aid. Financial resources are, however, not enough: only a strong commitment by the Government and its partners can bring the improvement in BSS that the Sudanese expect, are entitled to and will demand as part of sustainable peace in Sudan.

17. This report is a summary of six underlying sector reports that were prepared as part of this JAM cluster, which are available at www.unsudanic.org/JAM.

WATER AND ENVIRONMENTAL SANITATION

NORTHERN SUDAN

Status, Policy and Players

18. Sudan is among the few countries to have experienced declining safe water access levels in the past decade. Approximately 40 percent of urban and 60 percent of rural populations do not have access to a minimum of 20 litres per person per day within a distance of 1,000 metres.⁹⁸ The gap in rural to urban sanitation coverage has also widened, with 80 percent of urban and 46 percent of rural inhabitants using improved sanitary facilities.⁹⁹ An estimated 65 percent of primary schools are without adequate water and 50 percent without adequate sanitation facilities,¹⁰⁰ with consequent negative impacts upon school attendance, especially for girls.

19. Data verification has been very difficult given the lack of comprehensive baseline surveys. Government estimates of coverage tend to emphasize productive water capacity rather than access to water. Point source mapping is therefore proposed as an urgent priority. Coordination is needed at the state level and consideration should be given to convergent siting for improved water and sanitation services with basic education and health facilities as a key strategy.

20. Overall water and sanitation access for states in Northern Sudan is comparable to sub-Saharan Africa average, but lower than the Middle East and North Africa regional average. Such overall averages, however, mask significant disparities. In Khartoum city, for example, almost 93 percent of the population has improved water access; in Blue Nile State only about 24 percent has access. There is also great potential for conflict over water access rights among indigenous farming communities, returnee populations and seasonally migrating pastoralists.

21. Abject poverty in many rural communities further limits safe water access. Many rural and peri-urban inhabitants pay as much as 50 percent of their family income for water alone (and the water is often of dubious quality). Both morbidity and mortality are much affected by water-related diseases and other faecal-oral routes of disease transmission. For example, Sudan is the most guinea worm endemic country in sub-Saharan Africa, carrying 73 percent of the world's remaining disease burden.¹⁰¹ The GOS has recently renewed its commitment to eradicate the disease by 2009, and has pledged to prioritise investment, including provision of safe water, hygiene promotion and strengthening of local surveillance systems.

22. Capacity is insufficient to meet the demand created by population dynamics and growth, which has resulted in a high total water demand deficit, 17 percent of which is accounted for by Khartoum. GOS sector investment levels, substantially reduced since the period of fiscal austerity in the 1990s, are such that the achievement of the MDG of halving the baseline 1990 populations without safe water access and adequate sanitation by 2015 requires significant effort and funds.

23. An exemplary National Water Policy exists though it is yet to be ratified by the National Legislative Assembly. The challenge for the GOS therefore is to generate the capacity and political will for its implementation. Since the late 1980s, nearly all water sectors in Sudan have been under the Ministry of Irrigation and Water Resources (MIWR). According to the National Water Policy of 2000, the irrigation and water resources sector is a sub-sector of agriculture, and

⁹⁸ Ministry of Finance and National Economy, 2000 – WHO Rural Water Standard.

⁹⁹ Improved sanitary access deemed to be improved traditional pit latrines as a minimum, MICS 2000

¹⁰⁰ Federal Ministry of Education, 2002.

¹⁰¹ USA Department of Health & Human Services, a WHO Collaborating Centre for Research, Training and Eradication of Dracunculiasis, May 2004.

their development budgets fall under the agricultural sector and all other water development expenditures are related to drinking water provision and sanitation services.

24. Institutional structures have been strengthened between state and community levels through decentralization. Liaison between federal and state level water entities is less clear, with separate line ministry reporting arrangements confusing and distorting the process of resource mobilization and accountability. Human resource capacities are poor – many skilled professionals have left public service for expatriate employment and the private sector.

25. The 1992 National Comprehensive Strategy for Water highlights: the cost effective utilisation and management of water resources; the introduction of low-cost appropriate technologies and the encouragement of local equipment production; rehabilitation of deteriorating water systems; expansion of drilling programmes and handpump installation; training, capacity building and increased use of local technical resources; development and expansion of sanitation services; increased community involvement; and research into improved water sector improvements. The rural drinking water sector is accorded the highest priority; the priority, while in urban and peri-urban areas is to restore and extend existing networks in state capitals and strategic rural towns.

26. The National Corporate units that deal with macro-planning fall directly under the Minister. These are the National Council for Water Resources (NCWR); the Technical Water Resources Organ (TWRO) which deals mainly with agreements between neighbouring countries and the National Water Corporation (NWC). The NCWR is responsible for the formulation of a National Water Resources general policy (surface and groundwater), the assessment and conservation of water resources and the overall rationalisation of the sector. With the adoption of the federal system of administration, the NWC has been established under the supervision of the MIWR to formulate general national policy for drinking water and the protection of the environment, and to coordinate legislation, donor and private sector activities.

27. NWC financing comes from Ng budget allocations; cost of work done or services rendered by the Corporation; and donations accepted by the board. Other relevant water-related organisations, which are not under the aegis of MIWR,¹⁰² are the State Water Corporations (SWCs), each under the supervision of the State Minister of Housing and Public Utilities. The SWCs are responsible for the operation, maintenance, development and management of the State drinking water utilities, guided by the National Comprehensive Strategy.

28. In general, the government policy aims to transfer substantial responsibility to the states' authorities for sector operation, maintenance and management on a cost-effective and sustainable basis. Unfortunately, the decentralisation process has led to acute human resource capacity deficits in technical, administrative and management areas. Furthermore, responsibility for integrating water and sanitation service provision at federal and state levels remains unclear, with pressure mounting for a combined mandate to be granted to National and State Water Corporations in line with international organisational norms.

29. Most publicly-operated and managed water supply utilities are functioning neither efficiently nor sustainably due to poor maintenance, incomplete cost recovery and inappropriate pricing.¹⁰³ This maintains pressure for government subsidies for of recurrent expenditures and limits further investment. Clear regulations for differential subsidy have yet to be established on

¹⁰² MIWR, and therefore indirectly the NWC, have institutional policy and regulatory links with SWC's through the State Council of Ministers, in which the State Minister for Housing and Public Utilities sits. This is a significant institutional weakness which has been the cause of some contention between federal- and state-level Water Corporations.

¹⁰³ Corporations and companies under the direct supervision of the Minister (MIWR) are: the Irrigation and Earth-Moving Corporation, the National Company for Manufacturing of Water Services Equipment, the National Company for Drilling and Investment and the National Company for Water Resources Investment.

willingness to pay terms, especially for the poorest rural communities. This remains a point of contention between state government and technocrats.

30. A policy for the progressive privatisation of water yard services, based upon Build-Operate-Transfer ownership terms, has been developed by the GOS and is being actively promoted at both federal and state levels. The private sector has demonstrated successful and sustainable interventions in establishing, operating and maintaining public water services, though higher pricing can further restrict access to poorer. The key challenge will be to establish clear policies and capacity for government management and supervision of privately-contracted services that offer equitable solutions. Private sector tax incentives for local water equipment manufacturers have also been proposed and new capacity is gradually emerging at the federal capital level.

31. A number of SWCs operate their own drilling rigs through direct contracting arrangements with State authorities, though most are in need of major servicing and some are beyond repair.

Desired Situation in 2011

32. The vision for the water sector is guided by the overall strategic objectives set out in the Poverty Eradication Strategy (PES) – to attain poverty reduction and equality across regions and among especially vulnerable groups. This framework specifies improvement to essential water and sanitation services as a priority to alleviate and reduce poverty in the immediate to medium term. The following strategic elements are emphasised: strengthening the process of government decentralisation; social, political and economic empowerment of local communities, vulnerable groups and civil society; capacity building and institutional strengthening at all levels; promotion of inter-group reconciliation and conflict prevention; creation of an enabling environment for the development of the private sector; sound natural resource management; and major restructuring of budget priorities and processes, including a re-orientation towards BSS, productive sectors and infrastructure, and increased transfers to states to allow them to discharge their responsibilities.

33. The overall goal for 2011 is to achieve progress towards MDG water and sanitation targets, which specifically translates into the following targets: to reduce the 1990 baseline population without access to safe water supplies by half by 2015, meaning to sustain 66 percent rural safe water access;¹⁰⁴ and to reduce the 1990 baseline population without access to adequate sanitation by half by sustaining 60 percent rural adequate sanitation access. The MDG targets are of course ambitious, and considerable investment will be required beyond the scope interim recovery and rehabilitation programmes to fully achieve both.

34. Lack of access to potential/actual water yield, equipment profiles and population access data is a serious constraint to planning efforts. Furthermore, cross-sector coordination across the health, education and water sectors is limited by the lack of convergent data mapping tools and the sporadic liaison between sector functionaries who similarly lack common sector status information. Ongoing efforts by the NWC to compile water point source data maps with hydro-geological data will be strengthened as a first step, using mapping software¹⁰⁵ compatible with that currently in use by the Humanitarian Information Centre. Following training, these data will be shared and supplemented by the education and health sectors.

35. The process of government decentralization and private sector liberalization, has weakened technical capacities, with many of the more competent professionals choosing to leave. All staff require training and morale boosting; until capacity has been strengthened,

¹⁰⁴ This goal is equivalent to achieving 66 percent of total rural water demand according to NWC water budget estimates, approximately 2 million m³/day total rural water output by 2011.

¹⁰⁵ Current water sector data maps are compiled using ARCHINFO software.

expatriates assistance is needed. New graduate engineers, technicians and other professionals need to be trained. Targets for a more gender-equitable workforce should be set for the end of the Interim Period, with a higher proportion of placements being made to state levels. Advocacy for increased and regularized government Chapter 1 recurrent spending should be maintained in order to raise remuneration levels and maintain motivation for high-calibre staff to be retained within new public/private sector partnerships. This should be based upon a holistic review of the human resource development strategy in the light of challenges ahead.

36. Construction and rehabilitation of water supply services will be prioritised for returnee IDP host communities, un-served rural populations in remote and war-affected areas, small rural towns and locations where the risk of conflict over scarce water resources remains high. State water authorities have assessed probable sites of urgent need, though these need to be reviewed with emerging data on returnee flows and timing.¹⁰⁶ State water authorities insist on further complementary criteria to target new source developments in regions where seasonal labour migration is most intense and agricultural potential is high. These include a number of large mechanized farming schemes in central states and the gum arabic production belt across Northern Kordofan and Northern Darfur.

37. New water supply interventions will be as close to schools and health facilities as possible in the hope of encouraging the participation of young people, and especially women, in a family-centred and demand-driven development process. Close coordination with mine clearance operations and security forces will be required in all war-affected areas. An increasing and sustained level of spending by government and external partners is a vital pre-condition for the realization of the overall goals. This requires in particular increased spending in under-served regions where water supply infrastructure is weakest and human capacity shortfalls are most acute. All interventions will be made in accordance with the 2001 Environmental Framework Act and will be coordinated among different government institutions from the policy stages onwards.

38. Variable groundwater formations across all priority intervention areas require the use of a mix of technology. The most cost-effective appropriate technology will be used and, where realistic, changes will be made. There has been successful experience with social marketing approaches for improved sanitation within the region. There is an opportunity for innovation, and it is proposed that a strategy be developed for household sanitation upgrades based upon SANPLAT[®] technology, for home use and school as well as public multiple user latrines. Specialist consultancy services will be proposed to develop communication and marketing strategies founded upon common belief systems and geared to a wider franchising approach for local entrepreneurs to manage component manufacture and sale. Consideration should be given to the creation of a stimulus package for private sector manufacturing, marketing and distribution.

39. PHAST methodologies have been introduced in areas of both Northern and Southern Sudan with UNICEF support, and these are yielding positive and sustainable behaviour changes related to improved water and sanitary facilities. Wider PHAST training for state and local level personnel from the state Ministry of Health will be proposed, with a focus on primary school-aged children through school-based hygiene seminars. Further adaptation of the PHAST methodology to control infectious diseases around birthing and clinical exams should be explored. It has proved successful in controlling HIV/AIDS infection among health personnel in Southern Africa, for example.¹⁰⁷

¹⁰⁶ An excellent reference source containing estimates of returnee populations, local human resource capacities and water needs is to be found in the report entitled "Sustainable Return for IDP's and Post Peace Interventions Planning meeting," compiled by NWC and UNICEF, June 2004.

¹⁰⁷ Zimbabwe, Namibia and South Africa have developed specific PHAST materials for the prevention of HIV/AIDS transmission during clinical examinations and use of injectable medicines.

Priorities

40. The priorities in Phase I are to increase the coverage of safe water and sanitation services, to strengthen management, to build sector capacity, and to encourage community ownership and sustained behaviour change.

41. Water point source and population mapping will be the immediate priority, together with hygiene- and sanitation-related disease burden statistics and basic education and health facility information. This exercise will facilitate convergent BSS planning and should be accorded highest priority, under joint GOS/UN leadership. Current government data mapping efforts led by the Groundwater and Wadis Research Division under the MIWR are critical for more equitable resource allocations and rational procurement decisions. It is also essential that these functions are brought under the direct coordination of the NWC Director General to strengthen planning functions under the Planning Directorate. Investment priority should be accorded for data collection teams to update geo-fixing and operational status data for all known water points within Northern states, together with small capital expenditures required to improve GPS mapping capacity and data management functions.

42. Five thousand existing handpump-equipped water points and 1,600 other water systems will be rehabilitated. Ten thousand new handpump equipped water points and 375 other systems will be constructed to serve a population of about 15 million rural inhabitants. Incremental improvement in sanitary practices will be made based upon the provision and sale of component upgrades for traditional latrines. New water systems will be sited as close as possible to schools and health facilities; all schools and health facilities will be provided with sanitary facilities for both genders. Rehabilitation and recovery work will proceed in a safe and protected environment through joint security risk assessments and regular re-appraisal. Technicians and management professionals in the NWC and SWC should be paid a decent living wage.

43. A WES Sector policy and technical norms to guide service delivery among well-coordinated sector partners will be formalised. It will define responsibilities and build planning/management capacity at all decentralised levels of government. The GOS capacity to manage and provide quality assurance for water point source development works undertaken by private sector contractors will be strengthened, as will community-level capacity to sustain existing water point service levels through village-level operational maintenance training and tool provision.

44. GOS and small-scale enterprise partnerships to strengthen the supply chain will be promoted, (including warehousing, distribution and sales points) to deliver consumable items, spare parts and tools at cost to rural water point users. Convergent routine delivery of improved water and sanitation services will be made in conjunction with basic education and primary health interventions.

45. Priority will be given to promoting greater transparency in the process of determining priority safe water needs and resource allocations based upon those needs. Interventions will be planned at state level in a rational, inclusive and transparent manner. Community management of improved safe water facilities through Build-Operate-Transfer ownership options, created through public-private sector partnerships, will be developed, as will communication mechanisms to raise the voice of target communities in choosing improved water options, access-siting and operational management.

46. The policy will be to accelerate hygiene awareness education through primary schools and other community outreach groups to increase routine preventive barrier actions based upon the most affordable and sustainable improvements beyond existing traditional high-risk practices. The GOS will be assisted in building a convergent cost-effective logistics system for the

procurement and delivery of water point and sanitary hardware items together with other basic education and primary health supplies.

47. By the end of Phase II, 11,800 (8,400 new and 3,400 rehabilitated) boreholes will have been equipped with handpumps to serve 5.7 million people. Also, 2,350 (1000 new and 1350 rehabilitated) water yards, protected hand-dug wells and small reticulated systems will be completed within peri-urban and rural areas to serve 4.7 million. Three hundred fifty new surface water diversion structures will be built. They will be equipped with new 50,000m³ *hafir* reservoirs, complete with perimeter fencing and filtered off-take water well structures, and will have separate access for human and animal water consumption. These will serve a further 700,000 people. The rural population served by 2011 should total 4.8 million.

48. Eight hundred sanitary blocks will be completed at schools, health centres, marketplaces and other public gathering points. Two hundred entrepreneur sanitation promoters will have been trained and equipped with latrine moulds, tools and marketing manuals. Three hundred thousand households will be demonstrating positive key hygiene behaviour changes and using new improved latrines with incremental upgrade components produced by entrepreneur sanitation promoters. All new and rehabilitated water points will be staffed by two trained village level repair workers, equipped with appropriate tools and supported by county-level maintenance services. Warehousing and distribution networks will have been established with local entrepreneur support for handpump and water yard spare part supply and technical back-up (optimally integrated with logistics for other basic services).

49. Significant capacity building will be required to administer and bring about the improvements detailed above. One hundred state-level planning officials will be briefed on the baseline mapping exercise, trained in gathering data and in potential uses for advocacy. Two hundred technical officials will have been trained to the level of basic competency in international contract preparation, negotiation and management practices.

50. Four hundred state-level sanitation entrepreneurs will be trained in basic component production, business and marketing techniques, and a similar number of state-level hygiene promoters will be trained in PHAST methodology with local tools adapted and produced for field testing. Eight thousand primary and secondary school hygiene promoters for improved BSS will also be trained. Their responsibilities will include establishing a child-friendly school sanitary environment, and organising maintenance and cleaning support; there will be a national reward scheme for participating schools.

51. Four hundred state-level technicians capable of routine pump and engine repairs will be trained and able to extend these services to communities in need of expertise and spare parts on a revolving cost-recovery basis. Sector coordination mechanisms will be strengthened by the UN together with the GOS institutional focal point (NWC).

Targets and Monitoring

52. The key WES indicators to measure impact progress are presented in the Cluster Matrix, and include minimum per capita water use level averages (lpcd) and water point-to-user ratios, percentage of water points estimated to be functioning at any time, and proportion of schools and health facilities with safe water and adequate sanitary facilities within 100 metre distance (i.e. the proportion of new water point sitings made within these limits).

SOUTHERN SUDAN

Status, Policy and Players

53. Southern Sudan is generally well-favoured in terms of water resources, but sound hydro-geological and geophysical investigations have not been made. Around 75 percent of the rural population still lacks access to safe water. Up to 65 percent of 6,500 rural water points may be out of order or not functioning properly because of a lack of spares and expertise. Figures from the region represent average service levels, and are often misleading, but overall the level of access to appropriate sanitary facilities is around 30 percent and the incidence of waterborne diseases is widespread: children under 5 are the most affected. The general level of hygiene awareness and of vectors of disease is very low.

54. Seasonal population migration patterns and the ongoing and future influx of returnees and IDPs represent fundamental challenges to site selection for new water points. Livestock watering may also endanger the proper use of water points, an issue which should be handled sensitively to avoid potential conflict.

55. Common water consumption at existing water points does not exceed 6 litres per capita per day, which is far below the recommended standard of 20 litres. This level is required for survival and basic hygiene and does not meet basic water needs. The majority of the rural population is forced to consume unsafe water from traditional water sources. Less than 50 percent of existing primary schools and even fewer health facilities have access to safe water and sanitary latrines. Southern Sudan bears an estimated 70 percent of the world's remaining guinea worm disease burden and approximately one in four children dies before turning five. Forty-eight percent of these deaths result from water related diseases – a statistic that highlights a clear need for coordinated health, water and adult education and consciousness-raising campaigns.

56. There has been a marked lack of coordination between past WES programmes, and little coherent policy. Only limited cost data for WES are available, but it is clear that costs per capita are very high compared to a simple centralized water supply system. This is due to the single-source approach for scattered villages, difficulty of access, and insecurity from both mines and the potential for armed conflict. The population of Southern Sudan remains very mobile, although accurate migration patterns are not available. In light of the expected influx of returnees and IDPs, future population figures per water point cannot be established, but there will always be seasonal peaks.

57. Responsibility for water sector development will move to the GOSS. The policy framework, however, the nature of new institutional arrangements, and the distribution of roles and responsibilities for WES remain uncertain. The capacity of local structures to supervise, guide and regulate is extremely limited. The lack of budgets and financial support further hampers any meaningful institutional activity. Apart from the private drilling companies, there is little private sector capacity.

58. High drilling costs, as well as difficult access, poor supply chains and security risks limit the rapid extension of services. The provision of safe water for scattered rural populations is expensive. It remains a challenge to increase community participation and mobilisation, and the existence and performance of water user groups is low. There have been only limited follow-up refresher courses and performance monitoring in the past. Currently the entire SPLM area is considered rural, though there are some urban or semi-urban areas where a centralized system may be both appropriate and cheaper. This issue should be investigated in detail before applying a blanket rural water point system approach.

59. Humanitarian action will remain the driving force for basic WES in the South during the first few years, and service coverage policy will therefore be guided by SPHERE minimum standards for water supply and sanitation.¹⁰⁸ Sustainability of interventions will become more of a challenge as peace permits wider and more regular access to un-served communities; this is when a new holistic BSS management policy will need to be further developed.

60. The draft GOS policy should be reviewed by the GOSS and key stakeholders with a view to eventual ratification early in the Interim Period. The GOSS has demonstrated strong political will to promote safe water access, though future government administrative structures remain unclear. Observers have noted that a Ministry of Community Development may be formed by the GOSS, with Commissioners to administer water and sanitation inputs within an overall BSS remit.

61. There has been sensitivity about mapping highly strategic water points. With the CPA, the GOSS is urged to review the benefits that would accrue to the recovery planning process if these data were accurately mapped on a regular basis.

62. Now that the CPA has been signed, the key players in terms of policy-making, service provision and community empowerment will be the SRRRC WES Secretariat, the OLS-WES group and other INGO/NGO affiliates and community-based organizations, and the Secretariats of Local Governance and Rural Development, respectively.

63. GOSS policy and mechanisms for the financing of WES and other BSS interventions remain unclear. Although humanitarian intervention will remain integral, on-budget financing mechanisms should be established as soon as practically possible by GOSS authorities, possibly linked to the formation of Community Development funds, administered by new county-level rural banking operations acting under Stakeholder Boards of accountability.

64. Due to extreme poverty, it is likely that all water supply services will initially be delivered *gratis*, with minimal charges being levied only where practicable for replacing spare parts. The GOSS should develop an equitable differentiated water tariff policy for larger water services in urban locations where operational costs are higher.

65. The GOSS policy towards sanitation and hygiene promotion is less explicit, though generally positive. An explicit complementary policy for rural and peri-urban sanitation services combined with hygiene promotion in the widest BSS context should be formulated swiftly – Uganda offers by far the best model in the East African region.

66. In view of the critical service gaps prevailing and the need for a considerable surge in implementation capacity, it is likely that private sector contractors currently operating in Southern Sudan will expand their remit, with the probable addition of new local and external private companies and CBOs ready to take up borehole drilling and pump installation/repairs, supply chain and operational management functions.

67. Innovative approaches will be required to raise weak GOSS capacity to administer WES interventions. These may include the temporary secondment of regional international experts and further incentives to recruit competent professionals from the Diaspora and demobilized members of the armed forces.

68. Communications will be vital to secure wider stakeholder involvement in BSS sector coordination and information sharing, with VSAT/HF radio networks eventually being required at

¹⁰⁸ SPHERE standards include 1 latrine stance for 20 persons and 20 litres of water per capita per day.

all *payam* levels. Effective communications will be crucial for data collection and for the streamlining of BSS delivery and oversight systems.

69. The performance of water user groups with regard to operational management has been weak, not necessarily due to poor motivation and capacity, but because supply chains linking spare parts, service providers and end users have been heavily dependent on irregular and expensive external aid logistics. Supply chain management expertise is urgently required, and external technical assistance will be needed to train local enterprise partners in stock management and procurement for at least the first two years. Local artisan and small-scale enterprise involvement will be required thereafter for the delivery of goods and services to sustain safe water supplies.

Desired Situation in 2011

70. The overall goal for 2011 is to achieve and track progress towards water- and sanitation-related MDG targets. The WES MDG targets are bold: considerable investment will be required beyond the scope of this programme to fully achieve both targets. There is an obvious urgent demand to improve the current low service coverage of rural water supply and consumption levels of the majority of the population, as well as sanitary conditions. The aim is to double rural safe water and sanitation access from the 2004 baselines of 25-30 percent by the end of 2011; to ensure that all newly-constructed and rehabilitated schools and health facilities have access to a safe water point within 100 metres, and sanitary latrines for both girls and boys; and to demonstrate knowledge and regular practice of three key preventive barrier actions against water- and hygiene-related disease transmission among 90 percent of school-age children and 75 percent of adults in beneficiary communities.

71. The design and implementation of corresponding programmes and projects have to take into account the low levels of capacity and a corresponding variety of pre-requisites, before even starting to act. Rebuilding the capacity of local-level institutions is an essential pre-requisite for transfer of management, supervision and regulation, as well as financing responsibilities in the longer term. Developing policies for water and sanitation is a priority. Based on a policy framework, regional programmes should be outlined. The rationale behind site selection should become clearer and should respect jointly agreed priorities for regional BSS development. An enabling legislation and institutional environment must be created. Much can be learned from the yet-to-be-ratified Northern National Water Policy.

72. Proposed short and midterm targets and activities will be linked to targets for MDG 7, which include the objective to “halve by 2015 the proportion of people without sustainable access to safe drinking water and basic sanitation.” Reaching MDG 4 (reduce child mortality), MDG 7 (ensure environmental sustainability) and MDG 3 (on gender equality) imply the need for a multi-sectoral approach, and these MDGs can be included as secondary MDGs within water supply and sanitation programmes to further assist the convergence of implementation.

73. Future priority investments in water and sanitation should be guided by clustered BSS. Currently there are around 800 health facilities and 1,400 schools. These basic social facilities constitute the backbone of the social service facility network and will need safe water and sanitary installations. A range of villages and priority counties for extension and rehabilitation of WES facilities has to be selected. As an interim emergency measure, water points to serve returnees will be needed. Technology should not be limited to water points but should also include other innovative options (rainwater harvesting, shallow wells, spring catchments, surface water including treatment) wherever possible.

74. The public water administration should start to plan and implement an overall rural water supply and sanitation programme to overcome the piecemeal approach. It should include roles

for the private sector and communities, and be integrated with the BSS sector. Water user groups may participate in planning their water points, and contribute according to their capacity to the construction of water points and ensuring their proper operation, maintenance and repair. In this context, cost recovery through contributions from the village population to finance water point repairs plays a vital role in diminishing dependence. Indigenous private sector and civil society organizations should be given incentives to provide specific services.

75. The roles and responsibilities of different actors should be defined to guide the future development of the sector and donor interventions should be coordinated and harmonized. In the mid-term a regulatory body is required to coordinate and harmonize public and private interventions in the sector. GOSS should facilitate the involvement of international donors and agencies by establishing a stable institutional environment, including procurement and tax regulations and financial control. The financial contribution of local partners should be secured.

Priorities

76. As in the North, the priorities for Phase I will be to increase the coverage of safe water and sanitation services, to strengthen management, to build sector capacity, and to encourage community ownership and sustained behaviour change. Most of the South, however, starts from a much lower baseline.

77. The first requirement is thorough water point source and population mapping, as in the North, followed by the rehabilitation of 1,000 existing water points and 175 other water systems. In addition, 3,600 new water points and 375 other systems to serve 3.2 million rural inhabitants need to be built during Phase I. An incremental improvement in sanitary practices will be promoted, based upon the provision and sale of component upgrades for traditional latrines, and it will be ensured that new water systems are sited as close as possible to schools and health facilities with suitable facilities for both sexes. Technicians and management professionals among the newly-appointed GOSS institutions for rural water and sanitation development should be paid a decent living wage and be assisted to ensure that they work in a safe and secure environment.

78. A WES Sector Policy should be established, along with technical norms to guide service delivery among well-coordinated sector partners. Responsibilities will be defined and planning/management capacity built at all decentralised levels of government. GOSS capacity to manage and provide quality assurance for water point source development works undertaken by private sector contractors will be strengthened, as will community-level capacity to sustain existing water point service levels through village-level operational maintenance training and tool provision. The promotion of GOSS and small scale enterprise partnerships to strengthen the supply chain system (including warehousing, distribution and sales points) to deliver consumable items, spare parts and tools at cost to rural water point users will be integral to the process. Routine delivery of improved water and sanitation services will be coordinated with other basic education and primary health interventions.

79. There should be a gradual transition from external agency-implemented relief operations to a government-coordinated sector development programme, financed through on-budget government support and trust fund allocations. It promotes the planning of interventions at county level in a rational, inclusive and transparent manner, and endorses the development of mechanisms to increase the voice of target communities in the choice of improved water options, access-siting and operational management arrangements.

80. Hygiene awareness education will be accelerated through primary schools and other community outreach groups to increase routine preventive barrier actions based upon the most affordable and sustainable improvements beyond existing traditional high-risk practices. A

convergent cost-effective logistics system will be created to procure and deliver water point and sanitary items together with other basic education and primary health supplies.

81. By the end of Phase II, 3,500 (3,000 new and 500 rehabilitated) boreholes will have been drilled in rural areas and equipped with handpumps to serve 1.75 million people. In urban and peri-urban areas 400 (300 new and 100 rehabilitated) water yards, protected hand-dug wells and small reticulated systems will have been completed to serve 800,000. By 2011, 3.2 million people will have been provided with safe water access.

82. In concert with other BSS initiatives, 1,200 sanitary blocks will have been completed at schools, health centres, market places and other public gathering points. Three hundred thousand households will be demonstrating positive hygiene behaviour changes and using improved latrines with upgrade components from entrepreneur sanitation promoters.

83. All new and rehabilitated water points will be staffed by two trained village-level repair workers, equipped with appropriate tools and supported by BSS focal points and county-level maintenance services. Warehousing and distribution networks will have been established with local entrepreneur support for handpump and water yard spare part supply and technical back-up (optimally integrated with logistics for other basic services).

84. GOSS water sector capacity will have been strengthened to allow the roll-out of services described above. One hundred county- and state-level planning officials will have been briefed on the baseline mapping exercise and trained in data gathering and potential uses for advocacy. Fifty technical officials will be trained to basic competency in international contract preparation, negotiation and management practices. Four hundred state-level sanitation entrepreneurs will be trained in basic component production, business and marketing techniques.

85. Four hundred state-level hygiene promoters will be trained in PHAST methodology with local tools adapted and produced for field testing. Two thousand school hygiene promoters for improved BSS will be trained and supported – their responsibilities will include establishing a child-friendly school sanitary environment and organising maintenance and cleaning of facilities; there will be a national reward scheme for participating schools. Two hundred county-level technicians capable of routine pump and engine repairs will be trained and able to extend services to communities in need on a revolving cost recovery basis. Overall sector coordination will be strengthened by development partners jointly with GOSS institutional focal points.

Targets and Monitoring

86. The key WES indicators for measuring progress are presented in the Cluster Matrix.

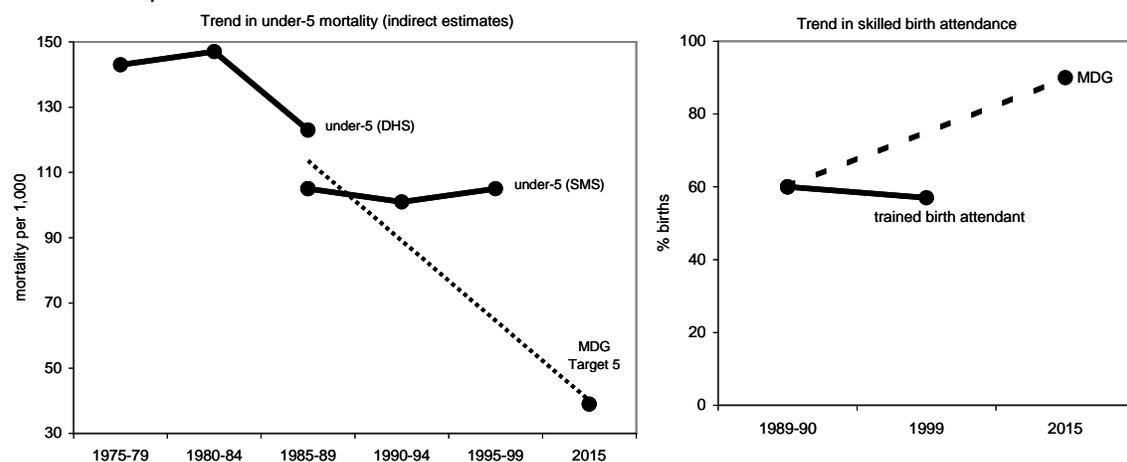
HEALTH

NORTHERN SUDAN

Status, Policy and Players

87. Health and nutrition indicators in Northern Sudan are comparable to sub-Saharan Africa averages, but country averages mask significant urban-rural, regional, and socio-economic disparities. The key MDG health indicators are poor: prevalence of chronic malnutrition among under-fives is around 35 percent, under-five mortality is 104 per 1,000, and maternal mortality is around 500 per 100,000 live births. There has been little progress towards achieving the MDGs over the past decade, so significant effort is required now (Figure 5.1). The estimated total fertility rate is 5.9, which indicates a population growth rate higher than the African average.

Figure 5.1: Trends in under-5 mortality (indirect estimates) & skilled birth attendance, Northern Sudan



Sources: 1989 Demographic and Health Survey (DHS) and 1999 Safe Motherhood Survey (SMS).

88. The epidemiological profile is dominated by common communicable diseases that can be prevented and treated relatively cheaply. Malaria represents up to a third of total morbidity. Annual tuberculosis incidence is estimated at 180 per 100,000. HIV/AIDS prevalence among adults in the North exceeds 1 percent, and knowledge of the disease is low – in 2000, only around half of women had heard of it. A poliomyelitis outbreak in 2004 had 112 cases confirmed in 17 states as of January 2005. Anthropometric surveys carried out in 2004 showed prevalence of Global Acute Malnutrition ranging from 12-40 percent.

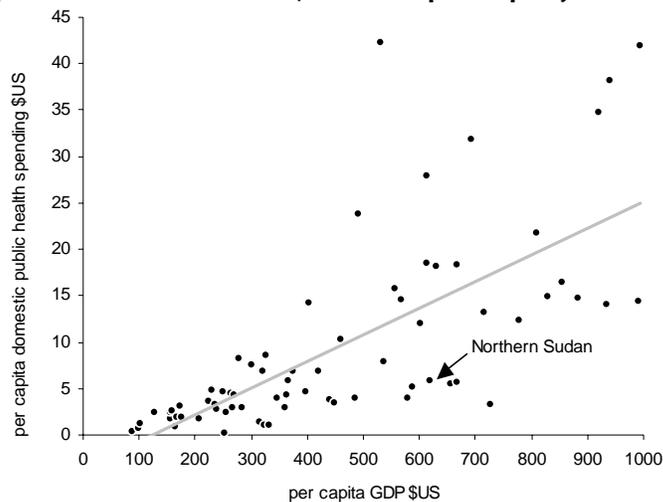
89. Overall coverage of basic health services is about 45-50 percent; in 2003, measles immunization of one-year old children was estimated at 70 percent, BCG at 73 percent, and DPT3 at 74 percent. Fifty-seven percent of births are attended by trained health staff, including Village Midwives, 2 percent of under-five children sleep under an insecticide-treated bed net, half of febrile under-five children are treated with anti-malarials, and 58 percent of tuberculosis cases are treated under the DOTS protocol. Contraceptive prevalence among women aged 15-49 is 7 percent. The limited available data indicate that utilization of basic curative services is low. In 2000, only 35 percent of under-five children with ARI symptoms sought healthcare. Proportions are similar in urban (39 percent) and rural (31 percent) areas, suggesting that factors other than the physical availability of services – such as financial barriers – may be important.

90. Differences between urban and rural areas in health and nutrition outcomes and service utilization persist, although they seem to have narrowed over the past decade, possibly due to significant migration to cities. Regional differences associated with socio-economic disparities are

defining features of the health sub-sector, and the crisis in Darfur has exacerbated an already poor health and nutrition situation in that region. In general, the available data reflect a situation of widespread poverty, with higher service utilization and better health and nutrition status evident among a relatively small population group at the higher end of the income range.

91. The health policy framework is provided by a 25-year strategy document. Recently the GOS and the SPLM issued a PES that lists as priority objectives: fulfilling the MDGs, strengthening primary healthcare, supporting decentralization, financing reform, capacity building, and addressing disparities. Several disease-specific programmes (e.g. malaria, tuberculosis, and HIV/AIDS) are also guided by strategy documents, which overall follow international best practice.

Figure 5.2: Domestic public health spending per capita compared to GNP per capita (countries under US\$ 1,500 GNP per capita)



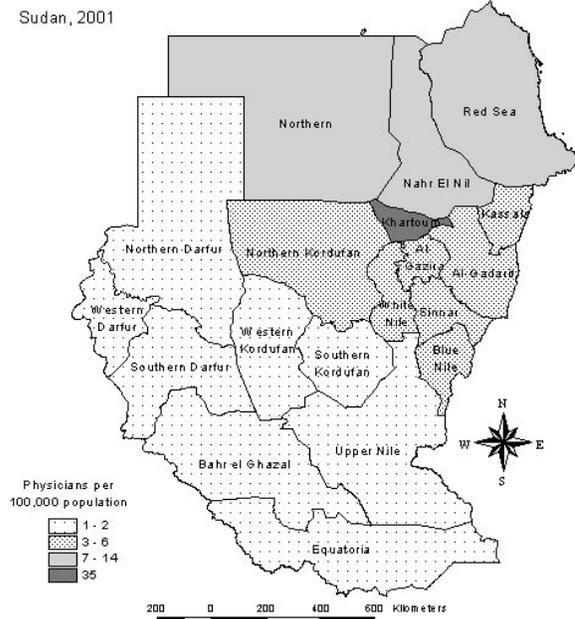
Sources: WHO and World Bank.

92. Responsibility for basic health service provision was decentralized in the 1990s to state and local levels, but the necessary funding transfers from the central government have remained insufficient. Basic health services have deteriorated over the past decade, particularly in poorer states and rural areas. Total government spending in the sector in 2003 is estimated at around \$60 million, or \$2 per capita, which represents about 2 percent of total government spending. Around half is spent at the central level, which is responsible for tertiary services. In addition, a national insurance system, covering around 10 percent of the population – mostly civil servants and their families – is reported to spend up to \$90 million annually. This brings estimated per capita public spending to around \$5.50, or less than 1 percent of GDP, a lower share than the average of countries of similar GNP per capita (see Figure 5.2). Further, public spending is highly skewed towards hospital services, urban areas, and formal sector/government employees. The magnitude of private out-of-pocket expenditure is unknown. User fees, officially instituted in the 1990s, have become an important source of financing. But fees are a significant barrier to utilization particularly by the poor. The Ministry of Health suspended user fees in Darfur in 2004.

93. External development assistance for the sector has been negligible since the early 1990s, although the Global Alliance for Vaccines and Immunization (GAVI) has approved \$15.6 million over five years for immunization, and the Global Fund for AIDS, Tuberculosis, and Malaria has approved \$20.8 and \$33.2 million for five-year programmes targeting HIV/AIDS and malaria, respectively. Humanitarian health programmes related to the Darfur crisis peaked in 2004.

94. Overall, the infrastructure network is large, but population-to-facility ratios – around 100,000 per rural hospital and 35,000 per health centre – are still high. Up to a third of primary facilities are reported not to be fully functional. There are significant urban-rural and regional disparities in the availability of health resources and services (Figure 5.3). Recent capital investment has mainly focused on urban hospitals. The total skilled workforce is large, around 30,000 (doctors, nurses, and medical assistants), but is also concentrated in urban and better-off regions. Human resource development has prioritized doctors and nurses, although there is an important tradition of training village midwives. The ratios of around 18 physicians and 51 nurses per 100,000 people are low, but consistent with other countries of similar GDP per capita. Drug supply is regulated, but fragmented, with considerable diseconomies of scale. There is little information on service composition and quality, and a basic package of services has not been defined at the policy level. A health information system functions and produces an annual report, but reporting completeness is unknown and analytical capacity is limited, particularly at local and state levels. Private for-profit health services are significant and growing in urban and better-off rural areas. Private non-profit services are very limited.

Figure 5.3: Physicians per 100,000 population, Sudan, 2001



Desired Situation in 2011

95. The overall goal for 2011 is to achieve progress towards the health and nutrition-related MDGs. For MDG 1 (poverty and hunger), this implies a reduction in chronic malnutrition among under-five children from 35 percent to around 25 percent by 2011. For MDG 4 (child mortality) this implies reducing under-five mortality from 104 per 1,000 to around 90 per 1,000 by 2011. With regard to MDG 5 (maternal mortality), the ratio should improve from the current estimate of around 500 per 100,000 live births to 260 per 100,000 live births by 2011. For MDG 6 (HIV/AIDS, malaria, tuberculosis and other diseases), the desired situation in 2011 is to have halted expansion and started to decrease incidence.

96. Making substantial progress in attaining MDG targets will depend on growth in incomes, sustained investment, and progress in other sectors besides health, but the health authorities at the central and state levels will bear the responsibility of using the new resources, both internal and external, to increase coverage, effectiveness, equity and quality of healthcare. Strengthened

planning and management capacity, through technical assistance and training, is key to these improvements.

97. The main health sector strategy is to increase utilization and strengthen quality of primary and first-referral healthcare services. This will involve financing reforms, strengthening of institutional capacity (particularly in more deprived states), policy and strategy development in key areas, infrastructure investment, human resource investment, and increased financing, quality, and coverage of basic preventive and curative service provision.

98. The goal for 2011 is to increase basic health service coverage from the current estimated 45 percent to 60 percent of the population, which would put Northern Sudan on a linear path to achieving 73 percent coverage by 2015 – and therefore make significant progress towards the MDGs. At the same time, a key objective is to improve equity in health service coverage, access, and outcomes, in particular through reducing geographic, urban/rural, gender and socio-economic inequalities. This means that the overall coverage targets should be achieved by larger improvements among under-served populations. All healthcare providers should be trained in environmental matters to ensure safe waste management and treatment, and all buildings should be designed with this in mind.

Priorities

99. The target for the end of Phase I is to achieve an increase in service coverage from 45 percent to around 50 percent of the population. Taking into account population growth, this means a proportional increase in service coverage from the baseline of around 15 percent. Investment in infrastructure and human resources, as well financial and technical support to service delivery, are tied to this proportional increase from the baseline. At the same time, systemic reforms and capacity building will start. The main components of the programme are:

- i. *Healthcare financing:* An in-depth policy review will be conducted with the aim of substantially increasing public spending and reducing regional inequalities by targeting the more deprived regions. Cost recovery as a source of financing will be reconsidered, particularly in deprived and underserved areas, in view of the goal of increasing access to services and reducing socio-economic inequality. A substantial effort will be put in strengthening financial management at the central and state levels through technical assistance and training.
- ii. *Technical assistance and capacity building:* Priority areas are policy development, planning/regulation/supervision, financial management, human resources strategy, pharmaceutical policy and regulation, and health information systems. In particular, support is needed for strengthening decentralization through the transfer of financial, administrative, and political authority to the neediest states.
- iii. *Investment in infrastructure:* During Phase I, investment in infrastructure will be tied to targets to increase coverage, focused on disadvantaged areas. It will mostly consist of rehabilitation, and focus on the most deprived areas. It is unlikely that major infrastructure development can be completed during this short timeframe, so the focus will be on initiating priority projects and developing a comprehensive plan to guide investment during Phase II. The target number of rehabilitated and newly-constructed facilities during Phase I is the functional equivalent of about 17 percent of the baseline number of facilities (which is in line with the service coverage goals). The programme also includes rehabilitation of the NG and State MoH and central warehouses.
- iv. *Investment in human resources:* This component focuses on skilled Primary Healthcare (PHC) workers with an average of two years training.¹⁰⁹ During Phase I, the programme

¹⁰⁹ Training and support for Community Health Workers, including village midwives, is part of the basic health service package to be supported under service delivery expansion.

will provide incentives for most PHC training programme graduates to be posted in areas of need, for the re-allocation of a number of existing staff, and for an intense programme of in-service training. It is proposed that during Phase I around 4 percent of the total workforce of 29,000 be reallocated to needy areas, and 10 percent receive in-service training. At the same time, classroom construction and other investments will be made in order to increase student intake in PHC programmes by around 7 percent annually.

- v. *Expanding service delivery & quick wins*: Expanding service coverage during Phase I will involve significantly increasing funding for recurrent costs and small-scale rehabilitation and re-equipping of the health system in these areas. It will also involve strengthened partnership with international and national NGOs in order to expand services, targeting under-served areas. Priority health services to be strengthened are those that address the main causes of child and maternal morbidity and mortality, including first-referral services, expansion of family planning programmes, provision of reproductive health commodities (contraceptives, delivery kits); prevention, treatment and counselling services for STIs and HIV/AIDS, and prevention of harmful practises, including Female Genital Mutilation (FGM). Injecting resources (e.g. funds for salaries, incentives, maintenance, and operating costs) and improving partnership with the private sector are effective ways of overcoming the present constraints to scaling up health services. These "*Quick Wins*" will complement the gradual introduction of systemic interventions, such as those focusing on the main components of the sector (management, infrastructure, and human resources), which will bear fruit in the medium- and long-term. Additional proposed *Quick Wins* are measles immunization and vitamin A supplementation campaigns targeting under-five children, and household distribution of insecticide-treated bednets, an intervention against malaria that has been proven effective. These campaigns will target the populations which are not yet reached by the expansion of regular basic services.

100. Phase II will focus on more substantial investment in infrastructure and human resources and on consolidation of institutional capacity. It can be anticipated that technical assistance will be progressively phased out. Funds will have started flowing regularly and information systems will have produced consistent data for decision-making. Imbalances in resource allocation will decrease with targeting of the more deprived states and reallocation of funds towards PHC services. Financial barriers will be progressively reduced, encouraging the utilization of health services by the poor.

101. Expansion of service provision will need to be sustained in this phase in order to reach the target of 60 percent coverage of the population by 2011. This expansion will be based on ongoing capacity-building, and infrastructure and human resource investments, as well as continuing work by NGOs in areas where the public system is not present. Longer-term public-private partnerships to maintain the gains made under such arrangements will be explored. By 2011, it is envisioned that infrastructure investment will have increased capacity by the functional equivalent of about 50 percent of the 2004 baseline. Investment in human resources will have increased the PHC workforce by about 25 percent from the estimated 2004 baseline by 2011. This expansion could appear modest relative to the coverage target, but it recognizes capacity and absorptive constraints, and underlines that substantial improvements in health personnel efficiency and allocation are necessary.

102. Cost estimates are tied to the targets for increasing basic health service coverage, in order to achieve progress towards the health and nutrition-related MDGs. The estimates are total costs (rather than incremental) for the required investments and recurrent support to basic service delivery. The estimates refer only to basic health services, including first-referral, and exclude the substantial recurrent and investment costs associated with existing or future tertiary

services, as well as the costs of short-term humanitarian programmes. The cost estimates below are for the NG and the Northern States (excluding the Three Areas). Details on the models and assumptions behind the estimates are available in the full report, posted at www.unsudanig.org/JAM.

Table 5.1: Estimated costs of basic health services programme, NG (millions of \$)

	Phase I			Total	Phase II	Total
	2005	2006	2007			
1. Capacity Building	0.1	1.4	1.2	2.7	2.9	5.6
2. Infrastructure Investment	0	0	0.7	0.7	0	0.7
3. Human Resource Investment	0.05	0.2	0.3	0.6	1.4	2
4. Service Delivery	0	0	0	0	0	0
Total	0.15	1.6	2.1	3.9	4.3	8

Table 5.2: Estimated cost of basic health services programme, Northern States (excluding Three Areas), (millions of \$)

	2005	2006	2007	Total	Phase II	Total
					Total	
1. Capacity Building	0.4	1.4	1.4	2.8	3.4	6.2
2. Infrastructure Investment	3.7	13.1	29.8	42.9	159.6	202.5
3. Human Resource Investment	1.96	7.3	8.9	16.2	40.9	57.1
4. Service Delivery	51.8	193.9	206.6	400.4	971.7	1372.1
Total	57.86	215.6	246.6	520.06	1,175.70	1,695.76

Targets and Monitoring

103. Baseline data for monitoring the recovery programme are from household surveys in 1999-2000. These indicators will be included in the upcoming health and population survey in Northern Sudan, which will be complemented by more specific, programme-oriented data, both from studies and routine information systems.

104. Table 5.3 provides baseline estimates and indicative targets for the MDG indicators for monitoring purposes. The targets are consistent with steady progress towards the MDGs, and are subject to revision following more in-depth assessments. Several indicators to measure access to healthcare are proposed for inclusion in the forthcoming household survey.

Table 5.3: Survey-based indicators and indicative targets to be achieved by the end of Phase II, Northern Sudan

	Baseline Estimate	Phase II Indicative Target
MDG Outcome Indicators		
Under-5 chronic malnutrition (percent under-5s)	35	25
Under-5 mortality rate (per 1,000)	104	70
Maternal mortality ratio (per 100,000 live births)	509	300
HIV/AIDS prevalence (percent adults)	1.6	< 1.6
Tuberculosis incidence (per 100,000 population)	180	< 180
MDG Utilization Indicators		
Measles immunization (percent 12-23 months)	58	~ 70
Births attended by trained personnel (percent)	57	~ 70
Contraceptive prevalence rate (percent women 15-49)	7	~ 14
ITN utilization (percent under-5s)	2	~ 40
Anti-malarial treatment (percent febrile under-5s)	50	~ 60
Tuberculosis cases detected under DOTS (percent)	58	~ 70
Additional survey-based indicators		
Percent of cases receiving care from health provider	TBD	~ 60
Percent of cases who did not receive care due to distance	TBD	TBD
Percent of cases who did not receive care due to cost	TBD	TBD

105. A number of *process* indicators and targets can be used to regularly assess progress. Table 5.4 provides tentative indicators relating to the main components of the recovery programme. Some of the targets require in-depth discussions with the Ministry of Health.

Table 5.4: Process indicators and indicative targets to be achieved by the end of each Phase, Northern Sudan

	Baseline Estimate	Phase I Target	Phase II Target
1. Health financing reform & capacity building			
Government health spending (percent of GDP)	0.4	TBD	TBD
Equity of transfers to states	TBD	TBD	TBD
NU & state financial management capacity	qualitative		
NU & state MOH planning and oversight capacity	qualitative		
2. Infrastructure investment			
Infrastructure assessment & development plan	qualitative		
Functional increase in health center capacity (percent of baseline)	..	17	50
3. Human resource investment			
Increase in PHC workforce (percent of baseline)		7	25

	Baseline Estimate	Phase I Target	Phase II Target
4. Service delivery			
Percent population covered by outreach services	TBD	~ 50	~ 60
Percent population covered by PHC services	~ 45	~ 50	~ 60
Percent population covered by first-referral services	TBD	~ 50	~ 60
Percent population covered by HIV/AIDS preventive services	TBD	TBD	TBD
Outpatient consultations per capita	TBD	~ 0.5	~ 0.6
Routine immunization coverage (HIS) (percent 12-23 months)	TBD	~ 50	~ 60
Caesarean section rate (HIS) (percent pregnancies)	TBD	~ 7	~ 10

THE THREE AREAS

106. Years of conflict and displacement in the Three Areas have led to a deterioration of health service provision as well as health outcomes. The states of Blue Nile and Southern Kordofan rank among the lowest in terms of basic health indicators, while the health situation in SPLM-held areas is similar to neighbouring Bahr el Ghazal and Upper Nile – that is, among the worst in the world. There are only 2 hospitals and 5 health centres in the SPLM-held areas, with service dependent on external support from NGOs. There are reportedly no permanent functioning health facilities in the Abyei region. In GOS-held areas, the public health system is more comprehensive, although like in other parts of Northern Sudan, it is concentrated in urban and better-off rural areas.

107. Overall health service coverage in the Three Areas is estimated at 30 percent of the population. Increasing coverage to 38 percent by the end of Phase I and 53 percent by the end of Phase II would put the Three Areas on a linear path to achieving 73 percent coverage by 2015 – and therefore making significant progress towards the MDGs. In order to achieve this, a mix of the strategies which are described above for the North and South is called for. At the same time, integrating the health system across the Three Areas – which essentially means facilitating access to the better-developed services in urban and former GOS-held areas – should be the first priority. Technical assistance and capacity building should target the state and local administrations in the Three Areas in order to improve financial systems and management, as well as overall health system governance. Investment in infrastructure will focus on planning and rehabilitation during Phase I, with expansion of the network during Phase II in the most under-served areas. Human resource investment will include both expanding the workforce and improving its efficiency and allocation. Prospects for reallocation of staff to under-served areas will be assessed early in Phase I. Improvements in service delivery will involve both injection of resources into the existing network, as well as NGO support to services in areas where the public system is not present.

108. Cost estimates are tied to the targets for increasing basic health service coverage in the Three Areas. The estimates are total costs (i.e. not incremental) for the required investments and recurrent support to basic service delivery. The estimates refer only to basic health services, including first-referral, and exclude the substantial recurrent and investment costs associated with existing or future tertiary services, as well as the costs of short-term humanitarian programmes. Details on the models and assumptions behind the estimates are available from the assessment team.

Table 5.5: Estimated cost of basic health services programme, Three Areas (\$ millions)

	Phase I			Phase II	Total
	2005	2006	2007	Total	Total
1. Capacity building	0	0.7	0.7	1.5	4.1
2. Infrastructure investment	0	11.2	8.6	19.8	76.9
3. Human resource investment	0	0.8	1.2	2	8.5
4. Service delivery	11.8	28.6	31.9	72.3	228.4
Total	11.8	41.3	42.4	95.5	317.8

SOUTHERN SUDAN

Status, Policy and Players

109. Overall, the health and nutrition situation in Southern Sudan is among the worst in the world. The MDG health outcome indicators are dismally poor: 45 percent prevalence of chronic malnutrition among under-fives, under-five mortality of 250 per 1,000, and maternal mortality of 1,700 per 100,000 live births.¹¹⁰

110. Common communicable diseases cause the heaviest burdens and malaria accounts for a particularly high proportion of morbidity and mortality. The health situation is also characterized by very high levels of malnutrition and a high prevalence of classic tropical diseases that are largely controlled elsewhere; examples include sleeping sickness, river blindness, guinea worm, and visceral leishmaniasis. Annual tuberculosis incidence is estimated at 325 per 100,000. HIV/AIDS prevalence among adults is unknown, but various studies have found rates between 0 and 8 percent, and less than half of women have heard of the disease. In the coming years, population movements, increased trade and mobility, and contact with high-prevalence neighbouring countries, will contribute to the spread of the disease if urgent preventive measures are not taken.

111. The overall coverage of basic health services is estimated at only 25 percent of the population. The MDG indicators measuring service utilization reveal that measles immunization coverage of one-year old children is estimated at only 25 percent, less than 6 percent of births are attended by trained personnel, the proportion of people sleeping under an insecticide-treated bed net is negligible, 36 percent of febrile under-five children are treated with anti-malarials, only an estimated 6 percent of tuberculosis cases are treated under the DOTS protocol, and contraceptive prevalence is less than 1 percent. Available health indicators in urban areas, particularly Juba, are better than rural areas, to which the estimates above refer. On a regional basis, indicators are relatively better in Equatoria, which is more peaceful and accessible than other regions. Because the majority of the population is poor, socio-economic disparities in health are not as evident as in other countries.

112. Strategic direction is provided by the 1997 SPLM Health Policy document, the PES, and the recent sector recovery strategy. These focus on strengthening primary healthcare services, institutional capacity building, and decentralization of responsibilities. It is envisioned that the GOSS be responsible for overall policy and regulation, as well as technical support, while responsibility for basic service delivery will reside at the county level. The most recent policy documents stress the need for a realistic and incremental approach, acknowledging the severe

¹¹⁰ New Sudan Centre for Statistics and Evaluation (2004)

capacity and absorptive constraints to rapid expansion of the health system. Strategy documents for HIV/AIDS and nutrition have been developed.

113. Most health services in Southern Sudan are supported by international NGOs under humanitarian programmes, with local and church-based organizations also active. UNICEF and WHO particularly work in the areas of coordination, epidemiological surveillance, communicable diseases control, nutrition, and immunization. Several disease-specific programmes, targeting guinea worm and onchocerciasis, are important actors. Coordination has largely been humanitarian, with a growing role recently for the Southern Sudanese health administration. The financial, human resource and institutional capacity remains weak, so external actors retain a considerable role in strategy and policy development.

114. External assistance to the health sector was estimated at \$55 million in 2002, or around \$7 per capita. This spending — which is higher than in most sub-Saharan countries — is extremely inefficient, achieving coverage of only 25 percent of the population. Transport and other logistical costs, as well as the costs associated with extensive reliance on international personnel, account for an important share of budgets. Most external funding remains humanitarian, and thus is short-term and not able to support development-type activities (in particular institutional capacity building). The major exceptions are USAID projects developing primary healthcare services in a number of counties (\$28 million over five years), and supporting pilot HIV/AIDS activities in two counties (\$1.9 million over two years). The Global Fund for AIDS, Tuberculosis, and Malaria has approved grants for five-year programmes for malaria (\$27.8 million), tuberculosis (\$15.3 million), and HIV/AIDS (\$28.4 million). User fees for health services and drugs are a stated policy goal, but pilots have shown that once the administrative costs are subtracted they contribute little revenue, and that they can severely affect service utilization. Strategies to reduce dependency are likely to be more effective, in particular strengthening of county health administrations and involving local communities in county and health facility governance.

115. Health service infrastructure and equipment are inadequate, in poor condition and unequally distributed among the regions. In rural areas there are around 100 health centres and 550 health units, resulting in ratios of around 75,000 people per health centre and 14,000 per health unit. There are 19 hospitals (400,000 people per hospital), but only a few provide what could be described as adequate referral care. In effect, most of rural Southern Sudan has no access to hospital-level services. Rural infrastructure is concentrated in Equatoria, where there are 40,000 people per health centre, compared to 75,000 in Upper Nile and 160,000 in Bahr el Ghazal. In the larger urban areas, particularly the GOS-held towns of Juba, Malakal, and Wau, 11 hospitals, 20 health centers, and around 100 dispensaries and health units are reported, representing a significant concentration of infrastructure. However, much of this infrastructure is in poor condition, and the availability of functional services is more limited than these figures suggest.

116. In rural areas, there are around 4,600 trained personnel, more than half of whom work in Equatoria. About 3,000 of these are PHC workers with less than a year of training. There are fewer than 40 doctors and about 650 nurses, so ratios of skilled personnel to population are exceptionally low (0.5 physicians and 9 nurses per 100,000). In urban areas (Juba, Malakal, and Wau), there are reportedly 1,500 skilled health staff, including 126 doctors and 1,100 nurses. Drug supply in rural Southern Sudan is largely undertaken by humanitarian health programmes, and there have been recent efforts to centralize purchasing and distribution. Technical regulation, such as the definition of an essential drugs list and of basic service packages, has also been largely done in the context of donor programmes — usually with input from the Southern Sudanese health authorities — so there is variation from donor to donor and even between

different funding modalities for the same donor. An early warning system focusing on priority epidemic diseases is functioning, but there is no adequate routine health information system.

Desired Situation in 2011

117. In Southern Sudan, reaching the MDG targets by 2015 represents an enormous challenge. For 2011, it implies reducing child chronic malnutrition from 45 percent to 30 percent, decreasing under-five mortality from an estimated 250 per 1,000 to about 140 per 1,000 reducing maternal mortality from an estimated 1,700 per 100,000 live births to about 850 per 100,000 live births, and achieving progress in stopping the spread and decreasing the incidence of HIV/AIDS, malaria, tuberculosis, and other diseases.

118. Success will depend on progress in other sectors, notably basic infrastructure and economic and agricultural development. The main health sector strategy is to increase coverage of quality basic health services, including first-referral hospital services. The target for 2011 should be to increase coverage to 50 percent of the population from the current estimated baseline of 25 percent, which would put Southern Sudan on a linear path to achieve 73 percent coverage by 2015. These targets imply significant progress towards the MDGs.

119. This will require substantial investment in institutional and management capacity, policy development, infrastructure, and human resources, as well as expanded financial and technical inputs to front-line service provision. The significant capacity and absorptive constraints to expansion of the system, particularly lack of human resources, will need to be effectively addressed. By 2011, the GOSS will be financing a substantial portion of healthcare costs, but external assistance will remain significant. The GOSS will have taken the leading role in broad allocation and strategy decisions, while county-level health administrations will be increasingly able to effectively supervise and coordinate services in their areas. NGOs – increasingly local – will remain the main service providers, working in more integrated ways with strengthened health authorities. All healthcare providers should be trained in environmental matters to ensure safe waste management and treatment and all buildings should be designed with this in mind.

Priorities

120. The target for Southern Sudan is to increase service coverage from 25 percent to around 30 percent of the population by the end of Phase I. Taking into account population growth, this implies a proportional increase from the baseline of around a third during the period. Proposed investments in infrastructure and human resources, as well financial and technical support to service delivery, are tied to this proportional increase from the baseline.

- i) *Healthcare financing:* Policy development and institutional capacity building, particularly in financial management, is required to empower the GOSS in effectively and transparently utilizing its own resources, as well as in gaining an increasing role in the coordination of external inputs. There is a consensus on the need for a careful review of cost-sharing mechanisms, in view of the mixed results coming from the field and the need for quickly expanding the access of the population to basic health services.
- ii) *Technical assistance and capacity building:* The GOSS health ministry will need support to fulfil more direct responsibilities in steering and developing the health system. Technical assistance, training, funds for operating costs, and improved working conditions are needed. Priority areas to be strengthened include policy development, planning/regulation/supervision, financial management, human resources strategy formulation, and health information systems. The pharmaceutical area needs substantial restructuring, starting with elaboration of an essential drug list and standard treatment guidelines, stockpiling of essential drugs to meet the needs of returnees, and rationalization of the existing purchasing and supply schemes. Support is also required at the county level to build capacity for coordination and supervision of local services.

- iii) *Investment in infrastructure:* During Phase I, investment in infrastructure will privilege rehabilitation over new construction, and will focus on the most deprived areas. A particular focus will be starting the process of upgrading the existing hospital structures, in order to increase their functional capacity (in particular to strengthen Emergency Obstetric Care), while planning for construction of new facilities during Phase II. Standards for rehabilitation will be developed and a database of health facilities will be set up to guide priority setting. Proposed investment during Phase I is functionally equivalent to about half of the baseline network. These interventions will impact service delivery. However, given the extremely low coverage of the infrastructure network and the need for ensuring basic services to deprived areas and population groups like returnees, NGOs will expand mobile teams to provide urgent public health interventions and support community health workers, as envisaged in the 2005 UN Work Plan.
- iv) *Investment in human resources:* Lack of human resources is the single most important (and difficult to overcome) constraint to expanding service delivery, given the limited number of candidates with the necessary schooling requirements for professional training.¹¹¹ During Phase I, because of the time lag involved in training skilled staff, the human resource requirements to achieve the service coverage goals will need to come from ensuring that the current numbers of new graduates are efficiently allocated, and from skills upgrading of existing staff. Staff reallocation is unlikely to provide a significant contribution since even the better-served areas cannot be considered overstaffed. The estimated baseline skilled health workforce is 2,400, including 1,500 in Juba, Malakal, and Wau. In addition, about 3,000 health workers with less than one year of training are working in rural areas of Southern Sudan. A significant retraining and skills upgrading programme is proposed to target around a third of the workforce during Phase I. Investment in new staff will prioritize higher and mid-level health cadres, through an accelerated upgrading of training programmes for categories with acute shortages like midwives, medical assistants/clinical officers, and pharmacy staff. Some studies are immediately required: an inventory of the existing cadres, review of curricula, assessment of training institutions, and a labour market study of the incentives influencing supply and demand for key categories of staff.
- v) *Expanding service delivery and Quick Wins:* The many capacity constraints – lack of personnel in particular – are a considerable challenge to the rapid expansion of service coverage, since investments in infrastructure and human resources will not really start to show results until Phase II. The main strategy to overcome these constraints and offer immediate benefits – *Quick Wins* – will be to provide NGOs, both international and domestic, with incentives for working in the most difficult areas, starting with mobile teams. This will involve introducing, on a pilot basis, contractual arrangements with service providers for the delivery of a defined package of health services, with the necessary monitoring capacity to be ensured initially by technical assistants and progressively with the involvement of the GOSS health authorities. Essential basic services, like immunization services, malaria and tuberculosis control, safe motherhood, preventive and therapeutic nutrition interventions, and prevention of HIV/AIDS, will be expanded and become integral parts of a comprehensive package of health services. Basic services are to include community-focused interventions, including training and support of community health workers and health education. Strengthening disease surveillance and control is in order, in light of the risks associated with large population movements. Additional proposed *Quick Wins*, primarily targeting populations not yet reached by planned service expansion, are regular measles immunization and Vitamin A supplementation campaigns for under-five children, household distribution of ITNs, and

¹¹¹ As in the North, this Component focuses on skilled PHC workers with an average of two years training. Training and support to CHWs is part of the basic package of services to be supported under service delivery expansion.

other health campaigns related to HIV/AIDS prevention, family planning, and other priority issues.

121. Phase II will see major infrastructure investment and human resource development. A solid base for decision-making, planning, and implementation will have been built by assessment and policy formulation work during Phase I. An integrated system for the delivery of health services at the county level will be in place, by the end of Phase II, with county medical officers gradually trained in planning and management. Internal public financing will progressively increase to reach a sizeable share of total expenditure, while private financing will remain marginal until sustained economic growth alters patterns of poverty. The financial management capacity and instruments developed in Phase I should expand in terms of volume and scope. Management systems, including health information systems, will become structured and permanent, with the main challenge being the establishment of local health management structures.

122. Rebuilding of the existing hospital network in both urban and rural areas will continue, along with a number of new facilities in under-served areas. The network of health centres, crucial to effective delivery of a basic package of services, will be substantially expanded, including upgrading of existing health units. Health units will be established in more sparsely-populated areas, supplemented by community-based and mobile service delivery mechanisms. It is envisioned that by the end of Phase II, infrastructure improvements will have increased capacity by the functional equivalent of 110 percent of the 2004 baseline. Investments in human resources, building on studies and strategy development during Phase I, will show results in terms of increased supply of trained cadres, while substantial in-service training will continue in order to upgrade the existing workforce. By the end of Phase II, the skilled workforce (doctors, nurses, medical assistants) will need to approximately double (to around 4,800) in relation to the 2004 baseline. Given the limited numbers of secondary school graduates, a large proportion of this needed skilled workforce will need to come from upgrading of existing staff, particularly the over 3,000 less-skilled health workers currently working in rural areas.

123. The goal for Phase II is to achieve coverage of 50 percent of the population by 2011, thus making progress on the path towards 73 percent coverage by 2015. This will continue to substantially depend on NGOs, but responsibilities will increasingly be taken over by Sudanese organizations and structures. Phase II will see the consolidation of new relationships between health authorities and service providers, with central health authorities acquiring the capacity to plan NGO deployment, negotiating terms, and assessing results, while county authorities develop the capacity for coordination and supervision of services at the local level. Priority services will continue to address the main causes of morbidity and mortality, along with increased HIV/AIDS interventions, and further development of hospital services.

124. The targets for increasing basic health service coverage in Southern Sudan have been costed. The estimates are total costs (rather than incremental) for the required investments and recurrent support to basic service delivery (Table 5.6). The estimates refer only to basic health services, including first-referral, and exclude both tertiary services and short-term humanitarian programmes. Details on the models and assumptions behind the estimates are available from the assessment team.

Table 5.6: Estimated cost of basic health services programme, Southern Sudan (million US\$)

	Phase I			Phase II		Total
	2005	2006	2007	Total	Total	
1. Capacity building	0.8	1.9	1.9	4.6	6.6	11.2
2. Infrastructure investment	18.8	43	35.9	97.7	178.6	276.3
3. Human resource investment	2.0	4.5	7.4	13.9	51.6	65.5
4. Service delivery	31.5	73.9	83	188.4	435.2	623.6
Total	53.1	123.4	128.4	304.9	671.9	976.8

Targets and Monitoring

125. The same MDGs proposed for Northern Sudan can be used to assess progress in the South. Table 5.7 provides baseline estimates and indicative targets for MDG and other survey-based health outcome and service utilization indicators. However, the baseline figures for many of these indicators – particularly child and maternal mortality – are best estimates. Reliable baselines on which to assess progress are generally not available, and must await the health and nutrition household survey (see Information Cluster).

Table 5.7: Survey-based indicators and indicative targets, Phase II, Southern Sudan

	Baseline estimate	Phase II indicative target
MDG outcome indicators		
Under-5 chronic malnutrition (percent under-5s)	45	30
Under-5 mortality rate (per 1,000)	~ 250	140
Maternal mortality ratio (per 100,000 live births)	~ 1,700	850
HIV/AIDS prevalence (percent adults)	NA	TBD
Tuberculosis incidence (per 100,000 population)	~ 325	< 325
MDG utilization indicators		
Measles immunization (percent 12-23 months)	25	~ 70
Births attended by trained personnel (percent)	6	~ 30
Contraceptive prevalence rate (percent women 15-49)	< 1	~ 10
ITN utilization (percent under-5s)	< 1	~ 40
Anti-malarial treatment (percent febrile under-5s)	36	~ 51
Tuberculosis cases detected under DOTS (percent)	6	~ 51
Additional survey-based indicators		
Percent of cases receiving care from health provider	TBD	~ 51
Percent of cases who did not receive care due to distance	TBD	TBD
Percent of cases who did not receive care due to cost	TBD	TBD

126. Table 5.8 lists the process indicators that can be measured more frequently. As in the North, these indicators should be used at more disaggregated levels, both geographical and by age and gender.

Table 5.8: Process indicators and indicative targets, Southern Sudan

	Baseline estimate	Phase I target	Phase II target
1. Health financing reform and capacity building			
Government health spending (percent of GDP)		TBD	TBD
GOSS financial management capacity	qualitative		
GOSS and county planning and oversight capacity	qualitative		
2. Infrastructure investment			
Infrastructure assessment and development plan	qualitative		
Functional increase in health centre capacity (percent of baseline)	..	50	150
3. Human resource investment			
Increase in PHC workforce (percent of baseline)		~ 13	~ 100
4. Service delivery			
Percent population covered by outreach services	TBD	~ 34	~ 51
Percent population covered by PHC services	~ 25	~ 34	~ 51
Percent population covered by first-referral services	TBD	~ 34	~ 51
Percent population covered by HIV/AIDS preventive services	TBD	TBD	TBD
Outpatient consultations per capita	TBD	~ 0.34	~ 0.51
Routine immunization coverage (HIS) (percent 12-23 months)	TBD	~ 34	~ 51
Caesarean section rate (HIS) (percent pregnancies)	TBD	~ 2	~ 7

TBD: To be determined.

EDUCATION

NORTHERN SUDAN

Status, Policy and Players

127. The education system in the North is characterized by a three-tiered decentralized education system whereby basic education is the responsibility of the localities (*mahalyas*); secondary is that of the states; and tertiary is that of the federal government. Education councils (similar to Parent-Teacher Associations) are focal points for popular participation, playing a key role in school supervision/maintenance; provision of building materials for rehabilitation/maintenance of classrooms and of housing for teachers; and fundraising for teachers' salaries and school supplies. The education ladder is 8-3, with the 8 compulsory years leading to the Basic Education Certificate, and general and technical secondary education of three years leading to the Sudan Secondary School Certificate. The Federal Ministry of Education (FMOE) also operates Special Needs and Technical and Vocational Education (TVE) training centres (two-year vocational courses).

128. The FMOE serves as the technical body in charge of planning, policy, training, educational research, curricula development, and monitoring the quality of instruction. Current methodology and the existing approach to planning and developing investment programmes in North remains centralized, with the federal government issuing guidelines for state budgets. Yet, the real power to allocate resources to education and to implement programmes resides within the states, which effectively control the budgets of localities. States and localities lack the revenue base, power, authority and technical capacity needed to fulfil their responsibilities in education.

129. Recommendations from international conferences (Education For All (EFA), MDG) have been included in Sudan's Country National Strategy (1992-2002), and in education policies since the early 1990s. The basic components of the national policies include free access to quality basic education for all children aged 6-13 by 2015, the elimination of gender disparities, the improvement of education quality for disadvantaged groups, increased relevance of the curriculum and the promotion of life skills education. To achieve these goals, the government is relying on both public and private education sectors.

130. The Northern education system is poorly funded with expenditure at only 1 percent of GDP, against 3-5 percent in most sub-Saharan African countries. Enrolment figures are subject to wide geographic and economic disparities. In 2003, while the GER for Northern Sudan was 62 percent, the highest enrolment rates were in Northern State (100 percent), River Nile (86 percent), and El Gazira (84 percent). The lowest was in South Darfur (33 percent).

131. While the overall enrolment rate is low, the basic education system has many strengths. Lack of reliable disaggregated data does not allow definitive conclusions, but it seems that when compared to other sub-Saharan African countries, Sudan's basic education system has gradually reduced gender disparities over the years, maintained a high survival rate to sixth grade and has relatively low unit costs. As with other sectors, however, averages mask crises in some states, and statistics are not always rigorously obtained or aggregated. Throughout the system more is needed on culturally and linguistically appropriate education, and advocacy on HIV/AIDS, environmental issues and natural resources management, sanitation and gender issues.

132. In 2003, the survival rate to sixth grade was recorded at 80 percent, which indicates that the large majority of students who enter grade one survive up to sixth grade and thus attain permanent literacy and numeracy. The latest exam data (2000/01) shows that 78 percent of students (237,583 pupils out of a total 306,448) in the North took the eight grade exam. While more information is needed to explain why 23 percent of students did not sit for the exam, the pass rate of 73 percent indicates that skill acquisition is relatively high for those who sat. However, disaggregation by state shows that the pass rate varies widely, with a rate of 91.2 percent in Northern State and 52 percent in West Darfur and Gadarif.

133. In 2003 there were 12,004 schools for 3,589,981 students. Each school had seven classrooms on average, which means that there are approximately 43 students per classroom. While this compares favourably to the rest of sub-Saharan Africa, there is still a need for new schools, especially to accommodate large class sizes in lower grades and to handle the large influx of students who will migrate back and enrol in schools in the North. To reach enrolment targets while maintaining the same classroom occupancy rate, 2,200 classrooms per year need to be built and provided with water and sanitation. Two-thirds of primary schools are without adequate water and half have inadequate sanitation facilities, with consequent effects upon female school attendance and enrolment.

134. It is believed that the number of teachers is adequate but that a large majority is unskilled. The pupil-teacher ratio in the basic education system was 28 in 2003 according to the school census, while the official policy is to increase the ratio to 35 in order to improve efficiency. One of the greatest challenges facing the system is the lack of trained and qualified teachers and headmasters since only 12 percent have the minimum qualifications (college degree) and 88 percent are not qualified as required by the FMOE. As the system achieves moderately good qualitative results despite the lack of qualified teachers, this may be an indication that teaching behaviour is exemplary – it also may be an indication, that the academic standards required to enter the profession are too high. Since 1990, university degrees are the minimum teacher entry requirement, which challenges the system's capacity to train and retain a sufficient number of teachers. Further, there exist currently no training modes that can cover medium-term needs,

although the Sudan Open Learning Organization has managed to train 22,227 teachers since 1992 with a network of 228 centres across 14 states.

135. In recent years responsibility for teacher training has devolved from the federal to state level, with costs transferred to the local level. This, in addition to the opportunity cost of university schooling (usually families must relocate close to universities), has resulted in a potential loss of coherence and coordination in teacher training programmes and in limitations to the practical applications of training. Existing capacity is insufficient to pay teachers and to train those that are needed. These features place rural and sparsely-populated areas at a disadvantage in providing quality education – there is a poor supply of teachers in some states/areas and an oversupply in others.

136. Official GOS figures are that the average official number of textbooks per pupil is 2.1, but the ratio is much lower, or even zero in many schools in rural areas (except for the teachers' copies) – this is one third of the number required to deliver the curriculum. Teacher materials are insufficient. The National Centre for Curricula and Educational Research is responsible for curricular development, the preparation of textbooks and teacher guides (which are published locally), textbook evaluation and educational research. It has a technical staff of about 30, but only a few specialize in curriculum development. This capacity needs to be consolidated to develop transitional curricula for specific populations, such as IDPs, to expand the core curricula to include new subjects, such as life skills, environmental issues and HIV/AIDS, as well as to modernize and improve the curricula in mathematics and English, where students' performance was the weakest. These curricula need to be multi-cultural and multi-religious to accommodate the various ethnic and religious groups in the IDP community.

137. Equity issues pose serious problems in the education system, in terms of income, location rural urban location and gender. Income is correlated with the largest disparities, with a differential of 56 points between children belonging to the 40 percent poorest groups and those in the 40 percent richest groups. Geographic location (urban/rural) is the second most significant factor with regard to enrolment differentials, showing a gap of 28 points. With respect to gender, there is a relatively modest three-point difference between boys and girls in basic education. In 2003, the overall ratio of girls to boys was 84 percent in basic education and 94 percent in secondary education. Since 1997, however, not much progress has been achieved in narrowing the gender gap in basic education. In contrast, the gender gap has disappeared in higher education – in fact, female students currently outnumber male students. There have been significant increases in girls' enrolment in secondary education since 2000. Overall, compared to other sub-Saharan African countries, Sudan's performance in reducing gender inequalities has been remarkable due to the government's proactive EFA policies and the fact that about 60 percent of current teachers are female.

138. While overall gender disparities are not as wide as other types of disparities, gender issues in certain states and communities continue to pose a major challenge. Both supply and demand factors hinder girls' participation in primary education. In sparsely-populated areas long distances to school make parents particularly concerned for the safety of their daughters. The household chores and responsibilities given to daughters also discourage attendance. Some communities believe that girls do not need much education. While increasing number of parents are convinced of the need for girls to acquire basic literacy and numeracy skills, many do not see the need for any education beyond that. Among the nomadic communities, it is considered dishonourable for a girl-child not to be married after the age of 12 or 13; high bride prices make early marriage desirable. Additional factors that affect the education of girls include the high level of adult illiteracy, especially among women, and the lack of community participation in school improvement activities.

139. Several marginalized groups exist within society, including ethnic minorities, nomads, out-of-school children, IDPs, soldiers and the disabled. Out-of-school children account for low enrolment in Darfur, Kordofan and Eastern Regions. The war, along with the devastation of HIV/AIDS, has left many children as orphans and head of households. These children are less likely to attend school and more likely to drop out if already enrolled. Children from displaced families often must contribute to the family's income, and therefore it is likely the number of out-of-school children will increase as IDPs numbers increase in the region. Nomadic people, who account for 8.5 percent of the population, are also disadvantaged.

140. Educational planning and curricula development will be important tasks, especially when IDPs begin to move: pupils will be moving from one education system to a completely different one, which will mean huge educational and cultural challenges. Sudan's capacity to plan for such contingencies is currently low. Development of planning and administrative capacity at the state level seems to be the most realistic approach for dealing with the diverse needs of the Sudanese education system. Some states will be affected by IDP returns, others have a large population of nomadic people or other groups which have economic or cultural characteristics that negatively affect the demand for education, and others have been affected by the war and will need to focus on rebuilding. All students will require education appropriate to their backgrounds and in a language they understand.

141. Sudan has had some capacity in curricula, textbook development and research for several decades in the National Centre for Curricula and Educational Research (NCCER). However, while the NCCER has 30 staff members, very few have had adequate training. Given the large number of returnees expected, reviewing the curricula and its applicability and scope is a pressing issue. Existing curricula do not state specific learning or behavioural aims, which results in a lack of clarity on teaching and intended outcomes. Also, subjects are too numerous and dense, with a lack of cross-sectoral emphasis, and no link between curriculum developers and teacher trainers, which creates a rift between what is taught in school and how it is taught. At the state level, Ministries of Education are provided with an educational planning unit. In some states, this unit is also in charge of training. At the local *mahalya* level there is only one individual who handles statistical and planning matters.

142. Several policies are expected to be reviewed and modified over the next few years. In particular, the capacity to train teachers to college degree level has not caught up with the demand for teachers. The proposals to start a 2-year diploma course in the 72 In-Service Education and Training Institutes (ISETIs) and the Sudan Open University distance education programme for teachers are timely initiatives that deserve consideration.

143. A standardized and user-accessible financial and data collection, monitoring, communication and BSS evaluation system needs to be established both at individual school, *mahalya*, state and federal levels, as well as between these entities. Workshops could be organized with the participation of state and central governments (ministries of finance, water, education and health) to discuss the standard presentation of fiscal data and, most importantly, agree on more adequate revenue-sharing arrangements between central and state governments. Increasing financial transparency at the central and state levels must be a priority. To address these issues a number of capacity building activities, ranging from training staff at the central and state levels, organizing a comprehensive survey of schools and setting up an Education Management Information System (EMIS) have been planned.

Desired Situation in 2011

144. The priority during the Interim Period is on the education MDG of achieving universal primary education. Currently Sudan is not on track to achieve this. Target 3 of MDG 2 is to ensure that by 2015 children everywhere, boys and girls alike, will be able to complete a full

course of basic schooling. This goal is inextricably linked with Target 4 of MDG 3, which is to eliminate gender disparity in primary and secondary education, preferably by 2005 and to all levels of education no later than 2015.

145. To achieve these aims, priority should be put on basic education and youth and adult training, especially those programmes targeting out-of-school children and IDPs. There are approximately 6.8 million children of basic education school age in the North. By 2011 that number will grow to approximately 8.4 million. This growth trend and the need to improve coverage and quality of education will place great pressure on education services.

146. Simulations show that to achieve the universal primary education goal the GER will have to progress from its current rate of 62 percent to about 88 percent by 2011, and the access rate to grade one should increase from 75 percent currently to about 90 percent. To come closer to this target will require a stronger focus on promoting access in underprivileged states and for girls. The survival rate (retention in basic education), which has been progressing recently, should further improve from 83 to 90 percent. Under these assumptions, the number of students in basic education would progress from 3.6 million in 2003 to 6.2 million in 2011. This growth will put heavy pressure and demands on the education system's capacity to finance basic education operating costs and its human resource and infrastructure development. Since the situations in the South and the North are very different, a basic priority for the interim government should be to see that the disparities in GER among all areas and within areas are levelled out.

147. In addition to basic education programmes, the FMOE operates Special Needs and TVE. Special Needs Programmes target adult literacy and non-formal education for out-of-school children, which are key among the programmes that target special groups, such as nomads, IDPs and refugees. These programmes will become increasingly important with the movement of IDPs and the need to get more girls in school. Adult literacy will be of great assistance in achieving education goals for children in low enrolment areas.

Priorities

148. The main priorities and immediate needs during the Interim Period are to extend the coverage of basic education, reduce inequities, build capacity and develop institutions.

149. Each year 2,600 classrooms need to be built and provided with sanitation and health facilities. Special needs programmes targeting disabled children, refugees and IDPs require reinforcement at child, youth and adult levels. This includes the development of special curricula, instructional material and teacher training. There are 29 technical and vocational centres that need to be rehabilitated, and 17 others should be built. The NG will need support for its decentralization process, with adequate resources being passed on to the states.

150. In the area of institutional development and capacity building:

- i. Teacher training and management capacity need major improvement to reach the target of appointing approximately 3,500 new teachers per year. Yet universities can only enrol 3,300, of which one-fourth are able to graduate each year. It has been proposed to start a 2-year diploma course in the ISETI, which previously trained teachers but were closed 12 years ago. Seventy ISETI teacher training centres need rehabilitation and 50 more must be established; short-term courses should be established to enhance the skills of existing teachers. Adult and youth training should also be started.

- ii. Textbook development and distribution policies must be revised to address the challenges of a diverse population. NCCER's technical capacity should be reinforced as decisions on curricula content and language instruction have vast implications for education as well as for consolidating peace. Textbook development and printing capacities do not constitute a major challenge but it will be important to determine and solidify responsibility for payment, delivery and provision of textbooks throughout the country, as well as key policies such as textbook replacement frequency and the role of the private sector in printing and distribution.
- iii. Training activities to enable different levels of the administration to plan, implement and evaluate policies should be undertaken.
- iv. New funding policies should be developed to promote more equitable delivery and access to social services across the board. Policies should be reformed to further facilitate the social integration of at-risk youth. It is important to ensure the coverage of direct schooling costs, and to have flexibility on age of admission and timetables. In addition, continuous learning opportunities through non-formal education for various vulnerable populations and pilot education programmes for nomadic peoples should be further assessed and expanded. Creative strategies and lessons learned from other post-conflict countries should be studied and applied in order to ensure the development of a comprehensive policy and strategy for the inclusion of disabled children into mainstream schools.

151. Teachers are integral in the fight against HIV/AIDS in both North and South. Education managers should provide policy guidelines and resources to prepare and disseminate correct information at various levels. HIV/AIDS should be included in all policies, procedures, practice and programmes in the education and sports sectors and there should be equitable allocation of resources for HIV/AIDS interventions. During Phase I, planners should assess the knowledge, attitude and practices of youths to identify information gaps; develop and build on the capacity of learners to utilize access and/or offer information about HIV/AIDS, how it is spread and how it can be prevented; support educators to utilize materials provided and to develop their own materials and programmes to support HIV/AIDS education; promote positive living by PLWHA; promote non-discriminatory, supportive and sensitive attitudes towards people living with HIV/AIDS; teach about sexuality and safer sexual practices including abstinence, faithfulness and using a condom correctly and consistently; provide information and contact with HIV/AIDS services, organizations and networks that can provide support; provide information on universal precautions to prevent accidental HIV infection as well as provide materials to implement precautions.

152. Many capacity building and other activities require longer preparation, consultation or implementation time and can only be contemplated in Phase II.

153. Overall expenditure on education should be increased, with operational expenditure increasing from 7 percent to 20 percent of consolidated government and state revenues for the North, if universal primary education is to be achieved by 2015. Budgeting and the flow of funds from the state to federal level should be transparent throughout and made in line with equity policies. This calls for a thorough examination and clarification of the role and operation of the National State Support Fund, as well as intra-state budget allocation policies, areas in which significant progress towards reducing inequalities can be made.

154. There are only limited data on resource generation, allocation and need, and corresponding outcomes with regard to educational access and participation. A cost and finance monitoring system should be at the centre of capacity building activities during Phase II. These activities should include training, a comprehensive survey of schools and setting up an EMIS.

155. Construction, rehabilitation and maintenance standards as well as construction norms should be developed for each region, with consideration given to local characteristics. The FMOE unit responsible for these issues should further develop its capacity to determine and solidify these norms and related policies. Given the existing approach of contracting out and supervising of these activities by states, this should be analyzed in-depth or plans to build, refurbish, and maintain structures will be impossible to make, finance and implement. Textbook distribution should reach the target of one set of textbooks per student.

156. Cost estimates are tied to the targets for increasing basic education coverage with a view to achieving the MDGs. It covers all the states in Northern Sudan but excludes the states of Southern and Western Kordofan and Blue Nile and the Abyei area. The estimates are of total costs from financial simulation models for the required investments and recurrent support to basic education, TVE, adult literacy and non-formal programmes targeting youth, teacher training, curriculum development and capacity building. The estimates exclude existing or future secondary and tertiary education services or the costs of short-term humanitarian programmes.

Table 5.9: National Government and Northern States summary of needs

	2005	2006	2007	Phase II	Total
Summary of Immediate Needs and Priority Programmes:					
Recurrent Costs:					
Wages (teachers)	76.5	204.1	234.8	1309.0	1824.4
Textbooks and material	3.1	8.3	11.6	79.7	102.6
Training and Workshops	0.6	1.5	2.1	1.3	5.5
Technical Assistance	0.0	0.0	0.0	0.1	0.2
Other (System Administration)	23.0	61.3	70.6	392.7	547.6
Capital Costs:					
Equipment	0.1	0.2	0.3	0.0	0.6
Rehabilitation of buildings	0.9	2.3	3.5	0.0	6.7
Classroom Construction	11.7	31.3	32.6	143.0	218.6
Other Building Construction	2.2	5.9	8.9	0.0	17.1
Total Costs¹¹²	118	315	433	1926	2792

Targets and Monitoring

157. Baseline data for monitoring the recovery programme are from FMOE official statistics. These indicators and data will be collected and published annually in the education sector statistical yearbook. The targets are consistent with steady progress towards the MDGs, and are subject to revision following more in-depth assessments. In addition, a number of process indicators and targets can be used to regularly assess the progress.

¹¹² Of this amount, the additional JAM costs have been estimated to be 535 million during Phase I and about 1.4 billion for Phase II.

Table 5.10: Indicative targets to be achieved by the end of each Phase, Northern Sudan (percent)

	Baseline	Phase I	Phase II
1. Result indicators			
GER	62	78	88
Girls-to-boys ratio	84	90	100
2. Education financing reform & capacity building			
Government education spending (percent of consolidated expenditure)	7	14.5	20
Equity of transfers to States	TBD	TBD	TBD
3. Process indicators			
Number of classrooms in primary	95,0659	102,575	144,262
Number of teachers in primary education	123,575	129,965	144,262
Textbook sets per student	NA	1	1
Curricula development	In progress	Completed	Implemented

TBD: To be determined; NA: not available or very low to estimate.

THE THREE AREAS

158. Blue Nile and Southern Kordofan states compare poorly with the Northern states on average in terms of basic education indicators, while the education situation in SPLM-held regions is similar to neighbouring Bahr el Ghazal and Upper Nile. Overall education coverage is estimated at 40 percent of the school-age population. Increasing coverage to 82 percent by the end of the Interim Period would put the Three Areas at the same level as other Northern states and therefore on track for achieving the MDGs. In order to achieve this, a mix of the strategies described above for the North and South is called for.

159. Cost estimates are tied to the targets for increasing basic education service coverage in the Three Areas. Baselines have been estimated under the assumption that 80 percent of the area population was under GOS administration, and therefore GOS-reported school data are used, and 20 percent under SPLM administration, therefore having a school profile similar to that of the South. The estimates are total costs (rather than incremental) for the required investments and recurrent support to basic, secondary and technical education delivery. Estimates do not include the costs of short-term humanitarian programmes.

Table 5.11: Education costs in the Three Areas

	2005	2006	2007	Phase II	Total
Recurrent Costs:					
Wages	7.7	20.6	24.4	145.0	197.7
Textbooks and Materials	0.7	1.9	2.1	10.7	15.5
Other (system administration)	3.5	9.3	11.8	80.6	105.2
Other programmes	1.3	3.6	3.9	23.1	31.9
Capital Costs:					
Classroom Construction	4.9	13.1	11.8	53.1	82.8
Maintenance and Rehabilitation	6.8	18.0	42.0	42.0	108.8
Total Costs	66.5	66.5	96.0	354.4	583.4

SOUTHERN SUDAN

Status, Policy and Players

160. In the South, the education ladder is a 2-8-4-4 system, with Early Childhood Education (ECE) of two years for children ages 3 to 5, Basic Education (Primary/Alternative) for 8 years (ages 6 to 13), Secondary Education (three components: technical and science secondary schools and academic secondary schools), and Post Secondary/Tertiary level. While this system is very similar to that of the North, and provides a good foundation on which to build a common education system in the future, at least for the duration of the Interim Period there will be two systems running in parallel. The Southern education system is managed by the Secretariat of Education (SoE) and through Regional Education Offices, County Education Offices (CEO) and the *payams* (communities).

161. The education sector is dramatically under-resourced and has been almost exclusively dependent on outside funding. Because of this lack of resources, most of the times administrative positions are not filled and schools are often funded and operated by parents and NGOs. More than the North, the South faces tough challenges with regards to coverage, quality and equity. Moreover, particular attention needs to address increasing needs with the anticipated flow of the large majority of IDPs into the region.

162. Enrolment is marked by extremely limited access, especially for girls, and particularly low quality system-wide. The people of the Southern Sudan have the lowest access to primary education in the world; their gross enrolment ratio (20 percent) is the world's lowest, as is the female to male enrolment (35 percent). Only 2 percent of the population completes primary education and the adult literacy rate is 24 percent. Of the few schools that do exist (there is one school per 1,000 children), only 10 percent are in permanent buildings; 80 percent of schoolchildren have no bench to sit on and only one third of schools have latrines; just half have access to water; and 62 percent have no health facilities in the vicinity. An entire generation has missed out on education during two decades of war.

163. Educating this generation and its children is a massive task. The trend in enrolment is also alarming: since 1990, improvements in the rate of enrolment per year have averaged only 1.1 percent. For Sudan to achieve MDG 3 targets, given the current rate of enrolment, future enrolment would have to grow by at least 4.5 percent per year. Reducing and eventually closing the gender gap per MDG 4 remains one of the most difficult challenges in Southern Sudan. It is estimated that girls account for only 27 percent of total enrolment.

164. Policy is guided by the principles that education shall be the right of every child; be accessible to any citizen of Sudan; achieve equality, including gender equality, through awareness-raising; foster nation-building through integration, peace, self-reliance, patriotism and promoting respect and tolerance for other cultures, traditions, opinions and beliefs; and promote national socio-economic sustainable development. Although a curriculum has been developed for basic education, many schools are still using a foreign curriculum (from Uganda and Kenya) that is often culturally irrelevant – this is assumed to contribute to the high drop-out rate. There exists no unified secondary school curriculum, syllabus or examination. Most schools continue to follow the curricula of neighbouring countries. Textbook availability is an issue throughout the South and there is currently no textbook production capacity.

165. Currently, there are approximately 1,800 schools; 33 of these are secondary schools with an estimated enrolment of 8,000 students. As such, the number of secondary education graduates is insufficient even compared only to the need for new teachers. Existing schools have inadequate facilities and sanitation and are unsuitable for learning. About 38 percent of classes are taught outdoors, and 61 percent in local material structures in varying states of disrepair.

Only 48 percent of Southern schools enjoy access to safe water and 68 percent do not have latrines.

166. Only an estimated six percent of teachers are qualified. Their remuneration is unpredictable, with 89 percent of school PTAs reporting paying teachers a maximum rate of \$90 annually. Teacher absenteeism is high and the academic year is often short. In Bahr el Ghazal, the recorded average school year is only six months. Moreover, training opportunities are limited to short-term training courses provided by NGOs.

167. Existing capacity in management and administration is limited, as much of the education system was destroyed and did not function properly during the war, and now continues to be under-resourced. The sector does not possess an adequate, functioning system to assess quality, outcomes and resources. There is limited information as to what constitutes achievement of outcomes and limited baseline data to measure programme and intervention efficacy.

168. In line with MDG and EFA goals, the objectives during the Interim Period are to increase the GER from 20 percent in 2003 to 55 percent by 2011, enrol 15 percent of out-of-school youths in alternative education systems, improve the quality of basic education, and make education contextually and culturally relevant. Basic education has been identified as a priority but, contrary to the case of the North, a holistic approach is taken where the objective is to rejuvenate secondary education, teacher training and university education to respond to the needs of society. SoE targets include increasing girls' primary enrolment from 11 percent to 40 percent of the out-of-school age group, and increasing the number of village schools for girls to more than 3,000 by 2011. It is planned to provide a cumulative 15 percent of adults with access to literacy campaigns over the 6 year period, with a focus on young women. A salient objective of the education sector is to ensure the peaceful integration of children associated with armed forces (child soldiers). Half of SPLA soldiers should be enrolled in alternative education programmes. The education sector will also need to face up to the HIV/AIDS threat. When populations begin massive movements back to their land the spread of disease will negatively impact the education system in particular. Finally, integrating BSS will help to alleviate many of these problems by ensuring that, for example, girls are in school rather than fetching water and that all children are receiving enough food and vitamins to be able to concentrate. Siting water points close to latrine-equipped schools not only increases female school enrolment but has a direct impact on the health of all students and the wider community.

169. Immediate actions to increase primary enrolment include increasing the number of schools and improving the learning environment, taking over payment of teachers from parents and NGOs and increasing their number to keep pace with planned enrolment, and ensuring a concerted effort to attract and retain more girls in school. It is possible that pre-positioning of emergency school/class kits in each sub-region which will allow the provision of support within a school year. It is essential that steps be taken to provide learning opportunities to a large proportion of out-of-school youths and adults, including SPLA soldiers.

170. Awareness-raising to promote training geared towards sustainable development will be undertaken. The establishment of science secondary schools with one in each region in 2004 and a total of 10 by 2006/2007 will be undertaken. Steps including government payment of boarding costs/scholarships should be taken to ensure that schools enrol an ethnic and geographical cross-section of students. It is planned that eight tertiary institutions and three universities (or campuses) will be established, which will be important in meeting the urgent need for a technical workforce for the development of the local economy (thus liberal arts and social science programmes will not be offered until 2011). Scholarships to national or regional institutions will be provided where courses relate to needed skills and students are willing to be

bonded to work in public service upon graduation. Some isolated vocational training initiatives are being carried out with support of NGOs. Market labour surveys and future labour projects studies should be undertaken in order to gain a better idea of sectors which should be emphasized in higher education institutions.

171. In primary education, it is necessary to build 2,500 classrooms per year while ensuring access to water and sanitation, as well as to a safe and protective environment. It is planned that water and sanitation will be provided to 2,109 existing schools. The construction of science laboratories, libraries and the renovation of some 30 extant secondary schools and the construction of 56 institutions for technical, science, vocational and business education will also be undertaken.

172. The speed with which current and new teachers can be provided with basic skills is critical. With four existing regional teacher training institutes (TTIs), approximately 2,500 teachers can be trained every year and 8,000 others retrained by 2011. However, this is far below the 25,000 needed to reach the proposed 50 percent gross enrolment target. A program for attracting teachers from neighbouring countries will provide a stop-gap measure while local capacity is scaled up and necessary reforms are undertaken in the training system. These programs will reach maximum capacity at 8000 teachers in 2007, and will be gradually phased out starting in 2009.

173. A much more robust style of training to ensure teachers have a basic standard of teaching ability should also be pursued. This can only be achieved with the establishment of a decentralized teacher training and support network, through TTIs, a network of training resource centres and school cluster centres. These institutes and networks can be used to train primary and alternative education teachers targeting both existing teachers and secondary school leavers using a mixture of campus-based and distance modes of delivery. It is envisaged that radio instruction will be undertaken at schools and learning centres, which will require the provision of radios and establishment of transmission/reception systems. This network can also be used to provide instructional support, management and PTA training, and other forms of human resource development. Teachers should be equipped to use instructional materials and to handle urgent themes like peace building, conscientization and HIV/AIDS.

174. Along these lines, an Examinations Authority (EA) will be established in order to carry out assessment and certification at all levels. Terminal assessments of students at the end of each education level will be the responsibility of the EA. This will limit the number of students who will try to leave the system searching for formal recognition of their learning.

175. The curriculum that is being developed should be relevant and incorporate indigenous knowledge systems. In basic education, there should be a focus on key issues including peace-building, HIV/AIDS and environmental education. The production of relevant curricula should be ensured for all levels in order to support sustainable development. Complete development of textbooks and teachers guides for grades 4 to 8 should be undertaken, as well as the development, production and distribution of mother tongue materials. It is envisaged that mass production should ensure the provision of textbooks in a ratio of one textbook for one student for five core subjects.

176. The number of community girls' schools will reach 3,200 by end of the period. Moreover, advocacy, sensitization and communications supports should be adopted to address equity issues. It is critical to undertake steps to encourage girl-friendly school environments, including hiring of more female teachers and head teachers, the development and design of curricula and facilities that are welcoming to girls, and the provision of boarding facilities for girls' schools in under-served areas. In order to effectively address cultural practices which limit girls'

participation in schools, it will be important to undertake a critical analysis of cultural practices that do not promote gender equity.

177. Considerable emphasis and resources should be devoted to accelerated learning opportunities for those young people and adults who are now beyond the age of normal entry to basic education. An important area, critical to establishing stability, is the peaceful reintegration of soldiers, and particularly child soldiers. Literacy campaigns, accelerated learning programmes (including materials and manuals and their testing) and life skills training should focus on reaching this population. In order to meet the needs of returnee populations, temporary schooling facilities should be established where existing ones are overstretched or non-existent. For secondary schools, it will be necessary to carry out assessment, counselling and placement for returnee students; and for tertiary, it will be important to provide scholarships to returning IDPs, refugees, etc. to continue relevant TVE. Steps should be taken to provide scholarships to secondary graduates in key areas not available locally.

178. Alternative Learning Programmes will be established for a large proportion of out-of-school youths and adults, including SPLA soldiers. This will require development of materials and programmes, training of teachers, mobilization campaigns, running of ALP training centres to enable 15 percent of adults to receive at least one year of ALP in more than 7,800 centres and of ALP and other NFE centres for 50 percent of SPLA soldiers, and evaluation of programmes.

179. Parallel to the expansion of the coverage, the administrative and pedagogic capacity of the education system will be built up. In the coming years, the management structure will be faced with need to define decentralized responsibilities where communities, *payams* and counties play a leading role. In particular, while communities have played an important role in upholding education provision within given areas, there exist no regulations for PTAs. Community and local level support needs to be harnessed more systematically, roles need to be classified and stakeholders need to be trained in how to fulfil those roles. The government faces significant costs in ensuring timely payment of those growing numbers of individuals who will be employed in the sector. At the same time, there will be a gradual shift of NGO roles from relief organizations to government partners with responsibilities extending from capacity builders, innovators and advocates.

Desired Situation in 2011

180. The Secretariat of Education (SoE) is fully committed to meeting the EFA targets and MDGs by 2015. It believes that these goals are a fair reflection of the aspirations of the people of Southern Sudan and can be achieved if there is full commitment at every level, including the international community. The core objectives for this period are to:

- Increase gross primary enrolment from 22 percent in 2003 to 55 percent by 2011;
- Enrol 15 percent of out-of-school youths in alternative education systems;
- Provide a cumulative 15 percent of adults with access to literacy campaigns and accelerated learning programmes; and
- Improve the quality of basic education and make it contextually and culturally relevant, including aspects of indigenous knowledge.

181. MDG 3 is the promotion of gender equality and the empowerment of women. Southern Sudan acknowledges the critical position of women and girls in the development of society and the gravity of their current situation. War and population movements have increased the ratio of adult women to men in Southern Sudan to just over 2:1, and have greatly increased the importance of women in the economic survival of families and communities. The increased role of women necessitates a critical analysis of cultural practices that do not promote gender equity.

Recognizing this, the SoE has set ambitious targets to redress the imbalance and move towards gender equality:

- Girls enrolment in primary school will be increased from 11 percent to 40 percent;
- The number of village schools for girls is to be increased to over 3,000 by 2011; and
- Women will be the focus of adult literacy (accelerated learning programmes).

182. Considerable emphasis and resources will need to be devoted to accelerated learning opportunities for those young people and adults who are now beyond the age of normal entry to basic education. The peaceful reintegration of soldiers into civilian life is critical to establishing stability; foremost among this group are children associated with the military (child soldiers). Emphasis will be placed on literacy campaigns, accelerated learning programmes and life skills training, with the stress on learning the "three R's" and awareness-raising (conscientization). The target is to provide access by 2011 to 15 percent of adults, with a focus on young women. This policy will in turn help towards achieving Target 4 of MDG3. Additionally, 50 percent of SPLA soldiers should be enrolled in alternative education programmes.

183. Teaching entrepreneurial skills will be of great importance to developing the economy. Awareness-raising is seen as an important factor in the training programme. This vision is practically addressed by:

- Supporting a relevant basic education curriculum, which includes vocational subjects;
- The establishment of vocational training centres for out-of-school-youths, including demobilised soldiers;
- The rapid establishment of technical, science, vocational, commercial and agricultural schools/institutes; and
- The promotion of higher education that focuses on assuring adequate supply of skilled labour.

184. The rapid expansion of quality education opportunities depends on a huge increase in teacher training. Key targets are to establish teacher training institutes, a network of training resource centres and school cluster centres; to use the institutes and network to train primary school teachers and alternative education teachers, targeting both existing teachers and secondary school leavers and using a mixture of campus based and distance modes of delivery; and to use the network to provide instructional support, management and PTA training, and other forms of human resource development.

185. Coordinated efforts will be deployed with other departments to offer a safe and protective place for children to learn, with access to clean water and proper latrines, and access to health facilities within a reasonable distance. School gardens will be encouraged to provide not only food that can be harvested for teachers and students, but also to provide a learning activity that can be integrated into many lessons.

Priorities

186. Priorities centre on the goal of ensuring that more children are enrolled in and attend primary school, and complete 8 grades of quality basic education. Specific priorities include:

- A comprehensive mapping of education services, including not only a review of learning spaces and student and teacher demographics but also the availability of hygiene education and sanitation facilities, proximity to water points and primary health facilities and the area's supply chain logistics. A plan to keep this mapping relevant and up-to-date is also needed.

- School feeding programmes will be introduced on a pilot basis both to fight child malnutrition and to promote access by reducing opportunity cost. Scholarships will be distributed for girls in basic and secondary education until the gender gap has disappeared.
- A warehousing policy that ensures efficient use of limited resources, difficult logistics and equitable distribution of all the necessary supplies to make BSS operate. It is proposed that each county has a central warehousing yard incorporating proper storage facilities, logistics arrangements and monitoring mechanisms. A system of semi-permanent warehousing should be established immediately to store supplies in preparation for a large number of students returning or starting to attend schools.
- A basic supply list for students and teachers needs to be designed and agreed upon. Supplies should be procured immediately, either assembled at an off-shore point into student and teacher kits or at county level. By the end of Phase I, each child enrolled in primary school and every teacher registered with the county education office should have basic teaching and learning supplies.
- By the end of phase I, there should be a student to textbook ratio of 2:1. This requires accelerated printing of textbooks and teacher guides. As this is currently done off-shore, this should continue until a more comprehensive textbook study can be conducted to look at the development of local capacity for textbook production. A textbook review to ensure the depiction of basic human rights, gender sensitivity, the importance of the natural environment and cultural tolerance will be undertaken.
- Teacher curriculum development needs to be completed by the end of 2006. The National TTI in Maridi and the four Regional TTIs (Arapi in Equatoria, Aramwer in Bahr el Ghazal, Rashad in the Southern Kordofan and either Prochalla or North Bor in Upper Nile) should be completed during Phase I to ensure provision of quality graduates. This in no way will provide the number of teachers needed and so alternative in-service training should not only be continued but accelerated. Several teacher training policy workshops and study tours to develop an efficient strategy for the acceleration of training opportunities for teachers need to be held. Utilizing foreign teachers and educational administrators should be considered as a way to jump-start the system. Support to the Education Support Networks (ESN) and to County Education Offices should continue so that all are functioning by the end of 2007.
- Radios will be given to each school for distance in-service teacher training during Phase I and the distance training package finished within the first year.
- "Learning spaces," whether permanent, semi-permanent or temporary arrangements, will be provided close to young students, especially girls. It is estimated that there needs to be an increase from about 9,000 existing basic education classrooms to about 17,500 to meet enrolment targets. Investment in infrastructure should be first centred on establishing community-based, semi-permanent structures, and then - after a thorough mapping - more permanent structures. The focus is to get as many children as possible learning as quickly as possible. Workshops on school construction standards and alternative learning spaces will be conducted throughout Phase I.
- Development of a county education unit that is linked through the BSS Committee and the Infrastructure Committee within the proposed local county governance structure to ensure basic data collection and support to teachers and schools. Because of the lack of clarity on the number and exact makeup of the evolving county structure, criteria should be established to ensure strategic positioning of these first district education offices.
- Development of a payroll system that ensures the timely and equitable payment of head teachers, teachers and support staff. The first six months of transition should be spent

working out details of salary scales and the mechanisms for distribution of salaries so that within the first year a salary system is in place and operational. A system needs to be developed to get trained teachers to remote areas. This is linked to options that will evolve out of the teacher training policy workshops, but also has implications for a sliding salary scale. Expanding the coverage of basic education will require incentives for teachers to go to areas where there are no trained teachers, and this will also have to be considered to ensure that previously underserved areas are targeted.

- Complete the development of accelerated learning opportunities for young people and adults who are now beyond the age of normal entry to basic education and to develop a plan for the establishment of vocational training centres for out-of-school youths, including demobilised soldiers. A comprehensive examination of a more technical vocational education system should be undertaken in this first phase.
- For Phase I priorities on HIV/AIDS, see the joint policy with the NG above.

187. Phase II will focus on substantial investment in infrastructure, such as school construction and a continued emphasis on human resource development, as well as further progressive development towards a more comprehensive education system.

188. The thorough mapping and completion of a comprehensive sector analysis, finished in the Phase I, will provide data for more systematic planning of school facilities. An EMIS on facilities, teachers, students, and other factors. This system needs to be designed and implemented with full consideration of difficult local conditions.

189. The emphasis will be to establish more permanently primary schools where there are significant clusters of children attending makeshift schools. It is also expected that a large number of general secondary, technical and vocational classrooms will be constructed to absorb the graduates being produced by the basic education system. By 2011, it is proposed that there will be over 34,000 basic education classrooms, 825 secondary classrooms and 720 basic technical and vocational education classrooms established. It is planned that the number of village schools for girls be increased to over 3,000 by 2011.

190. Throughout the Interim Period, there will be an urgent need to continue to use all mechanisms possible to train and upgrade teachers. If the targeted girls' enrolment rate of 40 percent is to be achieved, concerted efforts should be made to attract, train and retain female teachers in particular. Projections indicate that to achieve the gross enrolment target there will need to be 25,000 teachers trained by 2011. This is far beyond the 2,500 that will be trained in TTIs, so an innovative approach will need to be designed and implemented. The approach should be designed in Phase I through the teacher training policy workshops; implementation should begin at the start of the second phase to accelerate the supply of trained teachers.

191. By Phase II, the number of counties (now more than 90) should be consolidated into a smaller number and each one of the new counties should have an education officer in place. An administrative structure should be established to connect these county education officers with *payam*-level support and eventually school support. They will also be linked to the GOSS Secretariat of Education. This will take considerable investment in office structures, communication equipment and monitoring mechanisms.

192. As more students enrol in school at all levels, cost-effective ways to provide textbooks are needed. It is expected that during Phase II, a centralized facility for textbook publication be established and that by 2011 there should be a 1:1 ratio of students to a set of textbooks.

193. During Phase II, policies should be designed that cover a comprehensive education system. This will require continual study tours and specific workshops to build the capacity of education policy planners.

194. The target survival rate for completion of the full eight years of primary school by 2011 is 70 percent. As the level currently is around 2 percent, this will require a concerted effort to improve the quality of teaching and the overall school environment. During Phase II, a simple mechanism to monitor learning achievements needs to be designed.

195. Cost estimates are tied to targets for increasing basic education coverage consistent with the target set for the Interim Period, but also other targets for post-basic education, technical, non-formal training programmes and capacity building. The estimates are total costs from financial simulation models, and do not include the costs associated with existing or future secondary and tertiary education services or the costs of short-term humanitarian programmes.

Table 5.12: Summary of immediate needs and priority programmes

	2005	2006	2007	phase II	Total
Recurrent Costs					
Wages	20.8	82	114	768	985
Textbooks and materials	0.8	2	3	19	25
Other (system administration)	1.0	11	14	126	152
Other programs	25.2	66	65	774	930
Capital costs					
Classroom construction	24.6	93	70	175	363
Maintenance and rehab	2.3	6	14	14	36
	75	260	280	1,875	2490

Targets and Monitoring

196. Baseline data for monitoring the recovery programme are from the UNICEF baseline survey. Capacity to collect data and operate an EMIS will be developed within the SoE. Table 5.13 provides baseline estimates and indicative targets for Interim Period for monitoring purposes. The targets are consistent with steady progress towards the goals, and are subject to revision following more in-depth assessment.

Table 5.13: Indicative targets to be achieved by the end of each Phase, Southern Sudan

	Baseline estimate	Phase I target	Phase II target
1. Result indicators			
GER in basic education	20 percent	34 percent	55 percent
GER in secondary education	2 percent	4 percent	10 percent
Girls to boys ratio in basic education	35 percent	60 percent	100 percent
Girls to boys ratio in secondary education	20 percent	40 percent	80 percent
2. Process indicators			
Number of classrooms in primary	8,600	19,160	37,620
Number of teachers in primary education	8,600	19,200	37,600
Textbook sets per student	NA	0.5	1
Curricula development for basic education	In progress	Completed	Implemented
Number of classrooms in secondary	NA	150	903
Number of teachers in secondary education	NA	260	1,954
Number of classrooms in technical and vocational educ.	NA	321	750

TBD: To be determined; NA: not available or very low to estimate.

INFRASTRUCTURE

MARCH 18, 2005

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OVERVIEW

1. Infrastructure needs are immense in the Sudan. The infrastructure deficit causes isolation that creates and sustains poverty, and addressing rural isolation by improving access is expected to be a key element in the Poverty Eradication Strategy (PES) and integrating the country. Southern Sudan and underdeveloped areas of the North face a more pronounced challenge than other areas in terms of building infrastructure from a very basic level. This is compounded by weak or missing institutional capacity and depletion of human resources over many years.

2. The lack of infrastructure constrains both growth and access to social services, especially in the South, the Three Areas, and disadvantaged parts of the North. Only about 15 percent of Sudan's population has access to electricity, while transport infrastructure has deteriorated due to prolonged war, budgetary cuts and limited access to foreign financing. Many of the roads, railways, bridges, river transport and sea ports that do exist are in need of substantial repairs. In rural areas of Southern Sudan infrastructure is virtually non-existent. For example, recent emergency improvements in the major route between Rumbek and Yei have reduced travel time along the route from 15 to 3 days by truck. There are no paved roads at all in the South outside the GOS-held towns of Juba, Malakal and Wau. River transport has resumed, but to a very limited extent, and much of the major rail artery between the North and South is not operational. Infrastructure links between regions are critical not only for the economic integration of the country but also for fostering a sense of national unity.

3. Infrastructure investments in Sudan will serve three main purposes in development and poverty reduction. First, through the direct benefits of increasing access to basic human services such as water supply, electricity or transport; second by contributing to job creation by providing the basic infrastructure—roads, ports, river transport, as well as power and telecommunications—needed to support industry and trade; and third, if investment programs are well-designed, through employing people directly in their implementation, which creates important multiplier effects in local communities and in the nation as a whole. Each of these three elements is desperately needed in Sudan. Focusing on only one or two would mean missing important opportunities to use infrastructure investments to stimulate economic growth and to reduce poverty.

4. Planning and implementation of infrastructure rehabilitation and expansion should ensure environmental sustainability and be in line with an agreed environmental and social framework for infrastructure investments. This would have to take into account the Agenda 21 UN Conference on Environment and Development as well as World Bank guidelines. A key constraint to infrastructure rehabilitation and expansion will be implementation capacity, particularly in the South. But there are also other major concerns, including the needs to:

- ensure adequate capacity to maintain and operate infrastructure in compliance with international standards;
- improve the performance of infrastructure providers and operators in the North;
- ensure services matching internationally-recognised safety and security standards;
- establish clear and equitable priorities with regard to which type of demands that should be addressed, without exacerbating current geographic, ethnic, wealth and age gaps;
- ensure that Environmental Impact Assessments (EIAs) are conducted before launching major (Category A) infrastructure projects, particularly in eco-sensitive areas.

This report summarises the infrastructure needs assessment and a full set of papers and studies that were prepared to underpin this assessment, including nine sub-sector studies. These are available at www.unsudanig.org/JAM.

PROPOSED STRATEGY

5. The strategy used by the infrastructure cluster to address these needs is reflected in an Action Plan for the two phases identified by the JAM. This strategy has a number of prongs. One relates to the approach to the development of the Action Plan, another to the criteria used to include projects in the Action Plan, and a third the approach used to initiate works implementation.

6. The Action Plan should be viewed as a "living framework." It is thus envisaged to serve as an instrument to get the reconstruction process started, essentially by serving as a basis for reaching consensus with and between the North, the South and the donor community on what needs to be done initially. The emphasis now is on Phase I and the projects included therein. Once the Action Plan has been launched, the Action Plan will be reviewed and updated, in particular the second phase. It is also presumed that the donors who wish to become involved in the infrastructure sector will decide to participate in a follow-up conference before the end of 2006, at which an updated Action Plan will be presented and reviewed.

7. Important components of the first phase of the Action Plan are:

- capacity building, including skills development and training; and
- preparation of projects required for rehabilitation and development of infrastructure.

8. Specific emphasis will be given to developing implementation structures that will facilitate sufficiently high fiduciary and procurement standards, and enable the execution of labour-based construction activities. Development of these structures is a priority, and progress is needed on this front so that projects, programs and pledges are not to be frustrated by lack of implementation capacity or by implementation outside of internationally-recognized standards.

9. Greater private sector participation is necessary to further develop the infrastructure sectors, and policy and regulatory reform and institutional development will be undertaken to reach this goal.

10. In addition, the first phase emphasizes the following:

- the need to prepare for reforms of road transport, railways, ports, urban infrastructure and electricity, as a precondition for improved and sustained performance;
- the provision of equipment to ensure safe, secure and environment-friendly services; and
- the implementation of so-called 'quick win' projects, i.e. the projects which can be quickly prepared and easily implemented, and which also will serve an important role in facilitating peace-keeping operations, transport of relief goods and the return of IDPs, and therefore have an impact in the South and Darfur.

11. The second phase of the Action Plan will be developed further as part of Phase I, and it is therefore possible that work done during the first phase will result in new actions to be included as part of Phase II. In the meantime, the proposed program of actions for the second phase emphasizes the following:

- rebuilding of infrastructure in the South, Darfur and other war-affected areas in order to improve access to and within these parts of the country;
- development of rural roads in the whole country to promote economic recovery and improve access, whilst relying on labour-based techniques where appropriate;
- development of basic new infrastructure in the South;
- implementation of capacity building activities in both the North and especially the South; and
- implementation of key reforms in road transport, the railways, inland waterways transport, ports and electricity.

12. These reforms should ensure that the agreed social and environmental safeguard framework is applied to all infrastructure investments to ensure due diligence in managing potential environmental and social risks.

THE CONTEXT AND CHALLENGES

13. A key aspect in determining transport needs is demand. The demand for transport services is a derived demand, as transport services are an input into the production and consumption of other goods and services. However, the nature of demand in Sudan following peace will differ from the normal market situation, as demand will not only be determined by ordinary production and consumption but also by the needs of:

- peacekeeping operations
- the distribution of relief goods
- the return of displaced persons
- urgent rehabilitation needs

14. A more general need is to contribute to the cohesion of the country. Indeed these sources of demand over and above the role of transport services as an input into the production and distribution of other goods and services will likely be of overriding importance to the identification of immediate priorities. This has been one of the starting points for the identification of an Action Plan for transport (and effectively also for non-transport infrastructure).

15. The scope of the Action Plan for transport presented here is thus limited, as it does not bring in the long term needs. The premise is that it is better to focus the early efforts on achieving results and getting the machinery in place and moving. The time for taking a more comprehensive approach to transport in Sudan will arrive in due course. Similar considerations have gone into the formulation of the Action Plan for non-transport infrastructure.

16. A related starting point for identifying key sector issues is by looking at the various components which have to be in place to ensure a supply of any infrastructure service. These are:

- i. The policymaking framework;
- ii. A regulatory framework to ensure reliable and efficient infrastructure services while taking into account social and environmental concerns. There are two-sub-components, the legal framework and the regulators;
- iii. The operators; and

iv. The infrastructure, including the capacity to develop and manage this infrastructure.

17. In the North, the four components referred to above are functioning, although reforms are required. The development agenda is the conventional one facing the infrastructure sector of any country, i.e. maintenance of infrastructure, development of capacity and systems, and reform to improve safety, security and performance. Because of the war and isolation, the needs are larger than otherwise would have been the case, but the needs are nevertheless conventional.

18. In the South, each of the four components are non-existent or embryonic. The operators are largely foreign-based and have been pulled into the market in order to ensure the functioning of the relief operations. Needs are pervasive in all the four areas identified above.

19. In the North-South segment, the infrastructure is poorly developed and what exists is in poor condition and/or damaged, and as a consequence, operations are limited. The regulatory system, which is part of the national system, does not function inadequately. The policy framework is also part of the national system but will have to be adjusted in view of the role to be played by the GOSS in the future.

20. A key issue for all infrastructure sub-sectors relates to the implications of the Power Sharing Agreement, which *inter alia* sets out the roles of the various government institutions vis-à-vis these components. In general the Agreement is clear in this regard, but there are certain conditions which need to be clarified further, or for which further arrangements will be needed. These matters will be addressed further by the committees to be set up to implement the CPA, including as provided under the Power Sharing Agreement.

21. A specific implication of the CPA is that, as in many large countries with federal systems, the NG carries responsibility for major infrastructure, even where the beneficiaries are located in a specific region. In the case of Sudan, this means that national (interstate) highways, river transport and civil aviation are all NG financing responsibilities. However, further discussion is needed to operationalise the financing arrangements in the context of expected development assistance for infrastructure, and in this assessment, costs are presented by level of beneficiary.

22. When looking at the supply side of infrastructure services, Sudan can be divided into three segments—the North, the South and the North-South. The identification of North-South as a separate segment reflects that the war has contributed to separating the two parts of the country. But even in the absence of consideration of the conflict, the vast differences between the regions and the geographical features of the country make it natural to look at the North-South interface as a separate segment.

23. For the purposes of the development of the Action Plan, Darfur and other war-affected areas are identified separately. This, however, only refers to rehabilitation and development of infrastructure.

24. A foremost objective of Phase I is to transform accessibility in Southern Sudan and begin to overcome its historical isolation. Such a strategy could be based on market towns, which would become vital hubs in a growing, interlocking web of connections of roads, rivers, railroads and telecommunications that would facilitate local development. Infrastructure investments in roads, energy, river transport and rural electrification are therefore needed to contribute to development and poverty eradication in three key ways: by increasing access to markets; by enabling access to basic social and local government services; and by direct job creation. In the

specific circumstances of Southern Sudan, this not only requires building roads and bridges, but also conducting a major de-mining program.

SUB-SECTOR SUMMARIES

25. This section very briefly summarises the full set of sub-sector studies based on field assessment by technical experts that underpinned this cluster. The cluster report includes project summary sheets and further details and is available at www.unsudanig.org/JAM.

Roads and Bridges

26. The main challenges in the roads sector are:

- i. lack of roads in the South and other war-affected areas;
- ii. inadequate institutional capacity to manage roads in the South;
- iii. inadequate funds for road maintenance; and
- iv. inadequate enforcement of axle-load regulations.

27. An urgent further issue, arising from the Power Sharing Agreement, is to consider the responsibility for road management of national roads in the South. It is possible to move more quickly on infrastructure construction than has been envisaged in the JAM, if sufficient external financing is forthcoming, the technical studies are completed, a sufficient number of contractors are engaged, and the capacity can be put in place to manage the contracting and supervision. Under the current schedule, the road programme expects to commit at least \$1 billion in the first phase, for which early pledges are sought to enable planning. As noted above, the high case is even more ambitious and would in effect accelerate progress in construction so that Phase II moves up in time. This accelerated scenario – which would add another \$800 million to the road program in 2007 – would come into effect provided there is good progress in contracting and disbursements in Phase I. The agreed benchmark of progress is that 70 percent of activities have been contracted in the first 12-18 months. In such a case the master plan and much higher assessed infrastructure needs for 2007 would be presented to donors for support by the end of 2006.

28. The Action Plan contains proposals to build up institutional capacity, to develop the road network in the South and other war-affected areas, and to develop rural roads in the entire country. The Action Plan also identifies road maintenance needs in the South and makes proposals for support to the private sector.

Road Traffic, Road Transport and Multi-modal Operations

29. Significant improvement can be achieved in the performance of road transport and multi-modal operations by developing the current regulatory framework for contracting for transport services. The post-conflict situation also makes it necessary to review international road transport operations. These issues are proposed to be addressed under the Action Plan by way of a new road transport policy.

30. The Action Plan also contains proposals for strengthening the South's capacity to administer road traffic legislation and for both the North and the South to develop a regulatory regime for public transport in urban areas, to be support by technical assistance.

Railways

31. The performance of Sudan's railway system is inadequate. The core of the Action Plan is a strategy to revive the railway by involving the private sector on a larger scale than hitherto,

expanding the use of multi-modal operations, upgrading skills and making modest investments to rehabilitate and upgrade the rail network. In developing the Action Plan it is assumed that there will be significant private sector financing to complement the public sector investments.

Inland Waterways Transport

32. River transport is potentially an inexpensive means of transport of goods and passengers between the North and the South. However, the civil war has resulted in its collapse. In addition to investments, the sector needs to be restructured to allow for a greater role to be given to the private sector. The strategy of the Action Plan for the short term is to promote the development of new policies and to undertake emergency rehabilitation works. In the medium term, more comprehensive investments in the Juba to Kosti river transport system are required.

Ports and Maritime Affairs

33. The ports of Sudan are relatively well-developed. The current needs are to improve the framework for economic regulation and private sector participation in the sector, to develop plans for further expansion of port capacity, to strengthen safety regulation, to improve navigation aids and to build sufficient capacity to contain oil spills.

Civil Aviation

34. The aviation system needs to be upgraded, and the Civil Aviation Authority has therefore already embarked on a development plan for airports and the air navigation system. The UNAMIS will contribute to the upgrading of those airports that will be required for its peace-keeping operations. The Action Plan focuses on the remaining needs, including building capacity in the South, upgrading airstrips in the South, upgrading airports in the war-affected areas, improving the communications system, upgrading the capacity in case of emergencies, and increasing training and training capacity.

Electricity

35. Only 15 percent of the population of Sudan has access to electricity, and most of those with access are in Khartoum, where 70 percent of available electricity is consumed. The existing national grid covers only six states and the Northern parts of the Blue Nile. In addition, 14 of the large towns are covered by an isolated grid fed by diesel driven generators. Existing tariffs are highly subsidized. Thus the energy needs of the country are met predominantly by biomass.

36. The key challenges facing Sudan in developing its electricity sector relate to:
- i. putting in place an effective legal framework to support the existing regulatory arrangements;
 - ii. developing an institutional framework in which responsible agencies are adequately mandated, resourced and employing appropriate methods and procedures in project formulation;
 - iii. formulating and implementing a decision-making procedure that is consultative in nature; and
 - iv. increasing financial viability by reducing existing subsidies and ensuring that those retained are targeted.

37. Recommendations addressing these challenges have been made focused on (i) improving policy and the regulatory framework for the whole of the country; (ii) preparing an electrification master plan as the basis for forward planning and subjection of proposed schemes, especially hydropower and small hydropower units at community level, and detailed feasibility studies to arrive at the most cost-effective; (iii) a fast-track electrification of some large towns using diesel-driven plants; (iv) developing and implementing a rural electrification strategy for about 1,000 villages using solar and small hydropower energy sources; and (v) judicious extension of the

national grid into new areas based on the result of feasibility studies. These plans call for expenditure during Phase I of \$69 million and during Phase II of \$437 million, for a total of \$506 million.

Urban Infrastructure and Municipal Services

38. In 1998, 30 percent of Sudan's population was estimated to live in an urban setting across 147 urban centres. This implies that about nine million people lived in urban centres in 2003. Many of these people are presently poorly provided with urban services, particularly in the South where formal provision of services have been badly affected by the war.

39. The diagnostic of the present situation indicates that urban infrastructure services in Sudan may be characterized as follows:

- i. a weak information base which makes planning difficult;
- ii. low level of provision of basic urban services especially with regard to water supply and sanitation, power supply and roads;
- iii. inadequate institutional and regulatory frameworks for urban planning and service delivery;
- iv. a fragmented approach to the financing of urban infrastructure;
- v. a significant back-log of maintenance and refurbishment of infrastructure of various types and equipment; and
- vi. a major need for new investment to expand existing networks in the North, and install new systems and networks in the South.

40. The diagnostic suggests that the key challenges facing Sudan during the Interim Period have been identified as include: (i) setting up streamlined funding mechanisms for urban infrastructure; (ii) establishing improved approaches (institutional, legal and regulatory) to urban/town planning to both advance identification and planning of projects and establish appropriate laws and ordinances for guiding land use; (iii) undertaking needed repairs, refurbishment and replacement of equipment and rehabilitation and reconstruction of existing urban infrastructure and the provision of new infrastructure networks, especially in the South; and (iv) developing the capacity to sustainably maintain urban infrastructure assets.

CRITERIA FOR SELECTION OF PROPOSED PROJECTS

Phase I

41. Given the characterization of infrastructure services in the Sudan and development needs, the following criteria have been used in order to identify the specific actions to form part of Phase I and Phase II of the Action Plan.

42. First of all it has been assumed that the needs to be addressed include needs related to peace-keeping operations, relief operations, repatriation and urgent rehabilitation. As a consequence the Action Plan focuses on the South and the North-South segments (including other war-affected areas). This does not mean that the North is being neglected. In order for the South and the North-South segments to be able to respond to demand, actions will also have to be taken at the national level as well as in the North. This relates, for example, to infrastructure that is essential to the needs in the South or policy development of importance to enhance efficiency of infrastructure operations countrywide.

43. One of the key roles of the overall Action Plan is to re-start or boost agricultural production as part of a strategy to reduce dependence on relief goods and as a key component

of the rehabilitation effort. To support that strategy there will be a need for emphasis on the rehabilitation of rural roads, water supply facilities, etc. – not only in the South but in other parts of the country as well.

44. Consultations with local communities are important to ensure future sustainability and use, particularly where rural schemes are concerned. Small pilot demonstration projects will further enhance ownership and local empowerment at the institutional level. Project execution should not conflict with existing basic livelihoods and the rural economy, e.g. subsistence cultivation.

45. The following criteria have been employed for Phase I, provided that they address the demand identified above:

- investment in and maintenance of infrastructure, provided plans have been prepared (or can be prepared quickly), or in order to ensure adequate safety and security (Criterion 1)
- provision of capacity to prepare and implement projects, including with respect to safeguard mechanisms (Criterion 2)
- preparation of rehabilitation or development plans for infrastructure (Criterion 3)
- provision of training to manage infrastructure or the preparation of plans for capacity building in order to manage rehabilitated/new infrastructure (Criterion 4)
- preparation of improved policy frameworks to facilitate infrastructure operations (Criterion 5)
- preparation of plans for ensuring adequate regulation of infrastructure operations, including capacity building (Criterion 6)
- removal of constraints and provision of capacity to allow the concerned entities to participate actively in iii, iv, v and vi (Criterion 7)

At the same time, all proposals for funding during Phase I should also meet the relevant criteria from the following list:

- Reconciliation. The projects should support national reconciliation, by creating regional linkages and fostering integration between the North and the South, and/or by redressing imbalances in access to basic services;
- Visible Impact. The results of these projects would have a visible impact for the population, either in terms of providing immediate access to basic services or in terms of creating a base for industry and/or trade;
- Readiness. Feasibility studies should have been completed. Preferably, detailed designs and bidding documents would also be available;
- Environmental and Social Issues. The environmental and social issues are manageable and possible to address during implementation based on an agreed framework as proposed in the section below on cross-cutting themes;
- Policy and Institutions. There should be no policy or institutional impediments to the effective implementation of the project; and
- Implementation Capacity. The sponsoring agency should have the existing capacity to execute the project or the potential should exist for rapidly establishing the capacity—within the sponsoring agency or through contracting out.

Phase II

46. The actions that are included in the second phase represent the actual implementation of those plans which have been prepared in Phase I.

47. No trade-off has been made between different sub-sectors. Once a project meets one or more of the above criteria, then the project has been brought into the Action Plan. It is realised that it may become necessary to make further prioritisations in the future, but it is suggested that this should be done later once further information is available through the studies which have been proposed for execution during Phase I of the Action Plan.

48. Indeed, a number of the projects in the first phase are of a preparatory nature in order to establish more clear priorities and standards (master plans) and/or to assess the economic viability of specific projects. An underlying assumption of the Action Plan is that once a specific project has been identified as viable and being of high priority, work should be initiated (and as part of the ongoing study) on the preparation of the documentation for launching this project and in tandem with the completion of the remaining work to be done as part of the study. Skills development in accordance with international standards should also be designed and implemented alongside the actual infrastructural investments and activities.

CROSS-CUTTING ISSUES

49. Gender and HIV/AIDS dimensions will be addressed through the inclusion of two preparatory activities that have been included and costed. The actual gender and HIV/AIDS dimensions will appear in the next step, i.e. as part of the implementation of the Action Plan when special gender and HIV/AIDS needs will have to be taken into account, e.g. in the development of manuals, the setting up of technical assistance (TA) teams, the development of capacity building programs, the design of specific projects and employment opportunities for women and people living with HIV/AIDS. These have also been set as indicators for monitoring.

OVERVIEW OF INFRASTRUCTURE ACTION PLAN

50. Table 6.1 contains a summary of the Action Plan, including the estimated costs. It is to be noted that all cost estimates are to be viewed as preliminary. They are of a pre-feasibility nature although some of the costs estimates for projects of the second phase are uncertain. Costs have in general been prepared by making use of unit costs (per item or per km or similar) available in Sudan based on experience from previous projects. The cost of studies and technical assistance is based on estimated man-months times \$25,000.

51. As noted above, the Action Plan is not comprehensive for the second phase. It is expected that work done during the first years of the Action Plan will result in the identification of additional projects that may have to be implemented already during Phase II.

52. Table 6.3 shows how the projects are assumed to (primarily) benefit the North, the South and other war-affected areas of the country. Some projects are expected to provide benefits in a non-separable way for the whole country (joint projects).

53. Environmental Impact Assessments should be undertaken before major (Category A) investment decisions are taken to allow the examination of alternatives, as well as mitigate any potential environmental and social risks. The government should also establish an enabling environment where policies are conducive to the private sector provision of infrastructure services. The terms of reference for all proposed studies under this Action Plan should include adequate provisions in these respects.

Expected Outputs

54. A detailed results matrix (log-frame) has not been prepared for the Action Plan. The emphasis of the Action Plan is on setting a process in motion, and it is expected that this process will eventually lead to the development of self-sustaining local arrangements in the various sub-sectors. These arrangements will be key for taking the development agenda forward and for ensuring adequate infrastructure services being provided in due course.

55. The main outcome of the Action Plan is hence the launching of a successful process of these self-sustaining arrangements. A table setting out the outputs of the Action Plan has been prepared (see Table 6.2), and a 'Cluster Matrix' has been compiled (see Volume II).

Phase I:

56. It is intended that the Action Plan will contribute to achieving the following types of outputs:

- i. Infrastructure in use and transport operations should fulfil basic safety and security as well as environmental requirements.
- ii. A basic transport infrastructure network involving mainly roads and aviation will be in place in the South, including links with Uganda and Kenya. The North-South will rely on aviation, railway transport and limited river and road transport services.
- iii. There will be adequate capacity in place in the South for planning and management of infrastructure (although this will likely depend on foreign input in part).
- iv. There will be adequate capacity in place in the South for managing road traffic (although this will likely depend on foreign input in part).
- v. Plans for the rehabilitation and development of (other) transport infrastructure, including rural roads, will have been completed.
- vi. New policies for enhanced road transport operations, inland waterways, the maritime sector and electricity (diesel and hydropower based) will have been prepared including environmental concerns. Plans for private sector participation (PSP) in container ports and railways will have been prepared in close consultation with civil society and multi-lateral organizations. Required capacity-building plans will have been developed.
- vii. Options for female employment in infrastructure projects will have been developed and pilots undertaken in at least two projects.
- viii. A framework for how to address HIV/AIDS in the context of the Action Plan will have been developed, agreed and implemented in at least two civil works contracts.

57. At the end of Phase II, Sudan is expected to have rehabilitated the core components of the infrastructure, including in Darfur and other war-affected areas, and improved and developed the rural road network. Sudan will in addition have implemented reform processes related to domestic and international road transport operations, multimodal operations, railway operations, inland waterways transport, port operations and electricity, and have implemented required capacity building plans.

58. Under the proposed program, it is expected that by end 2011 the GOSS will have been effectively supported to have developed adequate capacity for managing roads, managing road traffic regulations and developing transport policy. By that time, the regulatory framework and systems related to navigation and environmental control in the inland waterways and maritime sectors will meet international standards.

Table 6.1: Summary project costs (millions of \$)

Id	Projects	Criteria	Cost-Phase 1	Costs-Phase 2	Total Costs
Roads and bridges					
ROAD1	Renk to Malakal Road	1; 8	15.0	75.0	90.0
ROAD2	Main roads in the South	3; 8	61.4	400.0	461.4
ROAD3	Emergency rehabilitation; South	1	29.0	0.0	29.0
ROAD4	Road development in Darfur	3; 8	5.2	120.0	125.2
ROAD5	Road development in other war-affected areas	3; 8	0.2	64.0	64.2
ROAD6	Rural roads; North and South	3; 8	1.1	69.0	70.1
ROAD7	Road maintenance; South	1; 8	5.1	20.4	25.5
ROAD8	TA to GOSS	2; 4; 8	1.5	3.0	4.5
ROAD9	TA to NHA	2	0.4	0.0	0.4
ROAD10	TA to local construction industry	2	0.6	0.0	0.6
Sub-totals			119.5	751.4	870.9
Road traffic, road transport and multi-modal operations					
RTT1	Road transport policy	5; 8	0.6	1.2	1.8
RTT2	TA in traffic regulation to GOSS	6; 7; 8	4.0	4.0	8.0
RTT3	Pilot projects in public transport	6; 8	0.8	1.5	2.3
Sub-totals			5.4	6.7	12.1
Railways					
RAIL1	Study of PSP	5; 8	0.4	2.0	2.4
RAIL2	Babanusa-Wau Line	1	21.0	0.0	21.0
RAIL3	Port Sudan-Khartoum Line	3; 8	0.1	96.5	96.6
RAIL4	TA and equipment for workshops	7	6.1	0.4	6.5
RAIL5	Other TA and studies	3; 4	1.0	1.6	2.6
Sub-totals			28.6	100.5	129.1
Inland waterways transport					
IWT1	Policy and institutional development	5; 8	0.3	0.3	0.6
IWT2	Emergency rehabilitation of the Kosti to Juba river transport syst	1	5.0	0.0	5.0
IWT3	Upgrading of the Kosti to Juba river transport system	3; 8	4.8	130.0	134.8
Sub-totals			10.1	130.3	140.4
Ports and maritime					
MARI1	Policy and institutional development	5; 6; 8	0.3	0.5	0.8
MARI2	TA and equipment for combating of pollution	6; 8	0.1	3.0	3.1
MARI3	Support to SPC	3; 4; 5; 8	0.8	0.8	1.6
MARI4	Hydrographic survey and navigation aids	3; 8	0.1	2.2	2.3
Sub-totals			1.3	6.5	7.8
Civil aviation					
CIVA1	TA to GOSS	4; 7; 8	0.5	0.8	1.3
CIVA2	VHF-equipment	1	0.4	0.0	0.4
CIVA3	Airstrips in the South	1	6.0	6.0	12.0
CIVA4	Airports in the South and other war-affected Areas	3; 8	0.5	24.0	24.5
CIVA5	SAR needs and FCR vehicles	1	1.2	2.1	3.3
CIVA6	TA and Training	4	0.4	2.0	2.4
Sub-totals			9.0	34.9	43.9
Electricity					
ELEC1	Sub-sector Policies and Regulations	5	0.8	0.0	0.8
ELEC2	Electrical Master Plan/Hydropower Studies	3	7.6	0.0	7.6
ELEC3	Diesel plants – Fast Track Electrification incl. fuel subsidy	3; 8	43.1	71.4	114.5
ELEC4	Solar Installations for Public Services	3; 8	9.8	15.2	25.0
ELEC5	Extending National Grid to New Areas	3; 8	7.5	350.5	358.0
Sub-totals			68.8	437.1	505.9
Urban infrastructure and municipal services					
URBAN1	Establishment of urban infrastructure development financing me	2	1.0	0.0	1.0
URBAN2	Support for urban planning	6	2.0	3.0	5.0
URBAN3	Urban infrastructure and municipal services North	3; 8	43.1	242.1	285.2
URBAN4	Urban infrastructure and municipal services South	3; 8	37.5	201.9	239.4
Sub-totals			83.6	447.0	530.6
Cross cutting themes and projects					
CRCP1	Aid management unit for GOSS, states and local governments.	2; 7; 8	12.0	18.0	30.0
CRCP2	Fiduciary assessments GOS	7	0.2	0.0	0.2
CRCP3	HIV/AIDS assessments	2	0.3	0.0	0.3
CRCP4	Gender assessments and employment	2	0.5	0.0	0.5
Sub-totals			13.0	18.0	31.0
Grand Totals			339.3	1 932.4	2 271.7

Note: ROAD6 – This basically reflects EU indicated level of commitment. Actual needs will be greater and will be determined from study to be carried out early in Phase I.

Table 6.2: Expected outputs of Action Plan

<i>Id</i>	<i>Project</i>	<i>Output - Phase 1</i>	<i>Output - Phase 2</i>
ROAD1	Renk to Malakal Road	Outstanding documentation completed and works initiated	Construction works completed
ROAD2	Main roads in the South	Road sector Master Plan completed; training needs identified, priority works initiated including advance payments to at least 5 contractors	2350 km of gravel and paved roads, including bridges, developed
ROAD3	Emergency rehabilitation; South	100% of WFP Phase II completed	
ROAD4	Road development in Darfur	Darfur road program completed; priority works initiated	About 1000 km of gravel and paved roads developed and upgraded
ROAD5	Road development in other war-affected areas	Road program for other war-affected areas completed; priority works initiated	About 350 km of gravel and paved roads developed and upgraded
ROAD6	Rural roads; North and South	Preparation of rural roads program completed	About 1100 km rural roads in the North and 3500 km rural roads in the South constructed
ROAD7	Road maintenance; South	1600 km of roads under maintenance	4500 km of roads under maintenance
ROAD8	TA to GOSS	Capacity to manage roads in place	GOSS road management agency in place
ROAD9	TA to NHA	NHA has capacity to manage donor financed projects	NA
ROAD10	TA to local construction industry	Industry to effectively participate in implementation of donor financed projects	NA
RTT1	Road transport policy	Road transport policy formulated and approved	Implementation of new road transport policy completed
RTT2	TA in traffic regulation to GOSS	Capacity to manage road traffic in place	GOSS road traffic manager in place
RTT3	Pilot projects in public transport	Preparation of two pilot projects completed	Implementation of two pilot projects completed
RAIL1	Study of PSP	PSP study completed and action plan agreed on	PSP action plan implemented
RAIL2	Babanusa-Wau Line	Rehabilitation of the line completed	NA
RAIL3	Port Sudan-Khartoum Line	Rehabilitation plan completed	About 160 km of line rehabilitated per year
RAIL4	TA and equipment for workshops	TA and equipment in place	TA completed in year 3.
RAIL5	Other TA and studies	TA and training implemented	Training and studies completed
IWT1	Policy and institutional development	Preparation of policies and training plans completed and approved	New policies and training plans implemented
IWT2	Emergency rehabilitation of the Kosti to Juba river transport system	Urgent rehabilitation needs implemented to allow river transport between Kosti and Juba	NA
IWT3	Upgrading of the Kosti to Juba river transport system	Feasibility study, designs and procurement documentation completed. . Ports and nav aids upgrading and charting and dredging works started.	Port and navigation aid upgrading, charts and dredging works completed
MARI1	Policy and institutional development	Policies and training plans completed and approved	New policies and training plans implemented
MARI2	TA and equipment for combating of pollution	Plans for combating of pollution completed	Equipment in place
MARI3	Support to SPC	Master plan and training program and plan for PSP in container terminal prepared and approved	PSP plan and new port tariff implemented
MARI4	Hydrographic survey and navigation aids	Plans for nav aids and hydrographic survey prepared	Nav aids installed, hydrographic survey carried out and related training plans implemented

CIVA1	TA to GOSS	Capacity to manage civil aviation in place	GOSS civil aviation manager in place
CIVA2	VHF-equipment	Required equipment in the South in place	NA
CIVA3	Airstrips in the South	7 airstrips in the South developed to agreed standard	Further upgrading of a few airstrips completed
CIVA4	Airports in the South and other war-affected areas	Plans for upgrading of airports in the South and other war-affected areas prepared	Implement the agreed plans for upgrading of airports in the South and Darfur
CIVA5	SAR needs and FCR vehicles	Plans for SAR and provision of FCR vehicles prepared and implemented	Additional FCR vehicles procured and deployed
CIVA6	TA and Training	Plans for training and Aviation Institute prepared and training programs implemented	Further training implemented.
ELEC1	Prepare Sub-sector Policies and Regulations	Sub-sector policies and regulations prepared	
ELEC2	Hydropower Pre-feasibility and Feasibility Studies and Electrification Master Plan	Electrification Master Plan prepared and Hydropower Feasibility studies completed	
ELEC3	Diesel – fast track electrification of towns in South Sudan	Procurement of first set of diesel plants completed and installation started	Procurement and installation of final set of diesel plans completed. . Subsidy on diesel stops.
ELEC4	Solar Installations for Public Services in 1000 Villages	Needs assessment completed and designs completed	Installation completed
ELEC5	Extending the National Grid into new Areas	Feasibility study and designs completed	Extensions commissioned
URBAN1	Establishment of urban infrastructure development and financing mechanism	Urban infrastructure development and financing mechanism in place	
URBAN2	Support for urban planning	Capacity to prepare urban plans and guide implementation of urban schemes in place. including GIS database and mapping.	
URBAN3	Urban infrastructure and municipal services in the South	Plans for repair, rehabilitation and reconstruction of urban infrastructure developed and implementation started	Implementation continued
URBAN4	Urban infrastructure and municipal services in the North	Plans for repair, rehabilitation and reconstruction of urban infrastructure developed and implementation started	Implementation continued
CRCP1	Aid management unit for GOSS and local Government	Aid management unit operational	Aid management unit completes mandate
CRCP2	Fiduciary assessment	Plan for ensuring transparency in fiduciary management approved and implemented	NA
CRCP3	HIV / AIDS awareness/outreach program	Guidelines and procedures for addressing HIV/AIDS in infrastructure projects	NA
CRCP4	Gender assessments and employment	Report incorporating detailed guidelines prepared	NA

EXPECTED BENEFICIARIES

59. Table 6.3 below, containing costs disaggregated into TA, civil works (CW), and goods and equipment (GE), shows how the information set out in Table 1 can be seen to benefit: The North; the South; Darfur; other war-affected areas (Blue Nile, Southern Kordofan/Nuba Mountains and parts of the Red Sea State (areas bordering Eritrea)); and the entire country.

60. It is to be emphasised that infrastructure projects rarely benefit one geographical region alone; benefits accrue both directly and indirectly to other regions as well. In addition, the tables do not show the financial implications of the projects. Some projects are envisaged to be financed jointly by donors and Sudan. It is also to be noted that projects which may benefit the South could be financed by way of the national budget, as per the CPA.

Table 6.3. Overview infrastructure costs (millions of \$)

PHASE I COSTS		Entire Sudan			North Sudan			South Sudan			Three Areas			Darfur			TOTALS PHASE I		
SECTORS	TA	CW	GE	TA	CW	GE	TA	CW	GE	TA	CW	GE	TA	CW	GE	TA	CW	GE	ALL
Roads	0.0	0.0	0.0	1.0	17.0	0.0	4.0	621.1	0.0	0.2	50.0	0.0	0.2	100.0	0.0	5.4	788.1	0.0	793.5
Road Traffic & Transport	0.6	0.0	0.0	0.4	0.0	0.0	4.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	5.4	0.0	0.0	5.4
Railways	0.0	0.0	0.0	2.3	12.9	13.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	2.3	12.9	13.4	28.6
Inland Waterways	0.0	0.0	0.0	0.0	0.0	0.0	5.5	47.6	19.9	0.0	0.0	0.0	0.0	0.0	0.0	5.5	47.6	19.9	73.0
Ports and Maritime	0.0	0.0	0.0	1.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.3	0.0	0.0	1.3
Civil Aviation	1.0	0.0	1.0	0.0	0.0	0.0	1.0	12.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	2.0	12.2	1.0	15.2
Sub-total Transport	1.6	0.0	1.0	5.0	29.9	13.4	14.9	680.9	19.9	0.2	50.0	0.0	0.2	100.0	0.0	21.9	860.8	34.3	917.0
Electricity	8.4	0.0	0.0	1.2	0.8	3.0	0.9	9.0	36.1	4.0	0.2	0.6	4.0	0.2	0.6	18.4	10.1	40.3	68.8
Urban Infrastructure	1.0	0.0	0.0	2.1	122.3	33.4	3.7	145.6	36.4	0.2	14.4	3.6	0.5	26.4	6.6	7.5	308.7	80.0	396.2
Cross-cutting Themes	0.8	0.0	0.0	0.2	0.0	0.0	12.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	13.0	0.0	0.0	13.0
Total Phase I	11.8	0.0	1.0	8.4	153.0	49.8	31.5	835.5	92.4	4.4	64.6	4.2	4.7	126.6	7.2	60.8	1,179.6	154.6	1,395.0
PHASE II COSTS		Entire Sudan			North Sudan			South Sudan			Three Areas			Darfur			TOTALS PHASE II		
SECTORS	TA	CW	GE	TA	CW	GE	TA	CW	GE	TA	CW	GE	TA	CW	GE	TA	CW	GE	ALL
Roads	0.0	0.0	0.0	0.0	0.0	0.0	3.0	35.4	0.0	0.0	14.0	0.0	25.0	0.0	3.0	74.4	0.0	77.4	
Road Traffic & Transport	1.2	0.0	0.0	0.8	0.0	0.0	4.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	6.7	0.0	0.0	6.7	
Railways	0.0	0.0	0.0	4.0	96.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	4.0	96.5	0.0	100.5	
Inland Waterways	0.0	0.0	0.0	0.0	0.0	0.6	46.8	20.0	0.0	0.0	0.0	0.0	0.0	0.0	0.6	46.8	20.0	67.4	
Ports and Maritime	0.0	0.0	0.0	1.5	0.0	5.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.5	0.0	5.0	6.5	
Civil Aviation	0.0	0.0	0.0	0.0	0.0	2.8	12.0	13.9	0.0	0.0	0.0	0.0	0.0	0.0	2.8	12.0	13.9	28.7	
Sub-total Transport	1.2	0.0	0.0	6.3	96.5	5.0	11.1	94.2	33.9	0.0	14.0	0.0	25.0	0.0	18.6	229.7	38.9	287.2	
Electricity	0.0	0.0	0.0	1.5	6.1	0.0	15.2	60.8	0.3	35.3	141.2	0.3	35.3	141.2	0.3	87.3	349.3	437.1	
Urban Infrastructure	0.0	0.0	0.0	4.5	58.9	12.3	6.2	24.5	6.1	0.4	2.7	0.7	1.1	12.3	3.1	12.1	98.4	22.2	132.7
Cross-cutting Themes	0.0	0.0	0.0	0.0	0.0	18.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	18.0	0.0	18.0	
Total Phase II	1.2	0.0	0.0	10.8	156.9	23.4	35.3	133.8	100.8	0.6	52.0	141.9	1.4	72.6	144.3	49.2	415.4	410.4	875.0
Phase I & II COSTS		Entire Sudan			North Sudan			South Sudan			Three Areas			Darfur			GRAND TOTALS		
SECTORS	TA	CW	GE	TA	CW	GE	TA	CW	GE	TA	CW	GE	TA	CW	GE	TA	CW	GE	ALL
Roads	0.0	0.0	0.0	1.0	17.0	0.0	7.0	656.5	0.0	0.2	64.0	0.0	0.2	125.0	0.0	8.4	862.5	0.0	870.9
Road Traffic & Transport	1.8	0.0	0.0	1.2	0.0	0.0	9.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	12.1	0.0	0.0	12.1
Railways	0.0	0.0	0.0	6.3	109.4	13.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	6.3	109.4	13.4	129.1	
Inland Waterways	0.0	0.0	0.0	0.0	0.0	6.1	94.4	39.9	0.0	0.0	0.0	0.0	0.0	0.0	6.1	94.4	39.9	140.4	
Ports and Maritime	0.0	0.0	0.0	2.8	0.0	5.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	2.8	0.0	5.0	7.8	
Civil Aviation	1.0	0.0	1.0	0.0	0.0	3.8	24.2	13.9	0.0	0.0	0.0	0.0	0.0	0.0	4.8	24.2	14.9	43.9	
Sub-total Transport	2.8	0.0	1.0	11.3	126.4	18.4	26.0	775.1	53.8	0.2	64.0	0.0	0.2	125.0	0.0	40.5	1,090.5	73.2	1,204.2
Electricity	8.4	0.0	0.0	1.2	2.3	9.1	0.9	24.2	96.9	4.2	35.5	141.8	4.2	35.5	141.8	18.9	97.4	389.6	505.9
Urban Infrastructure	1.0	0.0	0.0	6.6	181.2	45.7	9.9	170.1	42.5	0.5	17.1	4.3	1.6	38.7	9.7	19.6	407.1	102.2	530.6
Cross-cutting Themes	0.8	0.0	0.0	0.2	0.0	0.0	30.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	31.0	0.0	0.0	31.0
Grand Total	13.0	0.0	1.0	19.2	309.9	73.2	66.8	969.4	193.2	5.0	116.6	146.1	6.1	199.2	151.5	110.0	1,595.0	565.0	2,271.7

CROSS-CUTTING THEMES

Building Local Management Capacity

61. Given the need to show the results of the peace process quickly, the need to be able to use aid effectively during the early stages when aid is more readily available, and the fact that the greatest constraint to effective infrastructure development is institutional, one early challenge is to create the necessary implementation capacity in the South while establishing government structures at the level of the GOSS, states and local government.

62. An aid management agency is needed to create the institutional capacity needed in the short term for aid coordination and project implementation in Southern Sudan. In addition to aid coordination and resource mobilization, the proposed agency would have two distinct roles in the early stages of development: (i) technical departments which would act as employer/purchaser for TA, goods and civil works contracts; and (ii) the agency would carry out all procurement actions, financial management, accounting and auditing in a transparent way.

63. The proposed aid management agency in Southern Sudan would build on what already exists in terms of government structures. Gradually, as the agency gets stronger, it would split

out functioning technical departments into permanent agencies of the GOSS, such as a Public Road Administration for Southern Sudan and a regional Power Utility, and gradually reduce its activities as it transfers functions and responsibilities to newly established line ministries. The agency would also act as a training unit for government agencies to be established, such as the public roads administration under the new Ministry for Transport for Southern Sudan, road traffic and transport, inland waterways transport, civil aviation, electricity and municipal infrastructure. The TA team to support the Sudanese-staffed agency would comprise about 10 persons (on average) with backgrounds in procurement, financial management and auditing. Additional TA for capacity building of the technical departments of the aid management agency would also be needed, and this is covered by projects under each sub-sector.

64. A procurement assessment should be carried out as soon as possible in order to identify any unacceptable practices and to design corrective measure before the program of investment needs gets underway. This will help ensure that the MDTF is operational sooner and urgent works are not delayed. The capacity and independence of the accounting profession needs to be assessed, as well as the capacity and independence of the Government Auditor General. TA is included in the projects to facilitate an early completion of this fiduciary assessment.

HIV/AIDS

65. Implementation activities related to HIV/AIDS will be coordinated with involvement of the Ministries concerned and in cooperation with the World Health Organization. The proposed TA will identify the best manner in which the donors can contribute to these HIV/AIDS efforts in connection with the infrastructure programs, with the intention that identified activities will be undertaken during the second year of Phase I and during Phase II. The follow-on activities will be integrated into donor funded infrastructure projects.

Gender

66. Practical strategies are needed for increasing female employment, in particular in urban areas. The study tasks will be carried out in close cooperation with relevant ministries, agencies and departments. Pilots for female employment would be developed in collaboration with one or more infrastructure reconstruction projects and tested within the framework of these projects. If feasible, collaboration with other related agencies involved in employment projects, such as the ILO and Habitat, may also be sought.

Environmental and Social Safeguards

67. The cross-cutting themes include proposals on how to put in place environmental and social safeguards in a critical first phase, when a state of emergency requires urgent implementation of civil works projects. The same applies to the urgent mine clearance efforts needed to avoid that mine risk management is becoming an obstacle to development in the early stages of the infrastructure development program.

LIVELIHOODS & SOCIAL PROTECTION

(REFUGEES & IDPs, COMMUNITY DRIVEN RECOVERY, DDR AND MINE ACTION)

MARCH 18, 2005

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OVERVIEW

1. The livelihoods and social protection needs assessment addressed four major components that are integral in the post conflict transition: (i) durable solutions for displaced IDPs and refugees and assistance to communities absorbing returnees; (ii) community-based recovery (CBR) programmes within war-affected and least-developed areas focusing in the short-term on vulnerable 'returning' and 'remaining' populations and addressing the rights to social protection of those at risk of abuse; (iii) Disarmament, Demobilization and Reintegration (DDR), and; (iv) mine action. Much attention has rightly been placed on the largest displaced population in the world, but community recovery will also be targeted at those populations which were not able to flee violence or drought as well as those who have borne the burden of hosting displaced populations. One of the major challenges facing the national authorities is the re-establishment of acceptable conditions of security all over the country; upholding international standards in basic human rights is a prerequisite to safe return. Some key definitions are presented in Box 7.1.

2. Livelihoods and social protection are closely linked to the GOS/SPLM Urgent Needs Document of October 2004, and the UN 2005 Work Plan. These documents include an ambitious set of activities responding to the humanitarian needs of the displaced and war-affected populations and communities throughout the country. The proposed programs herein will build on this work, highlighting the need to continue humanitarian support beyond 2005, and launch large-scale recovery and initial development programming. The Cluster Matrix and estimated budget include the setting up of institutional apparatus necessary for successful programme implementation in Phase I (mid-2005 through 2007), the period when most refugees and IDPs are expected to return. Similar planning assumptions as those used for the UN Work Plan are applied to estimated returns for 2007 and 2008.

Box 7.1: Some Key Definitions

Refugees: "Persons falling under the 1951 Convention on Refugees and the 1967 Protocol, and any other regional instrument containing provisions for refugees, and who have fled to neighbouring or third countries of asylum."

IDPs: "Persons or groups of persons who have been forced or obliged to flee or leave their homes or places of habitual residence, in particular, as a result of, or in order to avoid, the effects of armed conflict, situations of generalized violence, violations of human rights or human-made disaster and have not crossed an international border"

Other displaced: "Persons who, as a consequence of the conflict, were induced to leave their normal places of residence for protracted periods and whose current circumstances may make their return and reintegration problematic. These include demobilized combatants from demobilized militia, child soldiers and abductees."

Resettlement – "The voluntary process of starting a new life in any place in Sudan other than that of the original place or region of origin. This shall include displaced originally from rural areas who choose to resettle in urban areas."

Reintegration – "...the re-entry of formerly displaced persons or refugees back into the social, economic, cultural and political fabric of their original communities." (JF HAC/SRRC)

Local Integration – "...a process where displaced choose not to return to their places or regions of origin and instead choose to integrate and adapt into the social, economic, cultural and political fabric of their host community."

Source: GOS/ SPLM, Joint Framework (HAC/SRRC)

3. The elements of livelihoods and social protection are closely linked to, and will be implemented in coordination with, the medium and longer-term efforts programmes envisaged under institutional reform and capacity (particularly strengthened decentralized government in relation to community development), governance and rule of law (protection and security for

populations of concern), productive sector (particularly agriculture), and basic social services. Due account will also be taken of the promotion of basic human rights and cross-cutting activities aimed at conflict transformation, healing and reconciliation.

4. All proposed activities include provisions to promote the protection of rights of women and children, who make up a majority of the targeted beneficiary groups. In SPLM-held areas of Southern Sudan, children constitute approximately 53 percent of the population and adult women make up a further 27 percent. However, both groups have historically rarely enjoyed a status that allows either access to, or knowledge of, some basic rights. They are therefore vulnerable to abuses merely because of their age or gender. Unless recovery and development activities aim to redress this situation from the outset, there is a risk that these inequalities will be perpetuated; their involvement in community decision-making is thus encouraged.

5. Livelihoods point to those basic needs, services and human rights that an individual requires to live in dignity. This includes ensuring adequate access to food, shelter, and other basic necessities; health (including HIV/AIDS), education, water and sanitation services; the right to a safe, healthy and clean environment; and human and civil rights.

6. Interventions supporting productive activities for displaced populations and war-affected communities will ensure food security, the installation and operation of primary education, basic health services, and access to potable water and sanitation services. Moreover, support will be given to processes that encourage peace-building, reconciliation and equality. During the first phase of the Interim Period priority will be placed on war-affected populations and the communities that have borne the brunt of the conflicts in terms of destruction and/or receiving/hosting of displaced populations. Progressively during Phase II of the Interim Period, other least developed areas of the country (according to basic poverty indicators) will receive support.

7. Social protection ensures the reduction of vulnerability of poor individuals, households and communities through better risk management and seeks to protect the vulnerable from abuses of their human and civil rights. In Sudan, an ongoing conflict analysis and monitoring should be undertaken, with a view to preventing nascent differences or low key conflicts from spilling over into violent confrontation, either between vulnerable groups themselves or between vulnerable groups and host communities during transit and after resettlement. Social protection is especially important during the first phase when transitory vulnerability and susceptibility to economic shocks are more likely and coping capacities less robust. These points of transition are:

- i en route from areas of displacement to areas of return or resettlement;
- ii immediately upon arrival in a new area, especially an area absorbing high numbers of returnees where the host population itself experiences stresses on basic resources;
- iii in an area of displacement after groups previously providing safety net support have departed;
- iv in demobilization centres / cantonment sites; and
- v in heavily mined areas that are either on transit routes or in areas where high numbers of returnees are expected.

8. Social protection assistance would take basic forms during the first phase:

- i transport support for some of the most vulnerable groups (estimated at 10 percent of the total population of IDPs and refugees from neighbouring countries) involved in

- an organized voluntary return program, as long as basic security pre-conditions and minimal absorption capacity are in place in areas of return;
- ii monitoring the process of return so as to reduce risk of illegal taxation or physical attack, verifying the voluntary nature of return, and helping to negotiate local integration and resettlement opportunities;
- iii advocacy, legal, and basic community social services support for the vulnerable that may choose to remain behind; and those who may suffer discrimination and abuse once they have returned, as well as the vulnerable in host communities, with a particular emphasis on the needs of women and children;
- iv food assistance for the most vulnerable (wherever they reside);
- v HIV/AIDS related information and establishment of structures for preventive measures including testing and counselling, care, treatment and support to people living with HIV/AIDS;
- vi ensuring the demobilization of all child soldiers, disabled combatants and chronically ill combatants;
- vii ensuring due attention be paid to the protection needs of child soldiers, women associated with fighting forces, disabled combatants and chronically ill combatants during the disarmament and demobilization process;
- viii provision of inputs (e.g. tools, seeds, fertilizer) for subsistence farmers returning to rural areas, to assist them gain at least partial self-reliance; and
- ix quick impact community based reintegration programs to assist a good part of returnees to urban areas or those not of farming background. This will enable them to restore/acquire a means of living/income and reduce their dependence on food aid.

9. During Phase II, local authorities will be assisted to develop a social welfare system for the most vulnerable groups in society based on the available national and international resources. Special consideration will be given to beneficiary groups defined by vulnerability analysis, taking into account health, income, gender, age and levels of cultural vulnerability.

DISPLACEMENT & COMMUNITY-BASED RECOVERY

10. The ceasefire and the CPA have brought increased security, ensuring greater access by humanitarian agencies to populations in need. These developments have already encouraged the return of an estimated 550,000 IDPs and refugees to the Southern and transitional areas of Sudan with limited or no resources. At the same time, however, the UN estimated 320,000 new displacements in the South. Before reviewing the extent of displacement and estimated rates of return, and the associated programs that have been proposed, it is important to flag the ongoing importance of the security situation.

Sources of Insecurity

11. The security situation has important implications for displacement and CBR. Ongoing unaddressed conflicts have significant disruptive potential, first and foremost being the Darfur crisis. There are also increased tensions in Kassala and Red Sea State as well as in Western Kordofan. The political commitment to peace in the country will be tested by the authorities' willingness to address these conflicts and underlying grievances, which in many cases have already unsettled ongoing returns and producing further displacement.

12. Key factors of insecurity include petty crime, irregular forces, tensions arising from implementation of the CPA and the return process itself.

13. While Southern Sudan especially has the potential for recurring violence, petty crime and common banditry can be addressed through the reestablishment of the rule of law and a solid, impartial judiciary and law enforcement sector. Once the necessary steps have been taken according to the CPA, ensuring basic food security and building a network of primary social services all over the Sudan will be key to addressing the roots of localized violence.

14. Local militias will remain a genuine threat to security for some time to come. About twenty armed groups are still operating in some areas of the South, notably Upper Nile. The agendas of these groups are not fully known, but political differences within the SPLM/A in the early 1990s have played a role, most of which were backed by sectors of GOS security and military apparatus. As political and tribal allegiances have played a role in the displacement, the return process may be disturbed by politically-motivated militia activity. The ceasefire agreement commits the Parties to the process of incorporating and reintegrating armed groups into either of the two armed forces allowed by the CPA (Sudan Armed Forces and SPLA), to be completed within one year of the signature. While a fully fledged DDR program is an important component of this roadmap, the political commitment to a collaborative approach in handling of indigenous militias is a key benchmark for observance of the CPA.

15. The ceasefire agreement itself could nurture localised discontent and tensions. Actions include redeployment of both SAF and SPLA, and the parallel deployment of Joint/Integrated Units in the South, in the transitional areas and in Eastern Sudan. Vested interests in sustaining the war economy even beyond the CPA will persist in some areas. There will also be massive movements of armed populations as they relocate as a result of the ceasefire provisions, and entire areas will be handed over from the control of an army to a civilian administration.

16. Looking ahead, tensions can be forecasted around a few key events in the Interim Period, primarily the mid-term elections, the popular consultation in the two conflict areas of Southern Kordofan and Blue Nile, and the two referenda on self-determination in the South and in Abyei. Incomplete or flawed inclusion of other political forces in the institutional machinery created by the CPA could renew politically-instigated fighting. The opening up of the political process according to the CPA timeline should be carefully monitored. The smoothness of the political process will influence individual decisions over whether to return, and where. The various levels of government to take serious responsibility for providing reliable information on security in different areas.

17. The return process itself may trigger flare-ups of localised tensions between returnees and host communities as the delicate local ecology and economy may be destabilized. Even in 'normal' conditions, competition over access to natural resources, particularly land and water, fuels insecurity all over the Sudan. This has been associated with a poor regulatory framework of land and water use, and the historical preference given to cash crops (irrigated and non-irrigated) and to urban food security over staple crops and rural livelihoods. Environmental pressure beyond human control (desertification) has increased and much of the subsistence sector has been drawn into intense competition over a dwindling natural resource base: nomads against settlers, farmers against farmers, nomads against nomads. This has provoked the collapse of law and order in parts of the South, the West and the East.

18. Local conflicts affect food security and local economic activities such as small-scale subsistence agriculture or animal husbandry. A review of land and water policy is imperative in the medium term, but meanwhile short-term interventions are needed to secure livelihoods and abate the potential for recurring violence over depleted resources.

19. Urban tensions cannot be ruled out. Returnees and ex-combatants may have changed expectations following the adoption of lifestyles different from their native communities and may wish to settle in the towns of the South, thereby producing increased urbanization and pressure on land.

20. One human rights issue has been the abduction of predominantly Dinka tribesmen from Northern Bahr al-Ghazal and the presence of child soldiers in regular and irregular armed forces. Returns of abductees and child soldiers pose specific concerns and challenges to the Sudanese parties as well as the international community.

Improving Security Conditions in the Sudan

21. While the existing monitoring mechanisms will ensure a smooth transition, the UN Peace Support Mission (UNMISUD), provided for in the CPA, will play a pivotal role in monitoring and verifying the ceasefire agreement. As a 'unified' UN mission, it will link military and security issues with the efforts of the international humanitarian and development community, as all components of the UN system are called upon to act according to a common understanding and implementation of mandates and objectives.

22. A deployment of 10,000 troops, of which 750 military observers, is proposed in six sectors in the ceasefire zone agreed by the Parties, covering six sectors in Southern and Eastern Sudan, in addition to a 755-strong civilian police component. A political and good offices component will be established to politically support the monitoring operations and to assist the Sudanese parties in the implementation of the CPA, while other components will assume sectoral tasks related, among others, to DDR, mine action, recovery/return/reintegration. Humanitarian assistance and sustainable development will be part of this integrated approach to UN operations, with a view to ensuring participation and buy-in of all major stakeholders (*To be revised according to the mandate authorized by the Security Council*).

23. However, no international effort will succeed without a sustained commitment to peace across the country, and no top-down approach can work unless it is backed by bottom-up efforts. The more so as, particularly in Southern Sudan, returns and DDR are as much a security issue as they are an issue of livelihoods and food security.

24. A process of compromise, reconciliation and acts of social and political transformation are required at all levels. These changes in attitude and behaviour will be encouraged through a range of specific activities that enhance the interaction between people and build their capacity to address root causes of conflict, restore relationships and contribute towards the establishment of a lasting culture of security and peace. Indigenous peace building activities will be considered below in more detail.

Current Extent of Displacement

25. The UN estimates that more than one-fifth (6.7 million) of an estimated 33 million Sudanese are displaced due to the effects of war, underdevelopment, environmental degradation and drought. Socio-economic indicators point to an extremely vulnerable population suffering some of the highest malnutrition, morbidity and mortality rates in the world. For example, despite good harvests during 2003, WFP/FAO suggested that some 3.6 million people required emergency food assistance in 2004, and WFP is projecting another 3.3 million (excluding Darfur) in 2005. WFP projections for Darfur indicate an additional 2.5 million people.

26. Efforts to ensure durable solutions to displacement and strengthen livelihoods are complicated by the fact that communities to which many will be returning have suffered extreme destruction and deprivation themselves. In 2004, FAO estimated that 50 percent of the counties

in the South were “highly” or “moderately” food insecure. Furthermore, the majority of displaced will be returning to areas with severely limited access to basic social services. Based on standards established by the SPLM for Southern Sudan, all Southern counties currently exceed the maximum population to service ratio for clean water points and for schools, and only 30 of the 50 counties assessed meet the established population to health facility ratio in 2003.¹¹³ Obviously current inadequate ratios will worsen as the displaced return.

27. Table 7.1 indicates the current (including estimated returnees) and projected (for 2005) ratios for several of the war-affected and/or least developed regions of Sudan.

Table 7.1: Comparison of basic service ratios, selected regions

Services Regions	Health Facility Ratio*		Education Facility Ratio**		Water Point Ratio***	
	Current	Projected	Current	Projected	Current	Projected
Bahr el Ghazal	20,863	22,608	5,468	5,925	2,509	2,750
Upper Nile	12,292	13,377	3,886	4,229	4,386	4,780
Equatoria	4,870	5,875	2,989	3,606	1,650	1,864
S. Blue Nile	5,286	7483	10,573	14,965	not assessed	
Abyei	6,806	12,317	3,402	6,158	3,094	5,559
Darfur	12,588					
S. Kordofan	6,954	12,715	2,928	5,354	not assessed	
Red Sea/Kassala	9,669					

* SPLM standard is 15,000 people to 1 health facility

** NSCSE/UNICEF standard is 1,000 people to 1 school

*** SRRC standard is 1,000 people to 1 water point

Note: “Current” based on 2003 population estimates, “Projected” based on 2004 estimated returns and 2005 projected returns (UNCT most likely case scenario)

28. In terms of protection, formal and informal security and safety net arrangements for the displaced populations are inadequate. Groups undertaking to return or resettle are being illegally taxed en route, sometimes harassed or attacked resulting in loss of assets and occasionally their lives. Lack of access to timely or accurate information regarding the return process precludes informed choice and obscures potential risk factors for returning populations. Furthermore, some IDPs in Khartoum are being forcibly moved from existing areas of displacement as part of urban renewal efforts. Lack of adequate access to protection and services in areas of return/resettlement has led to some secondary migration. These movements have skewed the normal demographics in villages of return which show larger than average number of elderly and women as the more able bodied search for work elsewhere and younger populations seek education opportunities in towns.

29. Decades of war have led to cycles of frequently multiple displacement and resettlement. In many cases, those who remained behind have occupied and tilled the land for several years, internally displaced have settled on land of other displaced and of refugees, and/or displaced have forced others from their land. Thus, the question of access to land and property recovery is highly sensitive. Cases have already been reported in 2004 of clashes between returning populations and host communities, particularly in Upper Nile, and the security situation will need substantive monitoring on an ongoing basis and with as much disaggregated information as possible on every potential or actual hotspot.

30. The property recovery and land tenure problems are especially acute in urban areas. In Northern Sudan, IDPs from the South frequently lack property rights, and the state has instituted laws allowing it to recover land on which the displaced reside. In Southern Sudan, customary

¹¹³ Southern Sudan Map Catalogue, Version 1, October 5, 2004. Information Management Unit, OCHA in association with The New Sudan Centre for Statistics and Evaluation and UNDP.

land allocation and conflict resolution systems have frequently broken down, and there is also no legal framework for property rights in urban areas. Anecdotal evidence of occupation of urban properties by military commanders or party officials abounds. It is imperative that a transparent and equitable legal framework be put in place as soon as possible.

31. The process of return will be complicated by the long-term nature of displacement in Sudan. Many returnees from the North, especially the younger generations, have not lived within the cultural context of their areas of return, nor necessarily speak the language of their people. A significant number have been through an Arabic education system. To the extent that their reintegration into Southern communities and educational systems will be facilitated, sensitivity to language issues and adopted cultural norms will be called for.

32. Finally, the risks of inter-ethnic conflict related to access to land, other assets or historical grievances, will have to be monitored carefully during the return process. Southern Sudan consists of a vast and complex patchwork of peoples, identities and often conflicting historical experiences. Conflict prevention, monitoring and transformation activities will thus have a central role in helping to ensure a peaceful return process and sustainable peace in communities of return.

Rates of Return

33. While there is general agreement on the overall numbers of displaced, and on recent movements during 2004¹¹⁴, estimates of both the rate of return and overall numbers of displaced who are ultimately likely to return to their places of origin, or resettle elsewhere, are uncertain. Technical estimates are complicated by multiple factors, ranging from security, the presence of landmines, access to social services, changed livelihoods strategies, availability of land and natural resources, language, school curriculum, age, gender, nature and duration of displacement, and general vulnerability. The process is also politically charged due to its relation to the national census, local elections, and the referendum at the end of the Interim Period. Thus opinions on the expected movements of IDPs vary dramatically.

34. Significant portions of the displaced population in Sudan have been displaced for more than 15 years, reside outside of camps, and have developed sophisticated coping and livelihoods strategies quite different from those they knew in their areas of origin. These factors influence not only an individual or household's decision to remain, return or resettle, but also to some extent this decision will be determined by other socio-economic variables, including: (i) better-off households whose access to income and services exceeds basic needs; (ii) active poor households with few assets that sustain themselves through a combination of subsistence agriculture and/or wage labour, and; (iii) very poor households dependent on others to meet basic needs. Planning for IDP returns needs to take cognizance of both the types of individuals and households returning and speed at which they return.

35. The most commonly cited study,¹¹⁵ of Khartoum-based IDPs, indicates that 66 percent expressed an interest in returning to their areas of origin, and that 69 percent of this group would do so within three months of the CPA. Furthermore, analysis of the same dataset shows that 88 percent of Southern IDPs indicated that they would eventually return home. This forms the basis for the UN projections of total return for all IDPs for 2005. However, this study has clear methodological limitations, as the sample was drawn from only one segment of IDPs (those encamped versus those integrated into the urban community), who may have less incentive to

¹¹⁴ The UN Country Team estimates that 410,000 IDPs and refugees returned to the South from January to October 2004 and that another 140,000 returned to the transitional areas. However, an estimated 320,000 new displacements were recorded in the South during the same period. (UNCT Planning Figures, 11/04)

¹¹⁵ IOM/CARE, *Sudan IDP Demographic, Socio-economic Profiles for Return and Reintegration Planning Activities, Khartoum IDP Households*, February 2003.

remain in Khartoum once peace returns. Other studies indicate a much lower percentage of displaced interested in returning or willing to do so quickly without clear indications that security has been restored and underlying conflicts resolved. Anecdotal information also suggests that a much lower percentage of displaced would return home as quickly as the IOM/CARE study suggests—especially those around urban centres, such as Port Sudan and Damazin, where wage labour opportunities and access to services are good.

Table 7.2: Projection of IDP and refugee movements (2005-2010)

Category of Displaced	Current Estimate	Changes (2004)	Cluster 7 Estimate				Remain'g displaced	% overall return
			2005	2006	2007	2008-10		
From South								
- in South	1,700,000	180,000	184,800	508,560	471,605	339,040	375,995	80.00%
- in North	1,300,000	(141,000)	123,200	207,160	377,342	103,580	347,718	70.00%
- refugees *	550,000	(130,000)	150,975	110,000	118,250	115,775	55,000	90.00%
Sub-total	3,550,000	39,000	458,975	825,720	967,197	558,395	778,713	78.30%
From Trans. Areas								
- in trans. areas	300,000	(27,000)	91,800	72,480	54,124	-	54,596	80.00%
- in South	130,000	-	30,600	29,820	29,820	26,758	13,002	90.00%
- in North	510,000	(113,000)	30,600	73,280	57,964	36,640	198,516	50.00%
- refugees	50,000	-	17,000	16,500	11,501	-	5,000	90.00%
Sub-total	990,000	(140,000)	170,000	192,080	153,409	63,398	271,112	68.10%
From Darfur								
- in Darfur	1,600,000	-	640,000	480,000	320,000	-	160,000	90.00%
- in other North	270,000	-	54,000	81,000	54,000	-	81,000	70.00%
- refugees	200,000	-	20,000	100,000	60,000	-	20,000	90.00%
Sub-total	2,070,000	-	714,000	661,000	434,000	-	261,000	87.39%
From North								
- in North	88,000	-	17,600	17,600	8,800	8,800	35,200	60.00%
- refugees	30,000	-	15,000	12,000	-	-	3,000	90.00%
Sub-total	118,000	-	32,600	29,600	8,800	8,800	38,200	67.63%
Total	6,728,000	(101,000)	1,375,575	1,708,400	1,563,406	630,593	1,349,026	79.64%
Percentage of Total	100.0%	-1.5%	20.8%	25.8%	23.6%	9.5%	20.4%	
Total IDPs	5,898,000	(101,000)	1,172,600	1,469,900	1,373,656	514,818	1,266,026	78.16%
Total Refugees	830,000	-	202,975	238,500	189,751	115,775	83,000	90.00%

Table 7.2 (cont.): Projection of IDP and refugee movements (2005-2010)

<p>Source: Current Estimate, 2004 and 2005: "Planning Figures" UNCT, OCHA/IMU estimates and analysis, November 2004. "Draft Projected Returns in 2005" OCHA/IMU, Version 3 (most likely returns scenario)</p> <p>Note: refugee numbers represent <u>registered</u> refugees only. Unregistered refugees are known to exist in sizeable numbers and UNHCR reports that nearly all of the 2004 refugee returns estimated by the UN/OCHA/SRT are among the unregistered</p> <p>Assumptions:</p> <ul style="list-style-type: none"> - 2004: returnees shown as negative number while new displacements shown as positive; assumes all new Southern displacement stayed in South, and 50% of returnees came from South and 50% from North; returns for TAs assumes 20% from TAs and balance from North - Southern returns assumes that 20% displaced in South will remain where displaced-- particularly urban areas; also assumes more gradual return of displaced from North due to services, language and opportunity costs - "in South" displaced includes garrison towns - Darfur numbers assumes relatively rapid and high number of return for "in-Darfur" displaced once conflict is over; but assumes 30% darfurians will remain in Khartoum and other Northern cities as economic migrants/displaced - Other North displaced seeking economic opportunities and will likely remain displaced for longer
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36. Based on all available data, the JAM team developed estimates that 70 percent (or less) of the IDPs from the South and transitional areas displaced in the North will return or resettle during the Interim Period (Table 7.2). It is further estimated that 80-90 percent of IDPs in Darfur and within the South will return, as they have usually not been displaced as long. Taking these two populations together, it is estimated that 70 percent of Sudan's total IDP population will return or resettle by the end of the first phase of the Interim Period (2007), and a balance of 8 percent would return during the remaining four years of the Interim Period. Thus, over the entire Interim Period, a total of 78 percent will return or resettle, while 22 percent will remain and integrate where they currently reside. UNHCR estimates that 90 percent of refugees would return or resettle in Sudan during the Interim Period.

37. Table 7.3 shows the projected numbers of displaced and refugees that will choose to remain where they currently reside. An overall estimate of 22 percent of IDPs remaining where they currently reside (predominantly in the North) reflects a combination of factors – length of stay (many have been born there), levels of economic and/or social integration, whether children are in school, whether families were already Muslim or have converted to Islam in the meantime, their Arabic versus English language proficiency and their perceptions of opportunities in the South.

Where	Numbers	Percent
- in North	822,434	61
- in South	388,997	29
- in Three Areas	54,596	4
- Outside	83,000	6
Total	1,349,026	100

38. If the IDPs decide to remain in the North following the CPA, they eventually cease to be IDPs and join the ranks of other rural-urban migrants that are converging upon the Northern towns, especially Khartoum. Their substantial numbers and heavy concentrations in specific parts of Northern towns place large pressures on local basic services and livelihood opportunities. Competition with other local populations for access to services and livelihoods risks exacerbating local tensions and can develop into conflict if not managed.

39. The numbers of combatants and associated groups is still unclear. Profiling these groups, and comparing against data on displacement, is a priority. This group is potentially volatile if disarmament, demobilization and reintegration are not effectively planned. Though it is important to address the needs of demobilized combatants and associated groups in tandem with other displaced, vulnerable, and with the receiving communities, the dynamics within this group will have important implications, including for social protection.

Key Challenges

40. Livelihoods and social protection are key parts of the transition from relief provision to poverty reduction in a secure environment that promotes the rights and protection of all people. Key to its success are addressing challenges relating to institutional and agency coordination, targeting and prioritization, and capacity constraints, policy and program issues, tensions between speed and sustainability, and ensuring protection.

41. Coordination and harmonization between the distinct components of displacement, social protection, DDR, mine action, HIV/AIDS and livelihoods are needed. Effective linkages are also needed with other sectors, including local government-led recovery, and with on-going or planned bilateral and multilateral programs,¹¹⁶ and those outlined in other clusters. Strengthening information management and analysis and supporting, for example, the Sustainable Returns Teams (SRTs), the NGO Livelihoods Forum and other coordinating bodies will be critical.

42. The JAM proposes measures to target the poorest districts and communities in the various war affected and disadvantaged states. Geographic targeting will rely on data such as the geographic distribution of poverty as mapped by UNICEF and WFP's Vulnerability Assessment Mapping. This will be used in combination with population data, including returns statistics. Once policies and programs are in place, specified quantities of resources will be correspondingly allocated to the state and local level.

43. Areas that have suffered most from the effects of the civil war, regional conflicts and under-development due to environmental hardship will be given priority. This includes communities not affected by displacement but which suffer from more severe socio-economic needs and may also have legal and physical protection concerns. The lack of information concerning populations and communities of return as well as absorptive capacities of local communities and agencies will make geographical prioritization more difficult. Conflict "hotspots" will be jointly assessed by the authorities, local communities and agencies, based on, for example, existing conflict mapping exercises (UNDP-UNICEF conflict mapping for the North, Sudan Peace Fund conflict mapping for the South). Local experts and key informants will be used to identify the poorer communities once State-level allocations have been made.

44. Interventions will also promote the rights and participation of those who have been marginalized in order to ensure that their views, needs and priorities are taken into account in the process of return, reintegration and recovery. Over the longer-term regional disparities in Sudan in terms of basic needs, services, security, and rights will be addressed. The criteria for geographic resource allocation are proposed below.

45. In terms of implementation mechanisms, it is recognized that one size will not fit all, especially given the differences in administrative experience between the North and South, and some of the existing efforts in the transitional areas, such as NMPACT in the Southern Kordofan. Thus flexible mechanisms that build on existing experiences in Sudan and elsewhere will be utilized. As a point of departure, a thorough prioritization mapping based on agreed criteria by the parties and agencies will serve as the basis for interventions related to displacement, return, reintegration and livelihoods.

46. Proposed programmes will address the issues of poor access and quality of basic education and health facilities, targeting areas with low health and education indicators and gender inequity to improve access and reduce the cost of such services to the poor. Basic

¹¹⁶ Most immediately relevant are the activities envisioned under the UN 2005 Work Plan, but also include FAO's Sudan Productive Capacity Recovery Programme, EC's Livelihood Recovery Programme, USAID's Agriculture Enterprise Finance Program, and the proposed UN Local Recovery and Development Programme.

education and health facilities will be built and renovated, adult literacy promoted and child immunization campaigns undertaken. Rapid vocational training programs for school-drop-outs will be launched, youth centres created, and revolving textbook projects launched along with other social services directed at the poor. Programs to facilitate the social integration and inclusion of vulnerable groups such as elderly, disabled, women heads of household, children victims of violence, AIDS victims, drug addicts, war-crippled victims, etc., will also be given priority.

47. Equally important are: the provision of rural infrastructure, including rural roads; environmental protection activities, including community potable water, wells and spring protection, small waste-water treatment schemes that use appropriate technologies, improved solid waste collection, treatment and disposal; and reforestation and protection of natural sites.

48. There are a number of policy issues to be addressed by the NG and GOSS which will influence people's return decision. These are linked to the political configuration of the country – particularly the elections and the referendum – as well as security. The census could affect people's decision on residence, as could the decisions, still pending, on the electoral registration in the referendum for self-determination of the South and the referendum on the final status of the Abyei area. At the economic level, policies and programs affecting the private sector, agriculture, rural economy and land tenure sectors will also have a significant impact. Capital investments in mechanized farming, for example, have had a negative influence on small holding and pastoral livelihoods in the transitional areas. Steps toward reform and the realization of smallholder and customary property rights will be an important step towards encouraging voluntary return and resettlement.

49. As documented by the Capacity Building Cluster, constraints are evident at all levels in all sectors. This is most apparent in the South, but also applies to the North where experience with local level planning, budgeting and financing of services is limited. The escalation of the Darfur crisis has reoriented national and international efforts and capacities, thus making it more difficult to strengthen and expand operations in other war-affected or underdeveloped areas. Implementation and financing strategies should facilitate the leveraging of all available local, national, and international capacities. At the same time, all efforts in support of sustainable solutions for displacement will include capacity strengthening elements for local structures, organizations, authorities and communities themselves, including traditional conflict resolution mechanisms.

50. It is critical to avoid duplication and overlap (e.g. agencies focusing on more accessible areas). Securing the cooperation of humanitarian and development partners in planning, harmonizing approaches and, to the extent possible, utilizing complementary delivery mechanisms, will minimize wastage and reduce the administrative burden on the parties. The proposed multi-donor trust fund (MDTF) that would centralize financing and reporting arrangements and help to ensure government ownership of aid management – as well as the national monitoring arrangements soon to be in place - will help in supporting such a process. Complementary bilateral funding will necessitate strong linkages to an overarching NG and GOSS recovery plan to which all agencies and donors adhere.

51. There is a tension between speed and sustainability. There is a natural impatience on the part of many players - the Sudanese population, especially the displaced and war-affected, politicians and international actors - to attend to the urgent and immediate needs to see "quick-wins." These are most often visible projects – infrastructure, for example. However, experience from other post-conflict settings suggests that this should be balanced with equally strong support for the "software" (capacity strengthening, rebuilding of social capital) of transition and recovery. This will be especially true for the process of community based recovery. Here, the objective is to strengthened local institutions and communities to enhance traditional coping

mechanisms; and perhaps also to promote social welfare through vulnerability targeting. Investing in this human capacity-building is essential to the longer term sustainable success of local level recovery.

52. Since investments in capacity may not satisfy existing urgent needs, nor the desires for visible “peace dividends”, creative solutions are needed. These may include hybrid mechanisms that combine community driven initiatives, immediate/urgent needs projects and social action funds involving both direct community contracting and the use of intermediary implementing organizations. Interventions such as arms control and disarmament, while critical to the process of building confidence between the parties and improving human security, will need to be carefully calibrated and sequenced to avoid accentuating vulnerabilities in the absence of adequate security and policing institutions.

53. Protection is a major issue to be addressed, to reduce the high degree of insecurity that many face when returning to their places of origin or a new area.¹¹⁷ There have been quite large numbers of reported incidents of human rights violations. Illegal “taxation”, seizure of property and physical and sexual abuse on route are commonplace. Many cite incidents of harassment from military and militia as a key deterrent to return. Women headed households, separated children and adolescents returning from displacement or being released from armed groups will be especially vulnerable to harassment and lack of protection. Demilitarization of areas of return is a necessary precondition, as is the training of civil authorities in the promotion and protection of human rights for all. Recovery programs can address the proliferation of small arms and light weapons by encouraging community involvement in and responsibility for disarmament through ‘arms for development’ incentives targeting communities rather than individual weapons holders.

54. Particular legal challenges include the provision of appropriate documentation and access to unbiased, timely and effective legal recourse for land disputes as well as human rights abuses. For example, children returning from displacement situations or being released from armed groups may need civilian documentation to allow access to education. Effective monitoring and follow-up on rule of law processes (customary and statutory) in the North and South will help create conditions conducive to sustainable return and integration. The absence of an effective civil administration at the local level could inflame potential conflict between the returning population and host communities. Local dispute mechanisms have been proposed to minimize the level of conflict until the authorities establish an effective civil administration and rule of law.

55. It is therefore incumbent on the NG and GOSS, with the support of the international community, to provide physical protection and a reliable monitoring system during and after return, and to put in place an effective means of redress. A specific focus on vulnerable groups including elderly, pregnant and lactating women, female-headed households, disabled, unaccompanied minors, child soldiers and abductees should be incorporated into protection strategies. Furthermore, the development of criteria under DDR that ensure assistance to those in informal supporting roles with the military – often mainly women and children – will support this broader approach to social protection and ensure that more vulnerable groups do not fall through the cracks.

56. Protection also includes access to food and basic social services (water, health, education, HIV/AIDS related interventions and community based social protection programs) as well as the provision of transportation for the most vulnerable under certain conditions. During transit, adequate water, sanitation, shelter and food will be provided especially for the vulnerable. The potential for public health risks due to high concentrations of people and limited water/sanitation facilities are considered in planning way stations along major return routes.

¹¹⁷ *Freedom from Fear: Promoting Human Security for the Return and Reintegration of Displaced Persons in Sudan - A Protection Assessment* by IRC, funded by UNHCR, UNICEF and Harvard University, May 2005.

57. There is a consensus amongst international and national stakeholders that the establishment of rule of law should underpin the process of return and reintegration. In order to effectively respond to the existing needs and, at the same time, reduce the threats to human security that will increase with a large-scale return and reintegration operation, protection and rule of law should be an integral part of planning and execution in the return, reintegration and recovery process.

58. In assessing the needs of displaced and returnees in this sector, four interrelated phases have been taken into consideration:

- i. *Location of Displacement*: the majority of IDPs are accommodated in camps and squatter areas. Some 44 percent of the IDPs in Khartoum have no education.¹¹⁸ Many lack employment opportunities, while others are exploited as cheap labour. In the absence of adequate employment, women often take up beer brewing, while girls opt for early marriage and boys take to the street - often leading to detention without adequate legal recourse. For many displaced people the future remains uncertain as they do not have access to objective information on their place of origin and/or the financial means to freely choose whether to stay or to return.
- ii. *Safe Passage*: returnees encounter militia/armed men more than once along the route, and each time they are expected to pay taxes. An increasing number of reports also indicate casualties amongst returnees, such as dehydration, illness and injuries caused by the rough journey and lack of adequate transportation. During the current phase of spontaneous returns, where refugees/IDPs return by their own means prior to the establishment of conditions conducive to return, and given the multitude of threats against physical security, the JAM has made costed assisted transport to *especially vulnerable individuals* (women, children, sick, disabled and elderly) who may find themselves stranded along the routes and in dire need of assistance to proceed. While early return is discouraged unless conditions are conducive, general protection principles do not preclude the provision of assistance to ensure the safety and security of those opting to return.
- iii. *Arrival/Reception*: given the sense of insecurity experienced by IDPs in camps, and the concerns related to safe passage and freedom of movement on arrival, IDPs have expressed a wish to be registered by international organizations before returning and upon arrival. Interventions suggested in this assessment are community-based, targeting returnees and communities at large.
- iv. *Reintegration*: returnees also represent an opportunity for rehabilitation and reconciliation – provided that an integrated and comprehensive approach is adopted. Activities suggested here are premised upon making rule of law and good governance central to the return, reintegration and recovery programme.

Priority Protection Actions and Principles

59. The planning and execution of programmes related to IDPs, refugees and returnees will be based on international instruments on the protection of IDPs and refugees. On the basis of these, the following actions will be conducive to promoting the dignity and rights of displaced and returnees in Sudan:

- Increase the presence of international monitors as well as programme/protection staff in the field and in IDP camps to strengthen monitoring, intervention and programming
- Monitor the push-and-pull factors that may impact the return process

¹¹⁸ Global IDP Database - www.idproject.org .

- Assess the options for local integration in the North
- Conduct an objective information campaign to promote free and informed choices and voluntary return
- Provide assisted transport during the phase of spontaneous return to specially vulnerable individuals
- Bearing in mind UN practices on return and repatriation movements and the IDP Guiding Principles, consider providing transport during the phase of organized return once conditions conducive to return have been established
- Ensure safe passage along return routes through deployment of UN military observers, UN agencies, international and national NGOs
- Establish a legal framework for the return of IDPs/'Tripartite Agreement' between UNCT, HAC and SRRC
- Closely monitor the establishment and management of transit centers
- Disseminate information on the CPA
- Advocate International Humanitarian Law with regular forces and militia
- Ensure that a general amnesty law is in place prior to organized return
- Conduct protection-oriented human rights capacity building followed by monitoring
- Connect community-based approaches to established structures
- Gear above protection activities toward the establishment of the rule of law
- Conduct advocacy on international instruments and principles for both national and international stakeholders.

60. *IDPs remaining in the North:* It is estimated that some 22 percent of Southern IDP will opt to remain in Northern Sudan. Given the pressures of such a sizable population on local services and communities, support should be provided to strengthen basic services and create additional livelihood opportunities for these persons and their host communities. IDPs residing in the camps and informal squatter settlements in and around Khartoum have at times been subject to evictions by the local authorities. It is incumbent upon the local authorities to pursue urban rehabilitation activities in a manner consistent with international standards and without resort to any violations of human rights. Where relocations are conducted in full consultations with the affected IDPs, and where title is provided to the plots assigned in areas of resettlement, the international community should assist local authorities with the provision of improved access to basic social services and livelihood opportunities in order to ensure a sustainable process of local integration.

61. Return of displaced populations is premised upon the principle of return in safety and dignity based on a free and informed choice. To that end, provision of reliable, relevant and timely information on areas of return including security, protection, access to rule of law, food and other assistance criteria/amount, availability of social services, mine and HIV/AIDS prevalence and food security as well as on return (transport, assistance, protection) and the political process will be provided. The challenge will be to ensure timely dissemination to the greatest number of displaced and their communities to ensure informed choice and to avoid "push factors", as well as to ensure that women and men have equal access to this information to make equally informed decisions.

62. Clear information on opportunities for demobilizing combatants and associated groups will be especially critical to manage expectations within the DDR process. Unrealistic expectations can create further security problems and will increase the pressure for problematic quick fix solutions, as discussed above. Furthermore, the content and timing of public information campaigns relating to arms control should be designed so as to avoid the perverse, but foreseeable, increase in arms proliferation into neighbouring countries that often results from ill-conceived or improperly coordinated interventions.

63. Little information is available on the likelihood and possible scope of increased urbanization as part of the dynamics of the return process. However, given the extended period of time that many displaced have been away from their homes (and rural live-styles), experience from elsewhere indicates that many youth will not have learned rural skills, that individuals have developed urban livelihoods strategies, and that higher expectations for basic services have been fostered. It is thus likely that a significant portion of the displaced will choose to resettle in urban rather than rural areas. This will be particularly true of (i) youth who have grown up in urban or peri-urban settings, (ii) displaced in the Southern garrison towns, and (iii) ex-combatants. It is also likely that a sizeable number will seek to integrate into their current, urban, displaced environments. Thus, ongoing surveillance and analysis and flexible mechanisms that allow for responses to needs and opportunities in the urban centres of both Southern and Northern Sudan are anticipated. Efforts such as UNICEF's situational analysis of urban market opportunities in the South and Norwegian People's Aid's initial work on vocational training in Rumbek will be drawn on and replicated in the Northern cities where displaced will remain. Urbanization has implications for basic social services, land policy, legal rights, protection and law and order. UNDP, UNICEF, UN Habitat and UNHCR are collectively embarking on a study of urban reintegration in the South.

64. The return of IDPs and refugees, as well as the DDR process are good opportunities to increase the level of awareness on HIV/AIDS and its prevention among high risk groups. Ensuring education and awareness programs reach these populations will thus be a priority. In Sudan, an estimated 80 percent of young women lack the basic knowledge on HIV/AIDS prevention methods. With increasing poverty, displacement due to conflict, harmful traditional practices, and the challenges of the CPA such as the return and integration of IDPs and returnees, women and girls would be becoming more vulnerable. Therefore, there is need to empower and increase the knowledge and skills of women to enable them to help decide the terms of their sexual relationships.

65. HIV/AIDS awareness needs to be streamlined in all livelihood interventions. In times of peace and stability, the devastation caused by HIV/AIDS is serious enough, but the risk of infection significantly increases when war and civil strife occurs. As communities and their structures break down, people are subjected to situations that are known to increase the risk of getting HIV infection. In such areas, clean needles and safe blood for transfusions and condoms are in short supply. HIV/AIDS related responses should be integrated into all humanitarian and relief agency interventions at an earliest stage.

66. Returning IDPs and refugees will put additional pressure on local natural resources and the environment. It is thus vital that environmental degradation and the over and/or misuse of natural resources is addressed or prevented, particularly where natural resources are already scarce and/or degraded. The sustainable management of natural resources will contribute towards ensuring livelihoods and avoiding the recurrence of conflicts over the allocation and distribution of natural resources. Further degradation will have a potentially negative effect on people's ability to make a living. Since most returnees will depend on natural resources (agriculture, livestock, water) for their survival it is crucial that these are managed in a sustainable and efficient way. Furthermore, certain ecosystems and biodiversity rich areas should

be protected and set up as natural parks/reserves in order to halt any further degradation that might be caused by returning refugees and IDPs.

67. The proposed programmes will be within a framework of international law particularly relating to certain target war-affected beneficiaries, as well as the CPA and the Joint Policy Framework¹¹⁹ of the GOS and SPLM. Particular reference is made to the Guiding Principles on Internally Displaced Persons, the 1951 Refugee Convention, Protocol Relating to the Status of Refugees (1967), and the OAU Convention Governing the Specific Aspects of Refugee Problems in Africa (1969). It also draws on internationally agreed standards on the rights of women and children, namely the UN Convention for the Elimination of Discrimination Against Women, the UN Convention of the Rights of the Child and the OAU Charter on the Rights and Welfare of African Children.

68. Interventions focus on the needs of, and the most appropriate support to, the displaced and war-affected populations and the communities to which they return, resettle or in which they choose to remain. The principle of the "4Rs"¹²⁰, has been adapted in Sudan to include "Resettlement (5Rs)" and is specifically referenced in a number of the CPA. The programming approach will ensure linkages between immediate and urgent interventions of return/repatriation, resettlement, reintegration and integration to medium- to longer-term recovery and development activities supporting area-based, community driven recovery.

69. Given the enormous need, the limitations on capacity, and the logistical challenges, the following criteria will be applied to the mapping exercise to underpin the prioritization of interventions:

- lowest level of service to population ratios, and/or quality;
- highest strain/burden placed on communities by returning populations (percentage returning versus existing population) and high prevalence rates of protection issues such as female headed households, exploitive child labor, separated children or children with alternative care-givers, demobilized children, etc.;
- risk of conflict
- food and water security; and
- strategic importance of area (e.g., Three Areas)
- environmental vulnerability mapping
- livelihood potentials
- ensure geographically wider area coverage of interventions to avoid high returnees concentration in some areas that can not be sustainable and to avoid pressures on livelihood natural resource base.

70. In meeting the challenges outlined above, a number of key principles have been agreed:

- refugees, internally displaced persons and ex-combatants have free and informed choice when and where to return, resettle, or remain;
- a "5Rs", area-based community driven recovery approach linked to local level government authorities and private sector (including NGO) service providers will be utilized to ensure sustainable solutions for displaced populations;

¹¹⁹ Signed in Nairobi on 13 July 2004 by Humanitarian Aid Commission (HAC) and Sudan Relief and Rehabilitation Commission (SRRC), witnessed by UN.

¹²⁰ Repatriation, Reintegration, Rehabilitation, Reconstruction.

- every effort will be made to minimize inequities, conflicts and/or market distortions under the general principle of minimizing harm and fostering reconciliation;
- every effort will be made to maximize inclusion and social cohesion and promote the rights, protection and participation of vulnerable groups including women and children;
- communities will drive the process – e.g. community knowledge, input and control over the recovery process, including decisions on investments and, where possible, management of funds, as well as overseeing implementation;
- local/existing structures will be used where feasible and consistent with guiding principles;
- transparent allocation and use of resources based on agreed-upon criteria;
- a conflict-sensitive approach that seeks to identify and mitigate against actual or potential local-level conflict will be applied to all interventions;
- community development and recovery mechanisms should be flexible enough to respond to emerging needs and opportunities to support target beneficiaries and communities;
- every effort will be made to ensure sustainable use of natural resources and, when feasible, the protection and/or rehabilitation of the environment which will be linked to employment generation.

71. The desired situation in 2011 is to have met the sustainable reintegration needs of displaced populations (and ex-combatants) and the communities to which they return, resettle, or in which they choose to integrate throughout Sudan.¹²¹ Measurable goals by 2011 are:

- i. Support sustainable return, integration in place, reintegration, and resettlement of estimated 6.7 million displaced persons;
- ii. Improved access to basic social services including HIV/AIDS, reported increase in the participation and protection of rights vulnerable groups including disabled, elderly, women and children in service provision, and increase local economic activity in war-affected and least developed communities;
- iii. Improved effectiveness of national protection mechanisms;
- iv. Improved effectiveness of local development initiatives in the most vulnerable/least-developed¹²² communities in Sudan; and
- v. Self-reliance of returnees enhanced, and needed humanitarian aid minimized/ phased out.

Phase I

72. Resources required to respond to the Phase I priority needs of the displaced have been costed. However, the costing of secondary and tertiary level services, operation and maintenance beyond the initial set-up and support, and core institutional development inputs, are left to relevant sectors. Sectoral and cross-cutting interventions - such as HIV/AIDS programs - will be implemented in close coordination with the efforts of the productive sector (especially

¹²¹ Sustainable reintegration can be defined as supporting those who have returned/resettled or integrated to secure the political, economic, legal and social conditions needed to maintain life, livelihood and dignity. **Legal**: access to legal processes; legal support for ownership of property, land and housing, **Political**: stable government, full participation in political processes, gender equality in all aspects of political life, freedom of thought and expression and protection from persecution, **Economic**: access to productive resources (e.g. agricultural inputs and livestock) and **Social**: access to services, security, absence of discrimination and community-level dispute resolution, etc. Source: *UNHCR Handbook for Repatriation and Reintegration Activities*

¹²² As defined by criteria such as population to basic services ratio, food vulnerability, percent newly returned population, high risk of localized conflict, etc.; or a specifically marginalized group in society such as orphans, returned abductees, or female headed-households lacking clan/community safety-net support.

agriculture), basic social services, promotion of rights and participation of marginalized groups, and institutional capacity building and training (especially in relation to local government authorities).

73. Priority activities in support of the return and community recovery process are based on the projected return numbers presented in Table 7.2, and conform with the 2005 UN Work Plan. Drawing on the UN Country Team estimates, and including Darfur, it is estimated that approximately 1.3 million people will return in 2005. As part of the UN Work Plan, the UN agencies and partners are currently developing a strategy to address the assistance and protection needs of these returnees. Solutions to displacement and community-based recovery will build on this strategy and provide further support during the subsequent years of the Interim Period.

The objectives are:

- i. to support and protect voluntary return/repatriation of displaced populations;
- ii. to ensure that the displaced populations that return or resettle and their receiving communities have access to minimum agreed-upon standard of social services and economic opportunities, security and rights;
- iii. to ensure that displaced populations that select local integration and their host communities have access to a minimum agreed-upon standard of services and economic opportunities, security and rights;
- iv. to provide a safety net for those vulnerable groups who have slipped through traditional social protection networks either in communities from which displaced are moving, en route, or in communities of settlement; and
- v. to set the stage for sustainable and longer-term development through socio-economic recovery, support to reconciliation, peace-building and strengthening "social capital".

Community-based Livelihood Recovery Strategies

74. Supporting livelihoods consists of three broad sectoral and four cross-cutting interventions. The three sectoral interventions are:

- i. Support to basic services (education, health, HIV/AIDS awareness, care, protection and support to People living with HIV/AIDS, water and sanitation);
- ii. support to environmentally safe and sustainable subsistence agricultural practices and other agro-pastoral activities (crops, livestock, fishing); and
- iii. support to on- and off-farm income generating opportunities (including peri-urban labor or small-enterprise options).

75. The four cross-cutting areas are protection/security; peace building/ reconciliation; social welfare (which would target up to an estimated 10 percent of the overall displaced and settled population that have or will slip through traditional safety nets mechanisms as a result of the return process); and capacity strengthening of authorities and communities.

76. In view of the predominant role of agriculture in helping meet the basic needs of the vast majority of Sudanese, livelihoods assistance will focus on supporting subsistence farming, livestock, fishing, and other traditional agricultural activities through the provision of basic inputs, technology and extension support (see Productive Cluster Report).¹²³ However, other smaller traditional and non-traditional rural activities and micro-enterprises may also be supported such

¹²³ FAO, Southern Sudan Draft Diagnostic Study, Productive Capacity Recovery Programme, 2003.

as oil presses, grain mills, bee-keeping, gardening, shea butter or other agro-processing activities. These will build on the on-going and proposed work of UN agencies and NGOs supporting food security under the UN Work Plan 2005 and take into consideration legal standards on the exploitation and abuse of vulnerable people. They will also seek to mitigate the harmful aspects of traditional subsistence livelihoods on women and children.

77. Given the likelihood that a significant number of urban displaced, the young from rural areas and demobilized combatants will choose to resettle (or remain) in urban centers, support will be provided to urban-based livelihoods options through vocational training, business skills development, teaching of sustainable agricultural methods, micro-credit, public works schemes, literacy and numeracy training.

78. Social protection interventions contribute to the solidarity, social cohesion, and social stability of a country. Well-designed and implemented, these interventions support sustainable economic development in a participatory manner. Social protection interventions will seek to:

- Reduce the vulnerability of low-income households with regard to basic consumption and services;
- Allow households to shift income efficiently over the life-cycle, thus financing consumption when needed;
- Enhance equity particularly with regard to exposure to, and the effects of, adverse shocks.

79. In 2005, the programs are intended to:

- i. Transport the most vulnerable returnees estimated at 10 percent of total returning;
- ii. Support the UN Work Plan 2005 proposal for a system to provide accurate and timely information to the displaced to support informed decision making;
- iii. Support the UN Work Plan to set up a tracking, monitoring and managing return database;
- iv. Support the UN Work Plan 2005 mechanisms to ensure protection (including water, health, household food security and shelter) en route and in final destinations;
- v. Provide institutional support to NG/GOSS in the design and set up of 5Rs and an area based community driven recovery process in collaboration with key partners such as UN agencies and NGOs, drawing upon local experiences and international best practices;
- vi. Identify and support grassroots conflict resolution mechanisms;
- vii. Develop database of best practice reconciliation/peace building activities and actors to support peace initiatives at regional and local level;
- viii. Develop market analysis of off-farm employment and/or income-generating opportunities in support of livelihoods in rural and urban settings;
- ix. Support design of an urban skills training initiative for vulnerable adolescents and youth and demobilized soldiers based on a base-line assessment to be conducted by UNICEF, and conduct a similar analysis in Northern Sudanese cities where concentrations of displaced can be found (Khartoum, Port Sudan, Damazin, etc.);
- x. Survey the socio-economic situation and living conditions, provision of services, access to land title in camps and squatter areas, and comparative situations in Khartoum and other urban centers with high IDP concentrations;
- xi. Determine HIV/AIDS prevalence rate among IDPs, returnees and the host communities;

- xii. Remove of all children from the armed forces and allied forces of the parties to the CPA;
- xiii. Analyse and formulate quick impact community based reintegration programs;
- xiv. Support environmentally safe sustainable subsistence agricultural and other agro-pastoral activities (crops, livestock, fishing);
- xv. Support area specific training programs for returnees to acquaint them with a diversity of skills related to income generating activities.

81 In addition to foregoing, activities in 2006 are to:

- i. Maximize coordination between various actors involved in the return process;
- ii. Continue support to informed decision-making by all family members on issues of return;
- iii. Ensure sufficient and reasonably priced transport;
- iv. Continue to meet minimum standards for protection during the return phase;
- v. Provide training to authorities, UN and NGOs on returnee monitoring and protection standards (physical, legal and material) in support of displaced and returnee populations;
- vi. Expand support to tracking, monitoring and managing return database to better inform community-based recovery (livelihood) interventions;
- vii. Provide life sustaining basic assistance and social services at way stations along routes and at dispersal points (major transit centers);
- viii. Provide basic protective services to vulnerable children and women at community level, including support to basic services and psychosocial services to communities dealing with high numbers of vulnerable children and youth
- ix. Build capacity of up to 360 existing or newly formed community committees in areas of highest priority as defined by agreed-upon criteria;
- x. Provide training for CDR/area-based recovery mechanism and procedures to 90 relevant administrative unit structures in the areas most directly impacted by displaced populations;
- xi. Train 90 CBOs and 18 SINGOs in CDR procedures;
- xii. Provide basic services in those communities to which the displaced have returned, resettled, or remained in accordance with the following standard per capita measures: (i) maximum of 15,000 people per health unit, (ii) maximum of 1,000 people per water point, and (iii) maximum of 1,000 people per elementary school;
- xiii. Support subsistence agricultural inputs and production to displaced populations, demobilized ex-combatants, and receiving communities in equal number through the distribution of seeds and tools;
- xiv. Provide fishing nets/materials and technical support (vaccinations and improved grazing practices) for livestock to displaced populations, demobilized ex-combatants, and receiving communities;
- xv. Provide vocational training, small-business management, literacy and numeracy training to displaced, demobilized soldiers and receiving communities who chose to remain or resettle in urban centers in the North and Southern Sudan;
- xvi. Provide basic training on sustainable agricultural practices to returnees and receiving communities;

- xvii. Initiate natural resource base recovery program in support of sustainable livelihood and community/s food security enhancement;
 - xviii. Finance wage component of labor-intensive public works schemes for an average of 50 working-days per person;
 - xix. Assess current social protection needs, strategies and activities in both Northern and Southern Sudan as the basis for beginning to develop a comprehensive social protection policy;
 - xx. Design a safety net fund that will in the short-term help address the most basic needs of the marginalized or most vulnerable members of the displaced populations either where they return, resettle, or remain.
82. Year 2 (2007) (in addition to the above):
- i. Expand support to tracking, monitoring and managing return database to better inform community-based recovery (livelihood) interventions;
 - ii. Build capacity of up to 460 existing or newly formed community committees in areas of highest priority as defined by agreed-upon criteria;
 - iii. Provide training for CDR/area-based recovery mechanism and procedures to up to 104 administrative unit structures in the areas most directly impacted by displaced populations;
 - iv. Train 104 CBOs and 22 SINGOs in CDR procedures;
 - v. Continue and expand natural resource base recovery program initiated in year one in support of sustainable livelihood and community/s food security enhancement;
 - vi. Formulate a national/regional social welfare policy and framework in support of most vulnerable groups, including provisions for implementation mechanisms.

Phase II

80. A gradual shift will take place from supporting emergency reintegration of displaced populations, to responding to the local level needs of under-developed regions and communities of the country. This will be supported by the decentralization reforms described in the Institution Building Cluster. The targeting, financial allocation and monitoring mechanisms for CDR will be designed during the initial two years of the Interim Period, and support for specific community-level development initiatives will begin in the second or third year.

81. In the longer term, analytical capacity will be built to address measures to enhance human capital, ranging from labor market interventions, publicly mandated unemployment or old-age insurance to targeted income support. It will assess interventions aimed at assisting individuals, households, and communities to better manage the income risks that leave people vulnerable.

Implementation Arrangements

82. Livelihoods support will be delivered through a decentralized, area-based approach that would fund local-level institutions and communities to implement activities based on local knowledge, experience and priorities. This approach will rely on local-level structures to help set priorities and allocate resources, and that could take responsibility for overseeing the execution of recovery initiatives. It would involve local-level government (both administrative and technical), and seek to draw upon the skills of local development partners (UN, NGOs, CBOs) and the private sector. It will be flexible and based on demand-driven principles for the financing of a wide-range of livelihood programs and, when policies are fully established, social protection/welfare initiatives. Planning will be based on an assessment by local communities of

their own needs, constraints, skills and coping mechanisms. Such an approach would draw upon experiences indigenous to Sudan, as well as best practices from the World Bank, UN, other bilateral donors and NGOs.

83. Area-based recovery is designed to use participatory mechanisms for stakeholder involvement, make investments responsive to informed demand, strengthen capacity of community-based organizations, assure social and gender inclusion, transparency in allocation of resources, and maintain flexibility in delivery channels. These initiatives should promote the involvement of women, youth and children in decision making, as this will help to ensure that the resources of the international community are used to reinforce equality objectives. Flexibility in design will allow for faster disbursement of funds for a broader cross-section of local level activities that best respond to emerging needs or capitalize on opportunities and/or capacities among local partners. The approach will also allow for multiple implementation partners including line ministries, UN, NGOs, the private sector and the community itself. Evidence from other countries shows that this approach would help to ensure the sustainability of services (particularly social) provided through the active participation of the target communities.

84. Alternatively referred to in post-conflict settings as “community driven recovery” (CDR), the approach relies on three institutional pillars: communities, local governments (including line ministry departments), and the private sector (including NGOs). To be effective, CDR requires planning, implementation and management capacity within all three institutional pillars. This will not be the case in post-conflict Sudan where there has been a tendency towards strong central government control. A CDR approach in post-conflict settings will require capacity building at community (ensuring the participation of vulnerable and marginalized sub-groups), as well as, local government levels.

Integrating peace building activities into CDR

85. The area-based recovery concept will be, at least in the medium term and with allowance for transitional arrangement dictated by scarce existing capacity, a decentralized mechanism engaging local-level institutions and communities according to their knowledge, experience and priorities. This approach rejoins the consolidated tradition of communal reconciliation that has at all times attempted to tackle both the root causes of conflict, such as competition over natural resources, and its implications, like the flow of weapons. In many instances, inter-communal violence has a history that precedes the civil war, and so does the range of community and mid-leader led initiatives that sought to address it.

86. In the politicized context of civil war, as local disputes became assimilated into the broader North-South conflict, grassroots efforts have often been thwarted by the manipulation of local strife for political and military purposes. This was notable in the crisis that followed the SPLM/A split in 1991, as well as by the failure of the development community to ensure the necessary follow-up on the recommendations made in the peace conferences.

87. However, a series of modest but significant instances throughout the protracted conflict have proved that the Sudanese have been willing and able to engage in conflict transformation activities, in its three dimensions: prevention; management (to contain an intensification of existing conflict); and conflict resolution.

88. Some of these agreements were clinched between ethnic groups politically divided by the North-South conflict. One of the most frequently cited examples has been the agreement hammered out in the Abyei region in 2000 between the Dinka Twic, Dinka Ngok and Arab Misiriya to guarantee the safe passage of cattle across the Bahr al-Arab river and to facilitate the return of displaced or abducted Dinka to their home villages around Abyei town. There have been moves to expand this agreement, initially covering the Dinka on the GOS side, to include cattle

migration into SPLM-controlled areas of Bahr al-Ghazal. Another successful case has been the re-establishment of trading links between the SPLM-held Northern fringe of Bahr al-Ghazal around Aweil Town and the Southern part of Darfur, an arrangement that is apparently surviving the ongoing conflict in Darfur.

89. In most cases, the initiatives have aimed to bridge the gap across ethnic groups in the SPLM or militia-controlled South. The intra-South peace processes, which are meanwhile evolving into a fully-fledged framework of South-South dialogue, can be traced to the Wunlit agreement of 1999 between the Nuer and the Dinka of central Upper Nile. It was initiated by the tribal leaders on their own terms, without any involvement of the SPLA or other armed groups, and the New Sudan Council of Churches, which has since repeatedly acted as a mediator in South-South conflict. The civilian-based nature of the agreement explained its resiliency to renewed politico-military tensions in the area, but its potential, as well as the potential of other agreements in Upper Nile, such as Liliir in 2000, failed to be fully tapped due to the slow response of agencies in responding to the recommendations about water, healthcare and food security. By now, South-South peace processes have become a major component of humanitarian intervention, with an ad-hoc USAID-financed fund, the Sudan Peace Fund, being fully operational and trying to respond to clashes erupting all over the SPLM-controlled Southern Sudan.

90. These initiatives have been extended through indigenous initiative and external facilitation efforts to promote cross-line socio-economic activities, particularly in the case of animal health and free access to market centres. In a few cases, the international community has taken a pro-active role in turning such initiatives into major building-blocks of the wider peace process. The most famous example was the Southern Kordofan ceasefire in January 2002 and the ensuing establishment of the UNDP-led Southern Kordofan Programme for Advancing Conflict Transformation (NMPACT), which was a landmark of the Danforth peace initiative in the Sudan.

91. The role of traditional, grassroots peace-making can be revitalized. The peace monitoring operations of the international community needs to be supportive. Such peace-making should be fully integrated in the planning of community-driven recovery, both upstream, in the assessment and planning phase, and downstream, in the implementation of activities, with a view to highlighting broad-based stakeholder involvement.

92. There are tensions and trade-offs in grassroots peace-making. The integration of grassroots peace-making efforts in the community-based recovery, while a desirable objective in its own right, requires the way to be fully cleared. As these efforts are often, though not always, undertaken in a customary law framework, the exact role played by traditional tribal authorities and community-based organizations vis-à-vis one another and vis-à-vis elected local representatives has to be clearly defined, as the risk of manipulation for political gains is not entirely absent even in peacetime; a sterile confrontation between local and traditional authorities might ensue. In addition, the legitimacy of local organizations and representatives is not always apparent, or is occasionally controversial, and an ongoing conflict analysis exercise is required to avert undesired negative consequences. The risk can intensify with a large presence of foreign monitors, who may be inclined to uncritically support quick-fixes without any clear rooting on the ground.

93. Another area of concern can emerge, particularly in the South where the SPLM is trying to transform its military structure into a civilian, modern form of government; on the other side, some local communities perceive a risk that new GOSS structures would strip them of any real weight in decision-making and react by referring back to the customary, 'tribal', 'traditional' forms of local governance. In other cases, native administration patterns have been used by a dominant group to enforce the prevailing power relations and marginalized ethnic groups have advocated as a result the enforcement of a 'statutory', 'territorial', 'non-traditional' pattern of

equitable and accountable local governance, against the encroachment of an inequitable, personal, customary system. Finally, traditional practices can themselves be sources of conflict, for instance when they sanction values linked with the carrying of arms, or any other delusions of superiority by armed groups vis-à-vis civilians, or when they nurture biased public perceptions of insecurity, particularly in relation to group identity and negative ethnic stereotypes.

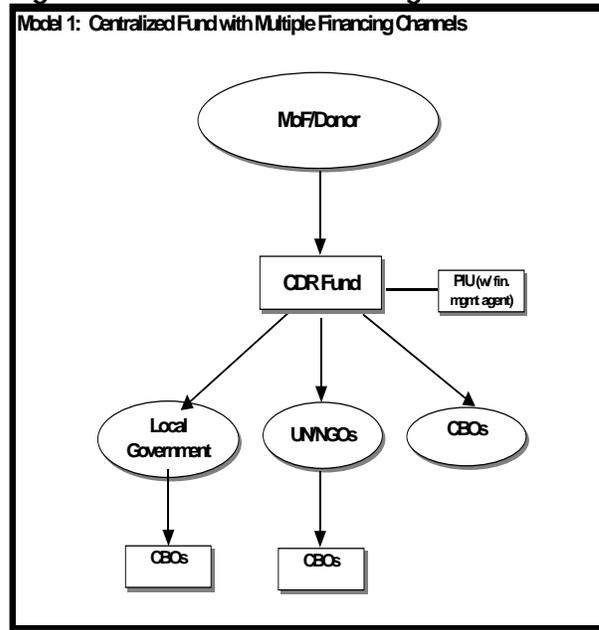
94. There is no universal solution to address these tensions, as customary practices differ widely and are themselves subject to historical change and to strains from external factors. What matters most is a consensus around three intertwined principles:

- long-standing and fresh conflict factors have to be integrated into both the livelihoods and the security module of reintegration, both at the local level of implementation arrangements and the national or regional level of peace monitoring and verification;
- wide stakeholder involvement and buy-in has to be ensured in any community-driven recovery initiative with a peace-building component, with government institutions playing a neutral regulatory role as guarantors of law and order and external agencies confining themselves to a strictly enabling role, especially in terms of building local capacity for peace;
- institutional mechanism should exist to ensure that localized peace agreements and recommendations from reconciliation conferences are adequately followed up at all levels through targeted consolidating interventions (e.g. water points, education, new roads between communities, local courts or arbitration mechanisms, peace committees and peace networks etc.), with a view to presenting concrete deliverables to the communities and avoiding the 'peace conference fatigue' that is already looming large.

95. The numbers and projected speed of returning displaced populations and the strain that this will put on receiving communities require an urgent response while capacities are being strengthened. Thus, in the short-term, a hybrid financing channel that can both work directly with communities as well as through intermediary organizations (UN, NGOs, private sector companies, etc.) will be employed, particularly in Southern Sudan. A local development approach that channels resources directly through local government authorities and appropriate service providers (either public or private) in support of community recovery may be more feasible in the short-term in other areas of the North. In general, local government structures should always be engaged in decision-making processes.

96. For the South, then, it is proposed that a mechanism that allows for more direct and centralized contracting of a wide-range of implementing partners (e.g., NGOs, CBOs, UN agencies, line ministries, and private sector) be established in the short-term to help respond quickly to the large-scale needs of these displaced and war-affected populations and communities. This approach (shown as Model 1) promotes capacity building at both community and local government levels to allow for a gradual shift to a more decentralized area-based planning and development mechanism (see Model 2) and ensures that the rights of marginalized sections of the population are considered in all aspects of capacity building. It should however, be borne in mind that any transitional arrangement under a temporarily more centralized form, like the one proposed for the South, has to come to terms with a widespread perceptions among Southerners that foreign aid has broadened the gap between the counterparts of international agencies and populaces deprived of any influence in aid management. Therefore, a broad-based process of information and consultation prior to the centrally, or regionally, managed implementation has to be initiated with the local communities from the very outset.

Figure 7.1 Models for financing

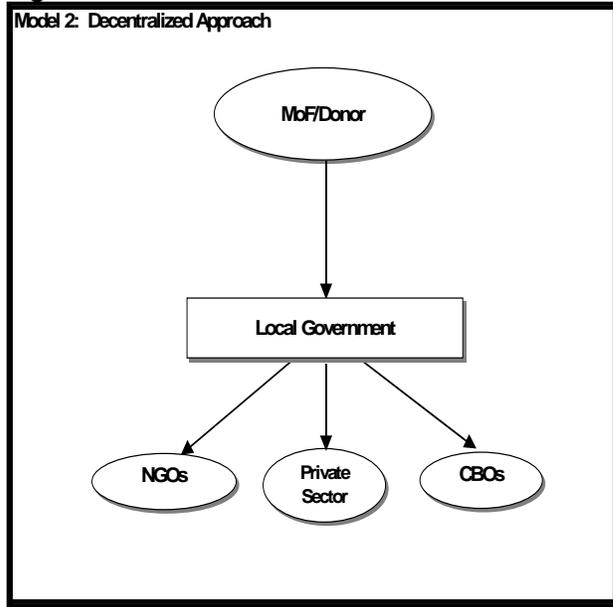


97. In the South, some parts of the transitional areas (Abyei, Southern Blue Nile) and possibly Darfur, the transition may vary from place to place depending on speed of return, need for recovery support, and parallel support to local government. In these areas it is proposed that an approach along the lines illustrated in Model 1 be applicable from two-four years of the Interim Period. The model will require a central (or perhaps regional) fund management structure that would be responsible for identifying areas of priority needs, reviewing and approving project proposals, disbursing funds to intermediary organizations (NGOs, UN, private sector), monitoring and reporting on implementation, and accounting for resources to the relevant national or regional authority (e.g., Ministry of Finance / MDTF Secretariat). Communities and/or intermediary organizations will be responsible for defining local level priorities, developing project proposals, implementation and reporting on progress. As appropriate, local government would serve to review, monitor, and support community recovery activities.

98. A transition from Model 1 to Model 2 or a split approach may not be necessary in the North, where government structures and systems are better established and a new decentralization law is coming into effect, thereby possibly allowing immediate adoption of Model 2. This model relies more directly on local level government structures to facilitate area planning, review and approves local development projects, disburse funds and monitor implementation, while communities and representative organizations have responsibility for managing the funds and contracting for the required goods and services from either public, private or NGO sources. Developing the necessary procedures and implementing this model may be appropriate in those parts of the North and transitional areas (e.g., Southern Kordofan) where local level government structures are better developed.

99. A great deal more support to local communities and local government authorities will be required to make Models 2 function effectively and it would therefore take longer to enact. To this end, the work being done by key UN and NGO partners in Southern Sudan on an "area-based" local development strategy that aims to strengthen nascent local government structures should be reinforced.

Figure 7.2



Monitoring Indicators

100. Given the dynamic nature of the return process, a strong monitoring system will be crucial for the success of the program. Existing efforts of agencies concerned with the protection and integration of displaced as they return, the Sustainable Returns Team (SRT), and the regional entities responsible for monitoring and reporting on the status and movement of the displaced (HAC, SRRC and NSCSE) will be supported and strengthened.

101. Since establishing linkages is a vital part of communal peace-making initiatives, if their full potential is to be tapped, dissemination of information about these exercises and related advocacy should be an integral part of this approach. The tracking and monitoring system of community-based recovery, in addition to linking up with databases held by agencies reporting on IDP and refugee movements, should include a standardized, area-relevant information management system on conflict threats and peace-making opportunities. An appropriate, though simple, database should allow all the relevant actors to access the concise, possibly standardized reports on conflict transformation initiatives and their key issues and conclusions, the progress reports on their follow-up and the list of individuals or organizations involved, with a view to establishing viable cross-pollination channels (civil society networks, regional peace councils etc.). Ideally, such a database ought to be part and parcel of the main database on area-based recovery programs and projects.

102. Vertical dissemination also needs to be pursued, by circulating the relevant information to the national and international actors engaged in the monitoring and verification of the CPA and making sure that records of past and ongoing peace processes at the grassroots level feature in their information management systems, such as the internal and public information component of the UN Peace Support mission.

103. The performance of the process of return and recovery will be measured by process and outcome indicators, details of which are to be found in the Cluster Matrix (Volume II).

DISARMAMENT, DEMOBILIZATION & REINTEGRATION

104. The disarmament, demobilisation and reintegration (DDR) of soldiers from the GOS, SPLA and allied forces will be one of the most critical processes towards lasting peace. DDR is not a simple, straightforward technical issue, but a complex, long-term process of demilitarization along with the transformation of former combatants into civilians. This will by necessity involve reconciliation at political, social and cultural levels between ex-combatants and their communities for lasting peace to prevail, and will ultimately touch upon all aspects of life in post-conflict Sudan.

105. At present, the DDR process is not sufficiently advanced to allow costing of the full program—hence a major expected expenditure is missing. This will require subsequent consideration.

106. Since January 2004, the UN DDR Unit for Sudan has been providing technical expertise to the IGAD Peace Talks on DDR, developing an internationally coordinated approach to DDR in the Sudan, and providing capacity building to the GOS and SPLM DDR Interim Authorities to plan, develop and implement a comprehensive DDR program. The program will be based on mutually agreed principles. It is expected to operate throughout the country, be community-based, locally contextualized, sustainable and gender-sensitive with the aim of successfully reintegrating former combatants back into their communities to provide both a 'peace dividend' for the economy as well as a critical confidence building measure for lasting peace.

107. The CPA provides that all children will be released from the armed forces and allied groups of the parties within six months of signing the agreement. UNICEF and other child protection agencies are mandated by the CPA to assist. Support to community based child and youth focused programs in areas where high numbers of children have returned from armed forces and groups will be prioritized.

108. An important confidence building measure relates to the sale and control of small arms and light weapons (SALW). The UN DDR Office is working with the GOS and SPLM/A to formulate a National SALW policy and program for the Sudan as a component of the DDR process. The objective of the arms-control component of the DDR process will be to limit the negative effects of small arms and light weapons proliferation and misuse on the health, safety, rights and lives of Sudanese and on the development and prosperity of Sudanese communities, families and individuals. The establishment of an arms-control program will involve a consultative planning process with all relevant stakeholders and will take place in a broader context of threat reduction through peace building, security sector reform, establishment of the rule of law, the development of legal framework for firearms ownership and use, weapons registration and licensing, weapons containment and stockpile management systems.

109. Programs to strengthen border security and build cross-border collaboration to curb arms-trafficking, and a voluntary, community based 'Arms for Development' programme will also be developed. Disarmament, arms reduction and control activities will take place both during the formal disengagement of the parties as well as with the civilian population. Similar programs may be designed to document and verify the absorption of 'Other Arms Groups' into the SAF and SPLA respectively.

110. The GOS and SPLM DDR Interim Authorities have committed themselves to developing a common DDR planning framework as well as shared policies to guide and develop practical, appropriate and effective approaches for the DDR program in Sudan. To this end, they are in the process of designing a transitional organizational structure, establishing their offices, recruiting and training their DDR teams, and coordinating joint DDR preparatory activities related to

information management, research, small arms control/informal military groups, reintegration, child ex-combatants, women and gender, the disabled, and HIV/AIDS.

111. The DDR Interim Authorities are also working towards producing guidelines for Sudanese/international partnerships on DDR. The UN DDR Unit is playing a key role in facilitating this process together with the Multi-Agency Working Group (MAWG) on DDR. In collaboration with the UN DDR Unit, agencies such as UNICEF will continue working with the Interim DDR Authorities on the child component of DDR to ensure that key issues concerning children are coordinated with the larger DDR program as it is established.

112. DDR processes are always challenging, but will be especially so in Sudan. The operating environment poses considerable limitations with its vast geography, limited infrastructure, and war-ravaged economy that offer few meaningful economic opportunities to reintegrate ex-combatants back into their communities. At the same time, there is also a need to diffuse local tensions and conflicts arising from the reintegration process; to ensure that those associated with the fighting forces, particularly women and children, are equitably included and assisted in the DDR programme; to increase national capacities to handle a DDR process when existing structures are already overstretched meeting existing and preparing for new humanitarian and transitional needs; and to identify likely areas of return and reintegration opportunities for former combatants. These challenges will be exacerbated by informal military structures that are not under a central command structure; local and regional inter-community tensions; and widespread small arms ownership.

113. The DDR process will, therefore, need to include the development of locally-contextualized strategies and interventions to meet these demands. On-going capacity development of the Northern and Southern Interim DDR Authorities will help in addressing these pressing issues. This is of particular concern as there are high expectations within the SPLA regarding salaries and pensions for serving members. Without alternative livelihoods being offered in a civilian context, the prospect of disarmament and demobilization is less compelling.

114. The need to address groups associated with fighting forces also poses an important challenge. It is critically important that the largely informal nature of the roles that many – primarily women – have played with the forces is adequately recognized within the criteria for eligibility to the program, as the sustainability of the process decreases when the roles played by women during conflict and during DDR go unrecognized and unsupported. There is a need to ensure that the different roles played by women associated with the fighting forces are recognized and considered, and that the DDR process implements a policy of non-discrimination (particularly based on sex or HIV positive status), in terms of access to benefits and decisions regarding whether to remain within the forces. Women associated with the fighting forces will be a target beneficiary group, though assistance will be developed as part of the broader community recovery strategy to ensure that women associated with fighting forces are not further singled out and rather are able to successfully reintegrate. Support to women within fighting forces will focus on ensuring that the different needs of women and men are met – regarding health issues, experiences during the conflict, training needs and so forth.

115. Lessons will be drawn from other DDR programmes, particularly in building the capacity of national bodies to assume ownership for the process, including the development of creative locally-appropriate strategies and interventions that will contribute to long-term peace and development.

116. The process will be affected by trends that emerge during the Interim Period with respect to whether there will be a unified Sudan or the emergence of two separate countries. In the first scenario, the desired situation for 2011 would be the completion of a thorough defence

review to determine the appropriate strength of the Sudanese armed forces. By 2011, 50 percent of those identified for demobilization through the defence review would have been demobilized and fully reintegrated back into their community. The second scenario would result in two separate defence reviews: one for the GOS and the other for the GOSS. Under this scenario, it is anticipated that both of these defence reviews would be completed by 2011, and 50 percent of those identified for demobilization would be reintegrated back into their community in their respective countries.

117. In either situation, these defence reviews will result in a reduction in military spending that can be reallocated to more productive sectors of the economy. This uncertainty, however does pose challenges to voluntary and early demobilization activities, as many within fighting forces are expected to wish to remain within the military until the sustainability of the peace process has better proven itself. Similarly, efforts to reduce the prevalence of weapons in Sudanese society will be hampered by the potential for future conflicts during and after the Interim Period.

Phase I

118. The immediate priorities for DDR over the next year are threefold. The first is providing technical advice and assistance on DDR and related security sector issues to support the CPA implementation and finalize the DDR approach that will be undertaken in Sudan. The second is to provide technical support and capacity building to the Interim DDR Authorities to plan, develop and implement a comprehensive Sudanese-owned DDR program. The third is to coordinate with the Multi Agency Working Group on DDR as well as other international partners involved in DDR to ensure a consolidated, integrated approach. The UN DDR Unit is working with both the GOS and SPLM Interim DDR Authorities to facilitate the achievement of all of these key objectives.

Phase II

119. Phase II builds on the initial phase, and concentrates on a defence review to identify and assess the most appropriate levels of military spending and number and type of troops. The defence review(s) will over the long term lead to a reduction in military spending that can be reallocated to other sectors, especially those contributing to a national poverty reduction strategy.

MINE ACTION

120. Landmines have been an integral part of the conflict over many years, with all parties using significant quantities of mines to defend their positions and to disrupt the movement and operations of others.

121. It has been difficult to prepare a coherent national mine-action plan because access has been restricted in many areas. However, Sudan ratified the anti-personnel mine-ban treaty on October 23, 2003 and now that the CPA is reached, it is expected that this situation will change, allowing much needed assessments and surveys to take place.

122. As the political situation stabilizes, the National Mine Action Office (NMAO) will continue to assist both Sudan's Humanitarian Aid Commission (HAC) and the Southern-based Sudan Relief and Rehabilitation Commission (SRRC). The foundation of a national mine-action plan has been set out in the "Sudan National Mine Action Strategic Framework", signed by the GOS and SPLM in August 2004. The strategic framework, covering 2004-2011, reflects the Interim Period of the CPA.

123. It is estimated that mines or other explosive remnants of war (ERW) may affect 32 percent, of Sudan with the vast majority located in the Southern and transitional areas of the

country. However the true extent and impact of Sudan's landmine and ERW problem remains unknown as there has been no in-depth, country-wide survey. Out of the twenty-six states of Sudan, it is suspected that 21 are mine affected; however, limited information is available on only 11 of these states. No dangerous areas are currently marked and less than 500 areas are recorded in the national database. While informal information exchange is reported to be good in the Southern region of the country, much less is known of possible mine fields in Northern and transitional areas. In the South over 80 percent of routes are not used due to actual or perceived threat from mines and the precarious security situation. This represents a major challenge to the return process where safe passage is essential.

124. While over 1,000 mine and ERW accidents have been recorded throughout the country to date, at the present time mine risk education (MRE) has been limited to IDPs in Khartoum and Kassala, returnees to the Southern Kordofan and refugees from Eritrea. National MRE guidelines have been prepared, messages developed and data collected through base-line surveys and needs assessment of knowledge, attitude and practices. Further efforts are still needed to ensure that returnees are aware of how to avoid mine incidents both en route to their destination and once they settle in their home counties.

125. Limited information available indicates that there are approximately 4,000 victims in Khartoum and an estimated 600 victims in the Southern Kordofan. Currently support for six prosthetics centres is being provided by ICRC and updated models for wheelchairs have been introduced. The Minister of Social Affairs has introduced new legislation to provide free artificial limbs to victims. Trauma training has been supported and advocacy for the rights of victims continues. The National Authority for Prosthetics and Orthopedics has been instrumental in the success of these initiatives. A strategic review of victim assistance activities will be undertaken by UNMAS and UNDP early in 2005. Systems and structures to help ensure national and regional mine action coordination are in the early stages of development and require further technical and financial resources. Advocacy for the rights of persons disabled through mine incidents will help Sudanese society to better accept all victims.

126. The Ottawa Convention came into force in Sudan on April 1, 2004, committing the country to destroying its anti-personnel mine stocks by April 1, 2008, demining all affected areas by April 1, 2014, and to regularly report to the UN Secretary General on measures taken to honour its obligations under this convention. The SPLM signed a parallel Deed of Commitment to ban landmines in 2001, committing itself to a "total ban" on landmines, including a "complete prohibition" on the use, production, stockpiling or transfer of mines, as well as an undertaking to destroy any in its possession. With the signing of the CPA there is an expectation that field commanders will seek to make use of mine action agencies to get rid of stockpiles of landmines and other ERW. To meet this need and deter large amounts of ERW being unsafely "dumped", mine action agencies have formed EOD teams able to respond quickly to the needs of a community in the event of an emergency and to reduce stockpiles as they are made available by local authorities.

127. In September, 2002, a memorandum of understanding (MOU) was signed by the Government of Sudan, the SPLM, and the UN regarding mine action support. Under the terms of this MOU, the UN will seek to help both parties to jointly develop a national mine action strategy. The MoU includes a request for capacity development of a sustainable mine action program.

128. The UN Mine Action Service (UNMAS) will be responsible for overall coordination of mine action including support to the UN peacekeeping mission for emergency mine clearance to facilitate humanitarian assistance. UNDP will provide capacity building to key counterpart agencies such as the National Mine Action Office (NMAO) and the New Sudan Mine Action Directorate (NSMAD). UNICEF will lead mine risk education activities.

129. The disposal and treatment of both mines and UXO should be in accordance with recognized environmental guidelines, such as those contained in the Technical Notes compiled by the Geneva International Centre for Humanitarian De-mining (GICHD) at the request of the United Nations Mine Action Service (UNMAS), available at <http://www.gichd.ch/pdf/standards>.

130. Overall objectives set out in the Sudan National Mine Action Strategic Framework, include:

- Implement national policies, a strategic plan and priorities for Mine Action
- Strengthen and support national mine action structures
- Ensure that Sudan honors its international mine action obligations
- Develop and implement a national mine action information management system (IMSMA)
- Establish a credible and sustainable national mine action capability
- Clear all high and medium priority mine and ERW contaminated areas in Sudan
- Implement a strategy to provide accurate information in order to facilitate the development of appropriate risk reduction strategies for the mine/ERW situation
- Ensure the physical, psycho-social and economic reintegration of mine/ERW victims and survivors
- Support peace-building, recovery and development initiatives
- Mobilize adequate resources to achieve the mine action mission.

Phase I

131. The priorities for Phase I of the Interim Period follow up on the Mine Action Sector Plan of the 2005 Work Plan for the Sudan, and will be as follows:

- i. Develop and deliver mine risk education materials for targeted displaced persons;
- ii. Conduct survey and related marking;
- iii. Urgently clear those routes that will be essential in supporting returning displaced populations and other aspects of the CPA; and
- iv. Develop national capacity in both North and Southern Sudan to respond to the requirements of mines and ERW action.

132. UNICEF will take the lead on mine risk education and would work closely with national counterpart agencies and qualified NGOs such as the Mine Action Group, SCF/US, Norwegian Peoples Aid and Handicap International. UNDP will undertake capacity building of national coordination to help ensure that these structures can plan, direct, coordinate and monitor mine action activities. UNMAS will be responsible for all coordination, route and emergency clearance, survey activities and processing/evaluation data using IMSMA. UNMAS and UNICEF will also strengthen local partners to implement technical and advocacy aspects of mine action.

133. Specific activities to be carried out during this phase include:

- Develop and implement national mine action plan, including identification of clearance priorities in accordance with national development and reconstruction plans
- Establish Central Disposal Site and register (CDS)
- Accredite and license all mine action assets

- Task all assets in accordance with predetermined priority list
- Conduct Quality Assurance assessments on all tasking
- Implement a rapid survey to locate mine affected areas
- Continue to develop NMAO structure
- Establish a funding mechanism for long-term mine action requirements
- Progressively train and empower national mine action personnel at all levels
- Initiate planning for a national Landmine Impact Survey
- Establish appropriate national capacity for all mine action activities
- Develop transition plans to pass responsibility for management of the NMAO to national authorities, including identification of benchmarks and criteria
- Implementation, verification and monitoring of the Ottawa convention in Sudan

Phase II

134. Phase II will consist of on-going implementation of the program developed in Phase I. Mine/ERW area marking and clearance will represent the most significant area of activity during the second phase. Humanitarian demining in places of return, particularly agriculture areas, will help to support subsistence farming and meet basic needs of many families. Additional support would also be directed toward treatment and socio-economic reintegration of mine/ERW victims.

Monitoring Indicators

135. The transition from UN managed mine action to national ownership of comprehensive and sustainable mine action in Sudan is key to the success of the programme and will be closely monitored. Indicators to monitor the direct outcomes of the mine action components are laid out in the Cluster Matrix (Volume II).

INFORMATION AND STATISTICS

MARCH 18, 2005

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OVERVIEW

1. With the signing of the Comprehensive Peace Agreement (CPA) and the ending of the war, the new and equally challenging task of making peace work, and of making the principle of 'one country, two systems' a reality, begins. This will be just as difficult in the area of statistics as in other areas because of the need to produce nationally coherent statistics while at the same time being responsive to regional and state level statistical needs.

2. Free-flowing, accurate and timely statistical information is the lubricant that makes development work. It highlights issues; it provides the basis for policy design and project planning; it tracks implementation and provides early warnings of the need for adjustments and fine-tuning; it is needed to evaluate the results of interventions and their effect on different population groups. Statistical information, when coupled with qualitative studies, provides the basic material for designing poverty reduction strategies and monitoring progress towards the Millennium Development Goals (MDGs). It is used to measure and track quality of life indicators. It highlights disparities between and within communities, and between genders and ethnic groups. Information is not just a tool for government. It is, or should be, a public good for civil society at large. In a wartime context, when the parties' sense of administrative responsibility towards the population was diminished, information has often been manipulated to advance political and strategic goals. In peacetime, effective and open information systems help promote good governance, transparency and responsible behaviour by public servants and others.

3. Recognizing the importance of information as a development tool, Sudan plans to make significant investments in building up its statistical systems as a core element of its post-conflict reconstruction program. It has defined a strategy that is described in this report and for which donor support is sought. The goal of this strategy is to improve the effectiveness of development planning and implementation through better availability and use of information at national, sub-national, state and community levels. Improvement of statistical and information systems will underpin planning, monitoring and reporting across all sectors with a medium- to long-term objective.

4. This report represents the outcome of a series of discussions and exchanges between the JAM international experts and representatives from the Government of Sudan (GOS) and the Sudan People's Liberation Movement (SPLM) involved in the provision, dissemination, analysis and use of statistical information. In view of the fact that information and communications cover such a wide area, the first task was to agree on what to include and what criteria to use for prioritizing the activities to be supported. In the course of discussions it was agreed that a *monitoring and evaluation (M&E) perspective* should be used and that priority should be accorded to those activities and programs which would contribute most towards the monitoring and evaluation of the post-conflict reconstruction programs. In particular, this refers to the Joint Assessment Mission (JAM) outcomes and indicators, the PRSP, the implementation of the CPA, and in the longer term the measurement of progress towards attaining the MDGs.

5. The strategy is closely tied to the phases of the post-conflict period, as specified in the CPA and is based on the critical assumption that acceptable security conditions are restored all over the Sudan, in line with the implementation of the ceasefire protocol within the agreed timeline. The Pre-Interim Period covers the first six months following the signing of the CPA. The Interim Period is divided into Phase I (2005-2007 and Phase II (2008-2011). A series of activities has been identified for each phase. One of the most important activities will be the preparation and execution of the population and housing census as a key requirement for the organization of the mid-term General Elections. The completion of the census will be a milestone in the implementation of the overall information strategy. Until the census has been successfully completed, all survey-based statistics will be provisional and subject to doubt because of the lack

of any complete sample frame. Phase I essentially encompasses pre-census activities, and Phase II encompasses the post-census activities. The census serves as the cut-off point between the two phases. After the census, the information requirements may have to partially shift their focus to the registration of voters for the referenda on self-determination of the South and final status of the Abyei area. The report concludes with a timeline and an indicative budget for the whole program.

DEFINING A MONITORING AND EVALUATION FRAMEWORK

6. Although the report is directed primarily towards improving the flow and accuracy of statistical information generated by the National Statistical System, it starts from the premise that priority should be given to those data that are most needed for reinforcing the CPA and for monitoring and evaluating post-conflict development actions. The sector needs to agree on the priorities in the field of information needs for the Interim Period. Indicators against which progress and performance against the MDGs can be monitored and measured within a rights-based framework are vital.

7. In setting the information strategy in an M&E context, the intention is to prioritize statistical activities towards the measurement of the outcomes of development activities and their contribution to poverty reduction. The statistical system provides essential data that need to be regularly reviewed to measure whether the development strategies are on track or not. The system has in particular to monitor the extent to which the poor and most disadvantaged groups are, or are not, benefiting from the development process. Situation monitoring and performance monitoring are two intertwined approaches and much needed for informed policymaking and programming.

8. Measurement and monitoring of progress towards the MDGs in a disaggregated manner will further inform and advise development stakeholders and thus influence policymaking. Indicators must therefore be disaggregatable by gender, ethnic group, and geographic region. Special emphasis should be placed on the collection of information for early warning purposes. A blend of different tools is needed to provide the data – some qualitative, some quantitative.

9. The M&E system should be kept simple and should recognize the very limited capacity that currently exists in the country. Indicators should be easy to collect and limited in number, and should be built around the standard 4-tier framework of inputs, outputs, outcomes, and impact. Different institutions will be responsible for different elements of the system. The monitoring of inputs and outputs depends primarily on sectoral information systems and on administrative records for generating the appropriate indicators. The monitoring of outcomes may to a certain extent be carried out by sectoral institutions, but for the most part requires data provided by specialized agencies such as the Central Bureau of Statistics (CBS) and the New Sudan Centre for Statistics and Evaluation (NSCSE). To a large extent, the monitoring of outcomes can be closely equated to service delivery monitoring, particularly to determine the number and percentage of services that meet basic quality standards. Leading indicators are used to monitor which segments of the population have been impacted by the various policies and programs. Typical service delivery indicators include:

- percentage of the population that is aware of (service)
- percentage of the population that has access to (service)
- percentage of the population that is using the (service)
- percentage of the Population that is satisfied with the quality of the (service)

10. The indicators increase in value the more they can be disaggregated by geographical area, ethnic group and gender – and this is what gives such importance to statistical offices like the CBS and the NSCSE, since they are the only ones with the capacity to administer large-scale surveys used to supply the data. Such surveys will also contribute to the eventual measurement of impacts, which may largely be associated with the tracking of the MDGs.

11. A key component of the M&E strategy should be the early definitions of an appropriate regulatory framework concerning the publicity and dissemination of data. The respect for privacy should be part of this framework, as well as clear guidance for the use of data by different state and non-state actors, with the resulting differentiation in the circulation of data. Ad-hoc decisions on dissemination, often interfered with for political purposes, should be limited to the extent possible by uniform and exhaustive regulations, both general – with the enactment of legal instruments – and sectoral – with the adoption of binding administrative instructions.

CURRENT STATUS OF STATISTICS

12. The demand for disaggregated statistical information (including disaggregation by gender, region and economic status) on Sudan and its people is currently enormous and growing. Reliable national macroeconomic and financial data are prerequisites for Sudan to receive the support of the Bretton Woods organizations and other donors, and to interact with the international community. Basic information on the economy, the land and its people is needed to define and design all manner of development strategies, but most particularly the Poverty Eradication Strategy (PES), and indicators are needed to monitor the implementation of such programs. However, in Sudan, the means to meet this demand are inadequate and the information base is currently extremely limited. This applies to the whole country but most particularly to the South. The North used to have the benefit of a rich information base, backed up by well-trained professionals, but lack of investment in this sector has led to data gaps and a lessened quality of the data currently available.

Central Bureau of Statistics (CBS)

13. Sudan started to produce national statistics over one hundred years ago. Soon after independence in 1956, the Department of Statistics was formalized under the Ministry of Planning and in 1958 the related statistical legislation was enacted, through the “Statistics Act, 1958.” After 12 years this Act was repealed, paving the way for the subsequent “Statistics Act, 1970,” and the Department was renamed “Central Bureau of Statistics” (CBS). The CBS reports to the Ministry of the Council of Ministers and is headed by a Director General who deals with all matters of statistical policy, general supervision and coordination. Aside from the Khartoum offices, the CBS also maintains state statistical offices in most Northern states. The 1970 Statistics Act empowers the Director General to collect, analyse and disseminate statistical information, and to provide technical advice to government departments on statistical matters. The decentralization policy adopted in accordance with the CPA may require adjustments to the CBS structure, with a strengthening of its offices in the Northern states. Further discussion is needed regarding the Three Areas (Abyei, Southern Kordofan and Blue Nile), which have been granted a special status in the North by the CPA.

14. Although the CBS is charged with the responsibility of generating nationally comparable statistics for the whole country, it has for many years been unable to carry out this function as a result of its inability to operate in all states – particularly in the Southern states. The weakness of the regulatory framework has undermined the trust of the population in the national statistical system, leading to a serious breakdown of the system. Not only has the CBS been unable to operate effectively because of regional disputes, but like many other institutions it has also lost much of its donor support. This has meant that the CBS's capacity has been progressively

eroding. It has been increasingly difficult to keep staff trained and abreast of best statistical practices, and to obtain funding to carry out its statistical activities.

15. In 2002, the CBS proposed a revision of the 1970 Statistics Act. The new Act contains important new features, including the setting up of a National Statistical Council, according to the CBS an element of financial autonomy, and making the CBS responsible for the overall coordination and supervision of the production of statistics in the country.

16. Despite its limited resources, the CBS has continued to maintain a core program and to publish periodic reports. These have included:

- i. National accounts.
- ii. Foreign trade statistics.
- iii. Internal trade statistics including information on prices for the estimation of the consumer price index (CPI).
- iv. A statistics yearbook and "Sudan in Figures," which include not only statistics compiled by CBS but also those produced by other agencies such as the ministries of education, health, industry, etc.
- v. National Census: The last population and housing census was, however, carried out in 1993. It covered most of the Northern part of the country but only the three major urban areas in the Southern part. The last population census to cover the whole country was in 1983.
- vi. Demographic and social surveys. These include a Demographic and Health Survey (DHS) in 1989/90, a Safe Motherhood Survey (SMS) in 1998/99, and a Multiple Indicator Cluster Survey (MICS) in 2000.
- vii. Routine information gathering also takes place through HMIS and EMIS.

New Sudan Centre for Statistics and Evaluation (NSCSE)

17. In the South, the situation in the 1990s was much graver. Statistical information of any kind was extremely scarce, and whatever was available was largely ad-hoc, non-representative (because of the lack of a sample frame) and of dubious quality – and generated through the efforts of individual donors, not the Sudanese. In view of this unsatisfactory situation, and in light of the growing and urgent need for basic statistical information, the SPLM took steps to establish its own independent statistical network and created the New Sudan Centre for Statistics and Evaluation (NSCSE). The Centre was established under the New Sudan Centre for Statistics and Evaluation Act of 2004 and has an autonomous statistical Bureau responsible for collecting, coordinating and disseminating all statistics related to Southern Sudan.

18. The Centre reports to a Board of Trustees, and carries out a number of core functions which are essentially those of a National Statistical Office, though as the name implies there is a specific emphasis on creating capacity not just for data collection and dissemination, but also for evaluation and analysis. Despite its youth, the NSCSE has initiated, with donor assistance, a number of activities, including a MICS survey in 1999, the establishment of a Sentinel Site Surveillance (SSS) program, the compilation of trade statistics and the publication of several statistical reports. Among those "Towards a Baseline: Best Estimates of Social Indicators for Southern Sudan," written in association with UNICEF, provides crucial baseline social indicators for future planning and prioritizing, as well as a basis for monitoring and setting of realistic targets for achieving the MDGs. The Centre has also been instrumental in the development of the OCHA socio-economic statistical database which has served as an important tool for storing and disseminating information on Southern Sudan. The Centre has also carried out a Focus Group Study with the help of the National Democratic Institute (NDI), trying to learn more about what

the citizens of Southern Sudan think about important issues in their country. The end result of this study is a very powerful report in the form of opinion poll on political, social and economic issues in Southern Sudan. Furthermore, the Centre has very recently, through the help of UNDP, produced an interim MDG Report (MDGR) for Southern Sudan. The process and thus the substance of the Southern MDGR is totally different from the one produced by the GOS, primarily due to the uniqueness of the situation in Southern Sudan.

19. The actual number of professionally-qualified staff working for the centre is only 21. This includes one executive director, one senior statistician, four statisticians, five database officers, and 10 state statisticians. The Centre's capacity in data and information management is weak. It has limited funding and technical expertise to conduct socio-economic and demographic surveys. Capacity to analyse and present gender statistics is also limited. The NSCSE is highly dependent on technical and financial assistance from the donor community.

20. Both the CBS and the NSCSE urgently need training and other forms of capacity-building support, such as technical assistance and equipment, if they are to play a role in monitoring post-conflict Sudan. One of the most urgent tasks of the JAM has therefore to be the upgrading of skills and the creation of improved capacity in both these institutions. They have to be capable of delivering, at the very least, the basic information for tracking the implementation and outcomes of the PES. They will also need to work together to successfully implement the next population census, which is needed prior to the peace referendum in a couple of years.

21. At present the CBS in the North and the NSCSE in the South operate entirely independently, although recently there have been technical exchanges between the two entities. There is a genuine desire to interact more closely with each other and to embark on joint statistical programs. This will be extremely important for future survey work and for the census.

Other Main Sources of Official Statistics

22. Not all official statistics are generated by the CBS and NSCSE. The Central Bank and a number of line ministries maintain their own sectoral statistics. The quality and efficiency of the sectoral information systems is extremely variable. The sectoral indicators are eventually submitted to the relevant statistical office, which is responsible for the overall coordination of the system and compilation of aggregated secondary statistics. The following all contribute to the national statistical system:

- **Ministry of Higher Education:** has a statistical unit in its research department which collects information annually from universities and other institutions of higher learning. The last publication referred to 2000 data and was published in 2003. The next publication covering 2001-2002 data is expected to come out in mid-2004. The ministry would like to conduct a labour force survey to assess the demand for and the deployment of graduates and the skills they have acquired.
- **Ministry of General Education:** collects country-wide information from 14,000 schools in the 26 states through the state education authorities. It is experiencing a number of problems in collecting education data, particularly from the rural areas. It also requires updated population information from the census in order to establish the denominator for such indicators as enrolment rates and dropout rates.
- **Ministry of Health:** maintains a National Health Information System that was set up in 1994 to coordinate data collection and analysis from all public health facilities and institutions. It is a facility-based system and covers 330 hospitals and 1,020 health centres.

- **Ministry of Labour:** has an information unit responsible for the collection and analysis of labour-related data. The unit conducted a Migration and Labour Force Survey in 1996 limited to the Northern states.
- **Ministry of Agriculture and Forestry:** has a directorate of agricultural statistics, which collects data on the main food crops, including horticultural products, and livestock from all states in the country. This happens in close coordination with the respective Ministries for Animal Resources and Fisheries, and the Ministry for Irrigation and Water Resources. Statistics produced cover the entire country because of the assistance of FAO and WFP who sent in advisers to the Southern parts of the country through Kenya. The information is published on an annual basis. The latest publication refers to 2001 data. Funds permitting, the first priority of the unit, jointly with the CBS, would be to undertake an agricultural survey in order to provide the benchmark data on land, livestock and forestry, area and crops.
- **Ministry of Industry (MoI):** in collaboration with CBS and with the technical assistance of UNIDO, MoI undertook a comprehensive industrial survey/census in 2003 in the Northern states of the country to assess the employment and performance of 2600 business establishments across 28 ISIC sub-sectors and different scales of production. The survey/census reference date was 2001 and included the number of employees, wages, output, value added, etc. A list of establishments has now been created and could be made available to CBS for continuous updating, and for use as a frame for establishment-based sample surveys. There is a need for an inventory information base on modern industrial applications of the country's domestic resources at disaggregated product segments (both ISIC and SITC). The Industrial Research and Consulting Centre has a key role to play in this respect, as it could provide the linkage to envisaged value chain analysis.
- **Poverty Reduction Strategic Planning Unit:** placed within the Ministry of Finance and National Economy and currently developing an Interim Poverty Eradication Strategy. While it does not have data collection facilities of its own it is an intensive user. Highest amongst its priorities is a need for a household budget survey in order to compute baseline poverty figures for the country.
- **National Population Council.**

23. In Southern Sudan, a somewhat parallel situation prevails in which the NSCSE is similarly highly dependent on the technical commissions to supply data. In addition, since its own data collection and processing capabilities are presently extremely limited, most of its activities have been carried out collaboratively with external development partners.

THE STATISTICAL INFORMATION STRATEGY

24. By 2011, the investments in the statistical system aim to have achieved the following:
- An overall improvement in the quality, timeliness, and representativity of statistical information on the Sudan, its people, and the economy.
 - Improved access to, and use of, qualitative and quantitative information for planning, monitoring and evaluation with particular respect to the MDGs, and the welfare of the population in terms of human development. Surveys such as PAPFAM and MICS should be harmonized, planned and timed in such a way as to provide additional and timely information on all major indicators, aggregation and comparability between North and South.
 - An integrated statistical system incorporating all regions and providing consistent and comparable sex-disaggregated data for all states. The structure of the system will be

such that latitude is accorded to individual regions to set up statistical programs and activities targeted towards their individual needs, yet still ensure that common standards and norms are consistently applied in all areas.

- A policy for the wider publicity and dissemination of data for accountability purposes.

25. To achieve these goals, a statistical information strategy is proposed comprising two parts. The first addresses the issue of data, and is specifically aimed at generating and making available more statistical information. The second addresses the issue of institutional capacity and how to build up a sustainable capacity at all levels, to collect, process, store, disseminate and use statistical information. Each of these two parts is again split into two programs to be implemented over the two JAM phases, as follows:

Component	Goal	Program
Data	To improve the statistical information base	<ul style="list-style-type: none"> • Population census and an integrated household survey program • Improving access to, and use of, statistical information
The statistical system	To build sustainable capacity to collect, process, store, disseminate, and use statistical data	<ul style="list-style-type: none"> • Creation of an integrated national statistical system • Strengthening Institutional Capacity

Improving the statistical information base

Population census and an integrated household survey program

26. The enormous surge in demand for statistical information requires the immediate launching of a major data collection exercise, including household surveys. But household surveys need population data derived from census data in order to prepare their sample frame. In Sudan the last successful national population census dates back more than 20 years. The data are now seriously out of date and of no use for sampling purposes. The net effect of this is that until the next census is carried out, the representativity and credibility of whatever household survey is conducted will always be in doubt and subject to rejection. The prioritizing of household surveys was discussed during the course of a Technical Workshop on Statistics in Nairobi in October 2004, during which it was agreed to divide survey activities into pre-census and post-census activities. Coincidentally, pre-census activities coincide with Phase I, and post-census activities with Phase II. Pre-census surveys are in principle quicker and lighter. They may run the risk of being labelled as 'rough and ready', and 'quick fix', but are nevertheless very useful for addressing some of the most urgent short-term information needs. The more complex surveys, and surveys requiring a higher degree of accuracy, belong to Phase II when the census will have been completed. In brief, the joint team agreed that:

- The overriding statistical need dominating all others is the population census, since it is specifically referred to in the CPA as a key building block in the peace process. It is also needed to underpin almost all further data collection activities.
- The immediate need is to complete the census mapping and cartographic work.
- In the Southern states, the pre-census field activities will include a light community survey to provide additional information on physical and social capital and service access.
- With respect to household surveys, the GOS already has an existing commitment to implement a Family Health Survey (within the PAPFAM framework). The NSCSE, on the other hand, already has plans to carry out a second MICS. Both these surveys should go ahead in 2005. This could still change in view of ongoing consultations.

- Both the CBS and the NSCSE are committed to the goal of developing and implementing a common survey program, including a quick Common Light Indicators Survey that would be the same in all regions. This is to be piloted in Phase I and executed nationally in Phase II.
- Once the census is complete, more statistically-robust surveys will be launched. The first will be a national Household Budget Survey (HBS). Other priority surveys include an agricultural census and Labour Force Survey.
- Sub-national surveys will be very effective in terms of the design and formulation of regional or area based strategies; this should be strengthened and incorporated from the outset in future programming.

The Census

27. Aside from providing a sample frame for subsequent household and agricultural surveys, there are other important reasons – political rather than technical - for carrying out a census sooner rather than later. The CPA specifically singles out the census as one of the building blocks to peace rather than as a simple outcome of peace. The importance that is attached to the census can be gauged from the following paragraphs extracted from the Power Sharing Agreement:

Representation of the North and the South at the National level shall be based on population ratio. § 1.8.8

- *The percentages agreed herein are temporary and shall either be confirmed or adjusted on the basis of the census results. § 1.8.9*
- *Prior to the Parliamentary elections, the seats of the National Assembly shall be allocated as follows :*
 - *National Congress Party (NCP) shall be represented by 52 percent*
 - *Sudan People's Liberation Movement (SPLM) [...] 28 percent*
 - *Other Northern political forces [...] 14 percent*
 - *Other Southern political forces [...] 6percent § 2.2.5*
- *Prior to elections, the seats of the National Executive shall be allocated as follows (a) to (d): same percentages as above § 2.5.*

28. Given the importance of these allocations, all of which are to be based on the census results, it is absolutely essential that the quality of the work is of the highest level, and that the census is executed in a fully transparent and open way, and so that the results are seen to be of a sufficiently high quality that they are acceptable to all parties, which has hardly ever been the case throughout the history of post-independence Sudan. However, the Protocol on Power Sharing also states that the Population Census shall be organized and completed before the end of the 2nd year of the Interim Period (§ 1.8.1) in time to help prepare for the organization of General Elections which are to take place before the end of the third year of the Interim Period (§ 1.8.3). This gives only two years in which to complete the census. The time pressure is enormous. Although Census mapping work is quite advanced in the North, there still are unmapped or partially mapped regions, such as Darfur, and updates to be done in the other regions. The unique challenges posed by regions with a large number of nomadic pastoralist communities will have to be addressed. As for the South, a huge amount of work is required. There has been no full mapping of those regions for the last twenty years, since the 1983 census, and there have been massive population movements since then. Since a large-scale return process is expected to take place (see Cluster 7), the IDP/refugee returns themselves will need to be somehow statistically captured. While it can be expected that this exercise will rely heavily on humanitarian organizations, the census is likely to be carried out in the middle of the process and will therefore 'freeze' a moving situation. The issue of semi-nomadic groups may be of some relevance as well, along with the handover of GOS-held towns in the South to the GOSS

civilian administration and its impact on statistical activities, and the special arrangements provided for in the protocols for the Three Areas (Abyei, Southern Kordofan and Blue Nile). A key assumption is that basic security conditions will be adequate all over the country.

29. Nevertheless, the GOS and the SPLM are fully committed to proceeding with the census with all possible speed. Under the agreed implementation modalities, a National Population Census Council will be established by the Presidency of the NG in which representatives from the NG, GOSS, Council of States, states as well as the Director General of the CBS will participate. They have also agreed that the census itself will be conducted in cooperation with UNFPA according to standards and criteria to be defined by the council. Technical assistance from outside may be needed at an early stage to assist the council in its planning and regulatory activities, although some work has already begun under the JAM.

30. It is recognized nevertheless that the twin requirements of acceptability and timeliness of the census are challenging and difficult to reconcile. It has therefore been agreed that there will be regular reviews of the situation to monitor progress and to assess whether the census can be completed within the allotted period. This is also acknowledged in the Power Sharing Agreement, which states that "six months before the end of the periods referred to in sub-paragraphs 1.8.1 and 1.8.3 the Parties shall meet and review the feasibility of the dates set out in the above-mentioned sub-paragraphs" (§ 1.8.4).

31. On the issue of acceptability, a critical North-South working group was set up during the JAM Statistics Workshop to carefully review the planning and implementation arrangements for the census. Adjustments were made to the organizational structure and agreement was reached on a number of steps to ensure the full involvement of the South in all preparation and implementation phases. An international monitoring team may also be established to monitor the actual implementation of the census, with the possible support of the UN peace support mission as the Parties may request. These measures will undoubtedly significantly improve the likelihood that the census results are deemed acceptable by all parties.

32. On the issue of timeliness, the revised proposal of the CBS estimates that the census preparations could be completed within 11 months, and that the final results could be available by month 25. This is of course dependent on peace prevailing throughout the nation and on the availability of funding. If this timetable can be adhered to, and the funding requirements are met, then the census will be delivered within the time specified in the CPA. It must be recognized however that even under ideal conditions this is a challenging deadline to meet. Given the uncertainties that still prevail in Sudan it is sensible to also consider the possible implications of any implementation delay.

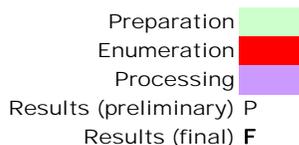
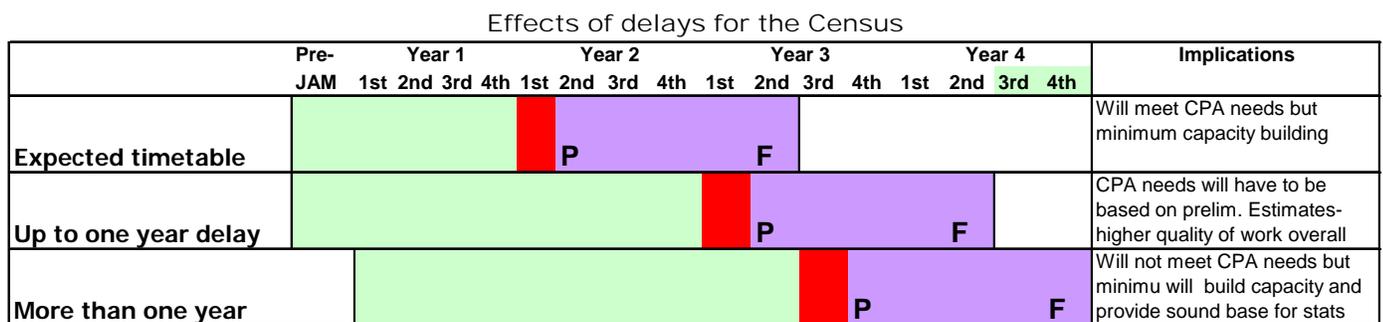
33. The current plan for the census to be completed in time to have final results available in just over two years fully meets the requirements of the CPA. Even if the census were to be delayed for up to one year beyond that, it could still provide the information needed for the CPA, but it would mean using the preliminary results of the census rather than the final results. Preliminary census results are normally produced within a few weeks of the end of fieldwork, whereas the final results may not be ready for a couple of years after the fieldwork is completed. The extent to which the two sets of results may differ from each other need not be all that large if the work has been well done. The use of preliminary results might appear less acceptable, but in the Sudanese context, the increase in preparation time may actually result in an improvement in the overall quality of the work and in the population estimates, making them more acceptable to all parties.

34. Should the census be delayed by more than one year, however, then the requirements of the CPA would not be met and alternative mechanisms for allocating representation in the

national assembly would have to be used. The failure of the census in this regard would be extremely regrettable but it would not mean that the census would have failed entirely. There would still be enormous benefits. The preparatory work of mapping and listing of communities will in itself be providing invaluable baseline data, and will contribute significantly to the building up of statistical capacity.

35. The Census proposal estimates the cost of the census at just under \$50 million, which is the most expensive activity in the statistical work program. While the Parties agreed in Naivasha that the funding for the exercise should be available from the NG, it is reasonable to seek support from the international community. Indeed without sufficiently strong and rapid response from donors, this activity runs a high risk of failure, the consequences of which would be enormous. In this regard, several donors have already signalled their willingness to support the census and UNFPA has already completed the recruitment process of a Chief Technical Adviser to work on the census.

Figure 8.1:



36. The timeline for implementing the CPA implies that the phase following the mid-term General Elections will require the focus to be partly shifted to the information requirements of a smooth registration of voters for the two final referenda of the Interim Period, one on the self-determination of the South and one on the final status of the Abyei area.

Census Preparation Activities and Community Survey/Listing

37. The main pre-census activity is the mapping and listing of communities. Most of the scarce resources of both statistical institutions (CBS and NSCSE) will thus be mobilized on census activities, leaving very little capacity available for other statistical operations. The accurate mapping of population settlements is difficult and assumes that a secure environment prevails. Cartography teams have to visit all villages, camps and cities, including the towns currently held by the GOS in the South, in order to collect information needed to organize the census. This includes settlement sketches or maps, population estimates, and links with administrative structures, or in some cases traditional tribal leaders.

38. In the South, the NSCSE is proposing to use the census preparations as a vehicle for collecting basic baseline information at the village and community level.¹²⁴ This would provide a minimum set of data and information to help with the designing of the PES and to ensure that it is genuinely targeted at the poorest and neediest communities. Given the very limited capacity of the NSCSE and the short time allocated to the census preparations, the additional information to be collected will be kept to an absolute minimum. It will consist of a short listing of community assets (including physical assets and indicators of social capital) combined with an estimation of the community's assets to, and use of a range of public services. This is a "minimalist" community survey, but will nonetheless generate very useful data. It should also be noted that this is not proposed as a sample survey but as an exhaustive listing of all accessible communities.

39. The community assessment activities will strongly contribute to NSCSE capacity building, through staffing, training and equipment. Data collection will be done by the cartographers themselves, during their visit to the settlements, through direct interview of any administrative or traditional authority representative living in the village (village chief, city counsellor, etc.). In towns and cities, the community assessment will be done dividing the areas in blocks with respect to traditional community organization. Concepts used in the questionnaire will be precisely defined and understandable by non-statisticians. The questionnaire will be pre-coded to the extent possible, and two different versions can be considered, one for rural settlements and one for urban areas. Filled questionnaires will be transmitted to the centre through state statistical offices. Data processing will be handled by a specifically trained unit at NSCSE. A database will be designed to receive and organize the collected information in association with the NSCSE future mapping centre. In parallel with this work, the NSCSE is also planning to carry out an anthropological study of the village unit. The purpose of this study will be to provide methodological guidelines for future community surveys that will be undertaken following the census.

Family Health Survey (FHS)

40. Other survey work will have to be kept to a minimum during Phase I, but there is a prior commitment to undertake a Family Health Survey (FHS) in the North. This is being supported by the League of Arab States under the Pan Arab Project for Family Health (PAPFAM) program to which the GOS has signed up. PAPFAM was established to enable the Ministries of Health and other national health institutions in the Arab region to obtain a timely and integrated flow of reliable information suitable for formulating, implementing, monitoring and evaluating family and reproductive health policies and programs in a cost-effective manner. Specialized studies concern youth; the maternal mortality module; the female genital cutting module; the husband's role in reproductive health; post-reproduction health; status of women module; and the elderly. This survey will be executed in 2005.

Multiple Indicators Cluster Survey (MICS)

41. In the South, it is felt that the FHS is too heavy a survey to carry out, given the limited capacity and the heavy workload involved with the census preparations. It is therefore proposed to carry out a much lighter MICS (similar to the one conducted in 2001) to collect core baseline social indicators. Consideration was given to the idea of merging the FHS with the MICS and to implement the merged survey as a single national survey throughout Sudan. The idea was rejected, though, on technical grounds. Timely information on all indicators common to PAPFAM and MICS would greatly strengthen data collection and analysis.

¹²⁴ The CBS is not planning a similar operation in the North due to the fact that much of the census cartographic work is now complete and most of the mapping work will take the form of information collected in 2002-3. However, the approach used in the South can be later adapted to fit some specific regions in the North where there has been no mapping so far, e.g. Darfur.

Core Welfare Indicators Questionnaire (CWIQ)/ Common Indicators Survey (CIS)

42. Both the CBS and the NSCSE are committed to the notion of incorporating a national indicators survey into their forthcoming survey program. The main objective of such a survey would be to build up time series of key indicators used for monitoring outcomes of the PES. Desirable features of the survey would include that it is easy and light enough to be regularly repeated (possibly annually) and to be conducted on large enough samples that the results could be disaggregated at state and sub-state levels. The survey would probably be repeated annually, but not necessarily as a stand alone survey. It could be piggybacked onto any other household survey that is being planned.

43. The CWIQ is a light survey that meets all these requirements and that has been successfully implemented in a number of African countries as part of their PES monitoring activities. CBS and NSCSE staff members have already jointly participated in a Regional CWIQ training course. It is proposed that a pilot indicators survey using the CWIQ approach and methodology be carried out in 2 states (one in the North and one in the South), with a view to being launched nationwide immediately after the census. Ideally the survey should allow for comparisons to be made between the poor and the non-poor. This would normally require information to be collected on household expenditures. Light surveys of this type would not normally be recommended for collecting income and consumption data, but some countries have started to experiment with the idea and have added a CWIQ expenditure module to the survey. The Sudan Pilot will include an expenditure module. The pilot will be executed in late 2006.

Post-Census Surveys

44. Once the Census has been completed, it will be possible to use the preliminary estimates and the maps to establish a reliable and robust master sample, which will very significantly improve the reliability of subsequent sample surveys. The full content and details of the post-census survey program still have to be elaborated, but they will include the following.

CWIQ/Common Indicators Survey

45. Following the piloting of the CWIQ survey during the pre-census phase, it is proposed to introduce a light indicators survey as a regular component of the national survey program. The survey would be repeated annually and be attached to any of the other surveys described below.

Household Budget Survey (HBS)

46. An HBS is urgently needed to update the weights used in the calculation of the Consumer Price Index (CPI). It is also needed to calculate basic poverty indicators and to monitor progress in obtaining the first MDG which deals with the reduction of absolute poverty. This is a critical input required for the design of the PES.

Agricultural Census

47. This will be carried out collaboratively with the Ministry of Agriculture and Fishery, as well as with the Ministries for Animal Resources and Fisheries and Irrigation/Water Resources. Given the fact that over 70 percent of the population of Sudan depends on agriculture for its livelihoods, a proper and comprehensive assessment of the situation is vital for recovery and rehabilitation as well as long term sustainable development. The census will provide basic information on various crops as well as on livestock. This will inform future agricultural policy. The agricultural census will follow logically from the population census and will benefit substantially from the preparatory work carried out under the latter. This includes the definition of a sample frame and the building up of institutional competences to collect, process and analyze very large data sets. The UN FAO stands ready to provide assistance.

Labour Force Survey (LFS)

48. The population census will provide highly important baseline statistics on the labour force with full coverage, geographical and sector-wide among other things. An annual nationally representative LFS should be carried out to monitor labour market indicators, such as employment, unemployment, and the distribution of employment across sectors and wages. Particular emphasis should be put on assessing the economic role of women and their labour market participation, as well as other indicators (e.g. on the suggested scholarship programme).

Community Surveys

49. A community census or survey can offer some advantages over a household level survey in that it can be much simpler and faster to administer, and it also provides results at the village level, albeit through informal sampling using focus groups. After the census, the NSCSE, and possibly the CBS, are planning to introduce the idea of community level data collection. The methodology to be used will build on experiences of the community assessments conducted as part of the census preparation activities, and on the anthropological study of the village unit. A long-term goal is to have the communities themselves filling in their surveys and use this for designing and monitoring of their own community level development programs.

Improving access to, and use of, statistical information

50. Even where data have been collected, much of it remains unexploited and unused because it is inadequately stored and disseminated. Data increase in relevance through timeliness, coverage, and periodicity. The quality of the data enhances public confidence and trust and strengthens integrity. An important element of data dissemination is to ensure that access is expanded beyond the government sector and includes civil society at large. It thus also serves as a tool for promoting a good governance, transparency and accountability. In this context, the participation of the users in the preparation, methodology and analysis will be an important building block in restoring confidence and enhancing the quality of the data themselves.

51. The second sub-program is directed towards improving access to such information. This will build on existing programs in the CBS and NSCSE and will be progressively expanded to link other producers and users at the national, regional, and state levels. The program will consist of the following activities:

- *Legal framework:* The Statistics Act is to be reviewed and amended as necessary to promote the concept of open access to statistical data, balanced with agreed privacy requirements.
- *Organization and management:* The structure of the CBS and NSCSE to be reviewed and consideration to be given to the establishment of a data archiving and dissemination unit.
- *Data storage and archiving:* Primary data from all future censuses and surveys to be archived on CD-ROM together with pertinent metadata and to be made openly available to users subject to the rules of confidentiality that will need to be strictly defined by regulations, with a view to avoiding ad-hoc decisions based on expediency considerations.
- *Databases system:* A database system to be established and maintained by the CBS and NSCSE that will be accessible to official agencies that make up the National Statistical System (users and providers), and allow easy access to the most current information.
- *Multimedia Dissemination:* Review of hard copy publications; establishment of websites by CBS and NSCSE on which statistical information and survey results can be posted and through which users may directly access statistical information.

52. The CBS has already initiated a National Integrated Information System (NIIS) to promote a wider sharing of statistical information between government ministries. The objectives are:

- Identification, prioritization, and harmonization of the socioeconomic and demographic indicators required for the different aspects of development.
- Coordination between the data systems in the country and standardization of definitions, concepts and methods of calculation of indicators.
- Development of an effective system of data dissemination in the country.

53. To date the CBS has prepared a Reference Manual of Harmonized and Prioritized Social Indicators and has started the development of computer software for retrieving and updating the data through stand-alone PCs. This has been shared with the main data producing agencies. What is now required is the development of a network to connect producers' and users' institutions with the system; the enlargement of the system to accommodate more data producers and users; and the opening of the system up to all data users.

54. In the South, the NSCSE intends to act as the central repository for all statistical information on Southern Sudan. Up to now, the focus has been on the establishment of the appropriate databases.¹²⁵ Most of the databases that currently exist are being managed by the development partners due to the lack of capacity in the NSCSE. However, these will be transferred to the Ministries once capacity is built. Though the primary responsibility of sectoral information systems and supply of sectoral statistics will remain with the GOSS sector commissions, the NSCSE is expected to coordinate this work.

55. Once financing becomes available, the issue of dissemination will be given prominence. This will involve the establishment of an electronic network to link with the network managed by the CBS in the North, and to initiate a program similar to the NIIS in the South.

56. User capacity needs to be strengthened both within government and outside. Within the NG, the overall responsibility for strategic planning rests with the secretariat of the National Council for strategic planning, which has just completed the next 25-year Strategic Plan. In parallel the Ministry of Finance and the Ministry of Social Welfare also engaged in the development of an I-PES. All work closely with, and depend on, sectoral planning units in the different ministries. All of these institutions require support to strengthen capacity to analyze data, not just for planning purposes but also for monitoring and evaluating the implementation and impact of the development plans. Similar arrangements will have to be taken once the GOSS defines its own governmental structure.

57. Outside the government sector, Sudan has a strong tradition of academic research, and a number of academic institutes exist in the country. There is, however, an urgent need to upgrade human-resource competencies, particularly with respect to the analysis of qualitative and quantitative data to measure the outcomes and impact of policy decisions. Seven research institutes are already in place, involving key sectors, but their capacity is very weak and almost non-functional. Strengthening and making these institutes functional will significantly boost data analysis and use by the NG.

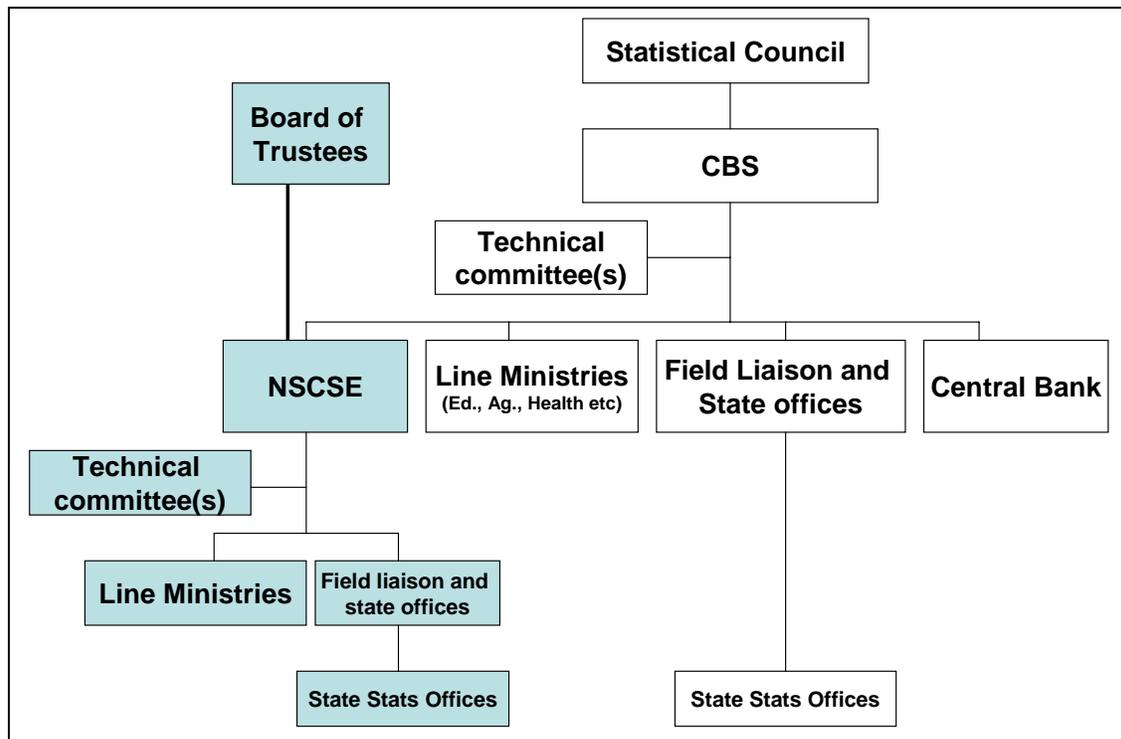
¹²⁵ These are currently established in the food security, health, water and sanitation (WES), and education sectors. However, their linkages with the NSCSE are not always defined. The School Baseline Assessment, a product of the education database, the Health and WES databases are still managed and maintained by UNICEF and African Education Trust (AET), in close collaboration with the SRRC sector commissions.

Building statistical capacity

Creation of an integrated national statistical system

58. The overall functions of the National Statistical System (NSS) are to ensure that there is a reliable flow of timely, relevant and accurate information into the system so that the supply of information matches the needs of users. The need for Sudan to re-establish an effective national statistical system is clear, yet a totally hierarchical structure will not work. The strategy recognizes this. Figure 8.1 illustrates how the national statistical system in Sudan may be structured.

Figure 8.2: Organisational Chart of the Sudan National Statistical System



Note: Shaded boxes show the Southern Sudan Statistical System and Southern Sudan offices

59. Figure 8.1 shows the statistical system as a single national system, but which nevertheless recognizes that the Southern region, in addition to participating in the national statistical exercises such as the census, contributing to national accounts, and participating in national household surveys, will also have its own statistical priorities and will continue to manage its own subsystem to meet its specific statistical needs. The Southern sub-system is shown in red-lined shaded boxes. Over time, it is anticipated that the linkages between the two systems will grow. In the North, the implementation of the 2002 Statistics Act will lead to a greater degree of autonomy for the statistical system, and pave the way to improve coordination between the various elements of the system. The Act authorizes the setting up of the National Statistical Council, which has oversight responsibilities for the statistical system as a whole. Its composition includes a cross-section of users and suppliers of statistics from within as well as outside government. With the establishment of the NG, the composition of the Council has to be significantly broadened to include representation from the South. Capacity development should be targeted to address identified capacity gaps and build counterpart institutions to collect, monitor and assess systematically qualitative and quantitative data for planning purposes.

60. The CBS, as the head agency of the NSS, is mandated with releasing all official national statistics and conducting the population census and other national surveys. It is also responsible for coordinating the various data collection agencies that contribute to the national system, and for strengthening the dialogue between users and producers. Given the enormity of the task of meeting national statistical data needs, the CBS will need to rely heavily on these different agencies, strengthen linkages with them, and develop operational partnerships. The CBS will establish a permanent technical statistical producer/user committee. This committee will meet regularly and consist of the statistical representatives of key government bodies, research institutions, key development partners, and civil society at large. It would, in effect, be the technical mirror of the National Statistical Council that is envisaged in the new Statistics Act. Its purpose would be to ensure the technical coordination of statistical activities by reporting on proposed statistical initiatives, avoiding duplication, seeking to remove discrepancies, and creating special sub-committees to examine more technical issues in greater depth. The committee would also have to include in due course representatives from the South, as well as the Three Areas of Abyei, Southern Kordofan and Blue Nile, in application of the CPA.

61. In the South, the NSCSE assumes the same role as the CBS. It has its own data collection program but also coordinates sectoral information systems and the supply of sectoral statistics for Southern Sudan. In addition, it will also coordinate the process of monitoring and evaluating the JAM, the PRSP, and other development programs. Further, it is expected to play a pivotal role in the NSS and to work as a close partner of the CBS. The Centre, like the CBS, is semi-autonomous and reports to a board of trustees comprising nine members representing the most important providers and user groups of official statistics. In addition to the board, an Advisory Committee has been established, which is chaired by the executive director and serves as a coordinating tool to bring new users and producers more closely together.

62. Both the CBS and the NSCSE should take immediate steps to strengthen the network that comprises the NSS. Given the scarcity of statistical resources it is important to prioritize the information needs and to start at once with a program of data collection to meet at least the most urgent requirements. One of the first peacetime activities is the definition and establishment of an effective working relationship between the CBS and the NSCSE, and the development of a shared work program. The process was initiated during a JAM Workshop in October 2004 and will be followed up with the establishment of regular dialogue between of the North and South on statistical issues. This will pave the way for the eventual exchanges of staff between the institutions, and the organization of common training sessions. Such actions would facilitate the establishment of personal links between technical staff members and promote institutional cooperation.

63. Other steps to be taken include the convening of meetings to bring together the different suppliers and the users of statistical data, the appointment of international consultants to assist with the development of a strategic plan for statistics; and the establishment of an annual workshop to review past and future statistical work plans. In the longer term, the network will be expanded to include state statistical offices, and will be used to help strengthen the capacity of state-level statistical services. Communication among network members will be facilitated as the telecommunications infrastructure improves.

Strengthening Institutional Capacity

64. The fourth and final component of the strategy is concerned with the strengthening of the institutional capacity of the CBS, the NSCSE, and the statistics divisions of the line ministries to perform the day-to-day functions of a statistical office – namely data collection, data processing, data storage and data dissemination. In very broad terms, priority will first be accorded to the central agencies, the CBS and the NSCSE. It will then be expanded to include the strengthening of capacity within the line ministries. Then the program will be extended to include

the strengthening of capacity at the state level. Finally, the capacity of communities themselves to maintain and use village records may be addressed. The program comprises training, technical assistance, equipment, and budgetary support. While the level of technical assistance may be expected to be quite high initially, the strategy will aim to progressively reduce this as capacity-building measures take effect.

Central Bureau of Statistics

65. In October 2003 a General Data Dissemination System (GDDS) mission led by the IMF visited Khartoum to review the structure and capabilities of the CBS. A follow-up mission took place in February 2004. It made a number of recommendations with respect to the structure of the NSS and to ways in which data quality could be improved. It observed that there were obvious data gaps and weaknesses, and that the CBS had weak links with other statistics-producing agencies and major users. Most importantly, the review supported the idea that a strategic plan for a national statistical system should be drawn up as a guide for future statistical development, as well as a tool for harnessing resources. The CBS accepted this recommendation and has requested support to initiate its capacity-building program with such a strategic plan to help define its long-term goals and the path to follow to achieve them. At the same time the CBS has identified the following immediate measures for which JAM support is requested.

66. **Training:** The total number of CBS staff is 307, of whom 133 are university graduates. Of the total number of graduates, 82 are at the central office in various directorates and 51 are distributed in the 16 Northern states. In addition to the training that is built into the individual data collection activities, the staff of CBS require training in the following fields:

- Computer applications for census & surveys data processing (CSPRO)
- Sampling & statistical methods
- Measuring techniques & methods regarding poverty
- Statistical method for measuring economic development & growth
- Statistical analysis methods (SPSS)
- Population projections
- Study Tours - senior staff

The CBS strategic plan will include a human resources development strategy with the detailed specifications of training needs, but the CBS has already submitted a proposal for 44 staff-weeks of training.

67. **CBS--Statistical Training Centre:** In addition to sending staff abroad for training, there is an urgent need to strengthen training capacity within Sudan – specifically to rehabilitate and upgrade the CBS's own Statistical Training Centre. This centre was established in 1993 for promotion and improvement of statistical work in Sudan. The aim of the centre was to provide statistical training on applied statistics and computer applications for government officials in the different institutions, as well as private sector and civil society. Under the rehabilitation program the Centre would be supported to:

- Analyse on an ongoing basis the needs arising from the implementation of the decentralization policy in the Northern states, and adopt and implement any organizational change required, *inter alia* to address the information needs in the Three Areas;
- Organize training courses for the CBS staff and other governmental and non-governmental institutions;

- Create awareness among government senior officials about the importance of statistics in planning and decision-making;
- Organize workshops, seminars and lectures on newly emerging statistical issues as well as computer applications; and
- Create technical and statistical relationships with other national, regional and international statistical training institutions.

68. **Computers and IT Equipment:** Much of the equipment of the CBS is outdated and in need of replacement. This includes equipment in the state statistical offices as well as at headquarters. While a thorough assessment of equipment needs will be included in the strategic plan, the CBS lists PCs, facsimile machines, and photocopiers as being urgently and immediately required. In addition, a number of copies of various database and statistical software packages need to be procured.

69. **Transportation:** In addition to the vehicles that are included in the Census proposal, the CBS also needs to replenish its transport fleet with 10 4WD vehicles.

New Sudan Centre for Statistics and Evaluation (NSCSE)

70. The challenges faced by the NSCSE are similar to those faced by the CBS but more extreme. To begin with the Centre has a dual role. First, it has to be a fully-active player in representing the South in the NSS. Second, as the head of the statistical system in Southern Sudan it has a number of data collection activities to carry out independently of the North – some to be carried out by the Centre itself, and others to be carried out in collaboration with the UN agencies or other development partners. The list of South-specific activities includes:

- Execution of South-specific surveys of IDPs, and Social Capital Surveys.
- Stakeholders' Workshop to discuss the results of the Data Needs Survey.
- Livelihoods Monitoring and Analysis (Livelihood Analysis Forum).
- Co-ordination of statistical and data collection and research activities.
- ICT needs-assessment; staff development and ICT procurement plan.
- Establishment of Statistical Databases.
- Support to sectoral information systems – Health, Education, HHFS, Agriculture, WES, and policies, and to provide information at an early stage of their implementation.
- Mapping and GIS (with assistance of OCHA IMU, FAO, French Government, WFP, UNICEF WES, UNJLC and UNHCR).
- Review of the sentinel survey sampling frame to divide Southern Sudan into permanent statistical enumeration areas to be used for sampling micro censuses.
- Collaboration with UNICEF in preparation for the MICS scheduled for 2005.
- Collaboration with OCHA IMU and UNDP to strengthen the NSCSE's information management system.

71. The capacity to carry out to these tasks is at present extremely limited. The Centre faces three main challenges. First, it lacks the funds to remunerate its staff who are all volunteers. Second, it lacks funds to adequately equip its field offices, and third it lacks technical capacity and skills. Like the CBS, it proposes to start with the preparation of a strategic plan which will include a human development strategy, an IT strategy, a detailed assessment of training and technical assistance needs, and an inventory of equipment and transport requirements. Even

before the strategic plan is finalized, the NSCSE is already in a position to itemize its most critical capacity building needs. These include:

- **Staffing** - Technical expertise in survey design and management, sampling, data collection, processing, storage and dissemination, is currently limited. Capacity building of Centre staff through secondments to agencies involved in statistical analysis of information is proposed.
- **Training** - The NSCSE has prepared a training proposal for 45 staff weeks of training – mostly in other English-speaking countries in the region.
- **Technical Assistance** - The Centre plans to seek external technical assistance from professional and academic institutions in Uganda, Kenya, Ethiopia and Eritrea amongst other international bodies. The Kenyan Government has already expressed an interest in establishing a twinning arrangement between the Centre and its own Central Bureau of Statistics.
- **Physical Infrastructure** - The Centre will need support to equip its headquarters in Rumbek and satellite regional offices with furniture, computer hardware and software, communication equipment, a generator and/or solar power systems. Transportation and recurrent running costs will need a continuous budget line to maintain work at the Centre.

Sectoral Institutions

72. Sectoral institutions and line ministries in both the North and South feature prominently in the NSS. They have important roles to play and as noted earlier, links with the CBS and NSCSE will be strengthened as a matter of priority. In many cases this will involve the secondment of CBS/NSCSE staff to the ministries concerned. But in addition it is important to recognize that the capacity of these institutions to maintain sectoral information systems needs to be addressed in the same way as for the CBS and the NSCSE. The CBS's Statistical Training Centre will have an important role to play. In addition the CBS will be organizing periodic workshops and seminars that will provide important opportunities for knowledge sharing and for learning.

Sub-national institutions

73. In addition to strengthening capacity at the central level there needs to be strong focus on decentralized decision-making at state and district levels. Again it must be recognized that capacity is very limited and that it will require significant strengthening of capacity of local government institutions both to collect and to use data for planning and monitoring implementation of development programs in order for the decentralization program to succeed. Special challenges are posed by the Three Areas.

Communities

74. The concept of community driven recovery (CDR) is also to be introduced (See Livelihoods Cluster report). This has important ramifications for monitoring and evaluation and introduces the possibility of setting up community-based information systems whereby information is collected by the community itself, possibly using the community questionnaire that the NSCSE is planning to introduce into its census preparation activities. This is a tool that can actually be used by the communities for monitoring their own development. The empowerment of communities can be an enormously powerful development tool, and can be facilitated through greater access to information. It will require a massive community capacity-building program, but could be a means of reducing the pressure on the already overextended formal statistical infrastructure.

TIMELINES, MONITORING AND EVALUATION

75. The implementation of the statistics strategy will adhere closely to the two phases of the Interim Period. In addition, there are already some on-going activities for the Pre-Interim Period, which covers the first six months following the signing of the CPA. Census preparation activities will already be starting and measures have already been taken in both the North and South to prepare detailed master plans for the restructuring and strengthening of the CBS and the NSCSE. Both institutions are working on separate plans, but intend to cooperate and interact closely with each other. Technical assistance has been requested. The master plans will elaborate in greater detail on the ideas contained in this report and will include detailed work plans, IT development plans, data dissemination plans, and detailed staffing and human-resource development plans. With respect to the overall statistical information strategy, the population census provides a very useful cut-off between the two JAM phases. Statistical activities carried out during the first phase will be a combination of quick-win surveys and basic capacity-building activities built predominantly around preparations for the population census. Activities carried out in the second phase will be more long-term and durable in nature.

Phase I (Pre-Census and Census) Activities

76. As noted earlier in this report, many of the outputs of the statistical system are heavily dependent on the results of the population census. For both the CBS and the NSCSE, the main focus of Phase I will therefore be on:

- i. Census preparation - including mapping and GIS - accompanied by light surveys of key socioeconomic indicators to provide the most urgently needed information for establishing an operational baseline for monitoring post-conflict Sudan.
- ii. Strengthening of the basic elements of a national statistical system, with particular emphasis on support to sectoral information systems – Health, Education, Agriculture.
- iii. Building up institutional competencies to improve the quality of basic statistical outputs such as national accounts, trade statistics, and the production of the annual Statistics Yearbook.
- iv. Specifically, this will include the following activities:
 - a. **Data collection**
 - Census preparations (Joint)
 - Mapping and GIS (Joint)
 - CWIQ/Common Indicators Survey (Joint)
 - Family Health Survey (North)
 - Multiple Indicators Cluster Survey (South)
 - Community Census (South)
 - Participative assessments/qualitative studies
 - b. **Data storage and dissemination**
 - Training in creation of survey CD-ROMs
 - Data documentation and archiving centre
 - Sudan Statistical Database
 - c. **Development of NSS**
 - Establish and improve linkages between agencies
 - Strengthen links with users, e.g. PES Unit and Livelihood Analysis Forum (LAF) Training Centre (upgrade services of the CBS Training Centre)
 - d. **Institutional capacity building**
 - Procurement of equipment

- Training (on-the-job and outside Sudan, at national and sub-national level)
- Technical Assistance

Phase II (Post-census) activities

Phase II will build on and consolidate the activities of Phase I. By then, Sudan will have the benefit of having executed the Population Census, which will provide an invaluable baseline and which will significantly improve the accuracy and reliability of subsequent statistical surveys and activities. One of the key targets for Phase II will be the full integration of economic and financial statistical systems and upgrading of system of national accounts. Another will be to see the CBS and NSCSE playing increasingly important roles in the design and the monitoring of Poverty Eradication Strategies. This will require the implementation of an integrated program of household surveys - including the agricultural census, household budget survey, labour force survey, and an annual light CWIQ monitoring survey of key indicators. In addition the overall capacity of both the CBS and the NSCSE should have been significantly enhanced as a result of increased numbers of trained staff and of the acquisition of essential equipment. This will allow capacity-building efforts to be directed more towards strengthening the capacity at state level and lower. Finally, the information requirements will have been met to enable the registration of the voters for the two final referenda of the Interim Period, one on self-determination of the South and one on the final status of the Abyei area. Provisional activities and monitorable indicators are provided in the Cluster Matrix (Volume II).

Monitoring the implementation of the strategy

77. Just as the other elements of the JAM require monitoring and evaluation, so too does the statistical strategy itself. The monitoring of the strategy will be built around an Annual Review process at which the activities of the previous year will be evaluated, and the proposed activities of the next year will be reviewed and approved. For this purpose, both the NSCSE and the CBS will organize meetings involving both users and suppliers to review and to advice on their respective work plans. The National Statistical Council will give final approval of the plans. Additionally, the NSCSE will submit its own plans to the Board of Trustees for approval.

78. Initially (in Phase I), the implementation indicators that will be used to review and evaluate progress will be primarily input and output indicators. With respect to inputs, the annual reports will be expected to focus on whether government and donor support has been provided according to expectations. The target over time should be to see a progressive increase in the percentage share of NG and GOSS contributions to the total budget. In addition, the reports will also report on the progressive upgrading of human resources through training, workshops, study tours etc. With respect to outputs, the annual reports will highlight the activities that have been executed during the year and signal whether the outputs generated were disseminated on time or not. By the end of year two, the focus of the evaluation process will turn increasingly towards the monitoring and evaluation of outcomes - specifically the measurement of consumer satisfaction and the evaluation of the extent to which the statistical system is meeting user needs or not. This will require that regular assessments be made of the views of users on the relevance, reliability, timeliness and ease of access of the statistical products. The annual consumer/user workshops will play a particularly important role in this respect.

79. The main indicators are laid out in the Cluster Matrix in Volume II. These include input indicators, as well as:

Output Indicators: (Year 2 onwards)

In Year 2, outputs will begin to be reported. Milestones and activities specified in the Cluster Matrix will be tracked and actual deliveries will be compared with planned

deliveries. Special attention will be given to monitoring the timeliness of the availability of survey results and the punctuality with which statistical publications and outputs are disseminated.

Outcome Indicators: (Year 3 onwards)

By the third year, the monitoring of inputs and outputs should have become routine, and the focus will shift increasingly to the monitoring of outcomes. This will involve gathering the views of users on the relevance, timeliness and reliability of the statistics generated by the system. The Annual Statistical workshops will serve as the main sounding board, and these may be supplemented by more structured client feedback surveys.

Impact Indicators: (Year 6)

Finally, at the end of the Interim Period, an independent impact evaluation study will be conducted along with the rest of the JAM-supported activities. Figure 8.2 shows how outcome and impact indicators will be progressively added to the basic input and output indicators.

Figure 8.3: Impact Indicators

Baseline			Expected Results (Measurable Indicators)					
			Pre-Interim Period	Year 1 First 6 months	Year 1 Last 6 months	Year 2 First 6 months	Year 2 Last 6 months	Year 3-6
Impact	5-10 years	Impact on living standards						
Outcomes	1-3 years	Access, use and satisfaction of beneficiaries.						
Outputs	Annual	Goods and services generated						
Inputs	Semi-annual	Resources (financial, material and human)						

Note: Outcome indicators should, as far as possible, be disaggregated by gender, geographic area and ethnic group

Costs

136. The costing is presented in table 8.1. By far the largest cost component is the national population census (\$55 million). Of the remaining \$63 million, \$26 million would be used for other data collection and data dissemination activities (including 8 million for evaluations of major programs), and \$38 million for strengthening the National Statistical System network and for general capacity building.¹²⁶

¹²⁶ For complete list of references and working papers, please visit the web at: www.unsudanig.org/JAM

Table 8.1: Budget by Component and Level

Phase	Program	Components	NG	GoSS	3 Areas	Total
1						
	1. Data collection					
		Ag. Census - preparations	0.9	0.3	0.0	1.2
		Census	41.3	13.8	0.0	55.1
		Community census	0.0	0.8	0.0	0.8
		CWIQ/Common Indicators Survey Pilot	0.0	0.0	0.0	0.1
		Family Health Survey	1.0	0.0	0.0	1.0
		Multiple Indicators Cluster Survey	0.0	0.9	0.0	0.9
	2. Data Dissemination/storage					
		National Integrated Information (NIIS)	0.2	0.2	0.0	0.4
	3. Nat'l Statistical System					
		Coordination & Sectoral Inf. Systems	2.4	10.7	0.0	13.1
	4. Institutional Capacity-building					
		CBS & States	0.6	1.0	2.9	4.5
		Equipment	0.4	0.8	2.1	3.3
		NSCSE & Southern states	0.9	1.7	4.7	7.3
		Sectoral inf systems	0.0	0.0	0.0	0.0
		Statistical Training Center	0.1	0.2	0.5	0.8
	5. Impact Evaluation of major programs					
		Evaluation studies	1.2	1.2	0.0	2.3
1 Total			49.0	31.6	10.2	90.7
2						
	1. Data collection					
		Ag. Census	4.9	1.9	0.0	6.8
		Community Surveys	0.4	0.2	0.0	0.5
		CWIQ/Common Indicators Survey	0.3	0.1	0.0	0.4
		Household Budget Survey	3.0	1.2	0.0	4.1
		Labor Force Survey	0.8	0.3	0.0	1.1
		Participative/qualitative studies	0.1	0.1	0.0	0.2
	2. Data Dissemination/storage					
		National Integrated Information (NIIS)	0.0	0.0	0.0	0.1
	3. Nat'l Statistical System					
		Coordination & Sectoral Inf. Systems	0.8	0.2	0.0	1.0
	4. Institutional Capacity-building					
		CBS & States	0.7	0.2	0.5	1.4
		Equipment	1.7	0.5	1.1	3.3
		NSCSE & Southern states	1.5	0.4	1.0	2.9
		Sectoral inf systems	0.1	0.0	0.1	0.2
	5. Impact Evaluation of major programs					
		Evaluation studies	2.9	2.7	0.0	5.6
2 Total			17.2	7.8	2.6	27.6
Grand Total			66.1	39.3	12.8	118.3

THE THREE AREAS REPORT

ABYEI, SOUTHERN KORDOFAN AND BLUE NILE

MARCH 18, 2005

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OVERVIEW

1. The Three Areas – Abyei, Southern Kordofan and Blue Nile – played a central role in the war between the North and South in Sudan, and as such are critical components of the Comprehensive Peace Agreement (CPA) between the two parties - the Government of Sudan (GOS) and the Sudan People’s Liberation Movement (SPLM). Whilst each area is clearly socio-economically distinct, their unique status within the CPA has arisen due to their being situated on the frontline of the civil war and therefore at the heart of national and local contests over resources, particularly water, land and oil. In turn, they are now considered models of statehood, as they attempt to address the relationship between the centre and the state and the degree of decentralization that will take place under a federal system.

2. Under the CPA, the central question of the South’s relationship with Khartoum has been resolved by the degree of autonomy granted to a Government of Southern Sudan (GOSS) and the eventual holding of a referendum on self-determination within six years. Given that the Three Areas lie largely along what has been a contested line between North and South, they have been given a special status by the parties.¹²⁷ For Abyei, there are special provisions allowing for self-rule, direct links to the Presidency and a referendum allowing the ‘people of Abyei’ to decide if they wish to remain part of the North or to become part of the South and participate in the final status referendum in six years. Southern Kordofan and Blue Nile fall under the National Government (NG)¹²⁸ and will make submissions to the Presidency on implementation of the CPA and appropriateness of the constitutional arrangements concerning the two states.

3. Above and beyond their special status, the current situation in the Three Areas is dominated by eight key factors: (i) the serious collapse of institutional capacity; (ii) neglected systems of governance, and unique political arrangements to be implemented under the CPA; (iii) widespread growth of poverty; (iv) environmental degradation, reduced productive capacity and the disintegration of traditional agricultural production; (v) poor basic services; (vi) non-existent or poorly maintained infrastructure; (vii) large numbers of refugees and internally displaced persons in need of support on return, “allied” forces in need of demobilisation, disarmament and reintegration and large numbers of mines and unexploded ordinance to be cleared; and (viii) poor or non-existent information and statistics systems.

4. Whilst there is a general paucity of information in Sudan, the information used in this report is based upon existing planning processes, which have been undertaken in the Three Areas, the knowledge of the team members working in tandem with GOS and SPLM staff, and international, national, non-governmental, and United Nations staff over the last three years.

5. The desired outcomes are based on a vision for the Three Areas which is “to make the Three Areas models for peaceful co-existence based upon the implementation of CPA and the consensual sharing of resources to meet basic needs and satisfaction of human rights”.

6. The three most immediate priorities for completion in the first two years are:

- Implementation of the CPA;
- Establishment of functioning institutions for governance, rule of law, entrepreneurship, and putting in place mechanisms for planning and budgetary allocations; and
- Return/resettlement of refugees and displaced persons following successful de-mining and demobilization.

¹²⁷ See the Abyei Protocol and Southern Kordofan, Blue Nile Protocols and Implementation Modalities.

¹²⁸ As per the Power Sharing Agreement .

7. A second set of priority activities will be started in Phase I, aligned with the activities of the eight Clusters of the JAM, but with three specific priorities most pertinent to the situation of the Three Areas:

- i. *Productive investments and basic services* - to improve livelihoods and income growth, as well as improve access to basic services;
- ii. *Infrastructure* - strategic plans for the overall improvement of physical infrastructure with a focus on North-South 'connecting' road and rail routes; and
- iii. *Public information*: support the formation and development of public information and data gathering systems so as to monitor the progress of initial rehabilitation and recovery activities and improve the planning and implementation of future development activities.

BACKGROUND

Historical context

8. The Three Areas share some characteristics that have resulted in their unique position within the CPA signed by the GOS and the SPLM. In their earliest history, key issues which affected these areas included slavery, the 'Closed Districts' policy and the annexation of Abyei to Kordofan under the Anglo-Egyptian Condominium. Like many other areas of Sudan, they were excluded from preparations for independence, which came in 1956, and from the governance and development that followed. After the 1972 peace agreement in Addis Ababa, the proposed Abyei referendum was not implemented, contributing to a return to violent conflict in 1983. Since then all Three Areas have been increasingly marginalised and militarily contested between the SPLM and GOS. They have also experienced ongoing competition from other users of natural resources, including water, pasture (between pastoralists and sedentary groups), and land for commercial farming.¹²⁹

The Unique Status of the Three Areas

9. The Three Areas, as described in the CPA (Protocols V and VI), cover a total land area of around 126,000km² and have a combined population of around 3.9 million. Approximately 30 percent of the population lives in areas controlled by the SPLM, and the remainder is under GOS control.¹³⁰

Table 9.1: Population by Area

State/ Area	Population (including those displaced)
Abyei	300,000
Nuba/ South Kordofan	2,500,000
Blue Nile	1,100,000
Total	3,900,000

10. Whereas the South has negotiated its own government (GOSS) with its own structure and system for the Interim Period, the SPLM and GOS have agreed to integrate Southern Kordofan and Blue Nile into a new model framework of statehood, allowing for power and wealth sharing from the outset within a degree of autonomy. Abyei Area will re-establish an entity that straddles the North and the South, allowing for dual representation and citizenship, with support from both the NG and GOSS. Implementation of the Protocols for the Three Areas will therefore be a litmus test for the overall implementation of the CPA.

11. In Abyei, a number of unique processes are in place to account for its special status:

¹²⁹ See the Funj Development Strategy 2003, the Abyei Road Map 2004-2005, and NMPACT 2002.

¹³⁰ Draft 2005 Work Plan for the Sudan, UN.

- i. a referendum for decision upon 'Northern' or 'Southern' rule;
- ii. a high degree of legislative and executive autonomy;
- iii. a direct link to the Presidency;
- iv. representation in both the Northern states of Western and Southern Kordofan and Southern State of Bahr el Ghazal;
- v. recognition as the territory belonging to the nine chiefdoms of the Ngok Dinka, with a commission to define boundaries;
- vi. establishment of a special Abyei development fund; and
- vii. establishment of an appointed (to be elected) Area Executive Council.

12. Southern Kordofan and Blue Nile States are treated in conjunction in the CPA, with some special provisions:

- i. a degree of autonomy within the National Government;
- ii. a 55 percent (GOS) – 45 percent (SPLM) power sharing split until elections;
- iii. census and then elections by start of fourth year;
- iv. state constitutions to be drafted after the first draft Interim National Constitution;
- v. popular consultation to endorse or amend the agreement;
- vi. State Land Commissions to help resolve land disputes;
- vii. only two parties sharing power;
- viii. Two percent of oil-wealth for the states; and
- ix. education curriculum and policy is a concurrent power, not exclusive, and will be resolved in the Interim and National and State Constitutions.

13. In turn, there are some specific socio-economic factors which also contribute to the unique character of the Three Areas. Economically, the Three Areas serve as commercial links between North and South, and are opening up to trade routes and markets, and they have a high productive potential, with high anticipated financial returns from oil and mineral exploration (and over 70 percent of national electricity originating from Blue Nile State). Socio-economically, they will see a large inflow of returnees, and serve as major transit routes for returning populations.¹³¹ Finally, due to their historical position in the war, each suffers distinct disparities in social service provision.

THE CURRENT SITUATION

14. The present situation in the Three Areas is characterised by eight key factors, each discussed below in some detail:

- i. Institutional Development and Capacity Building: two different institutions exist in tandem so the establishment of merged decentralised institutions will be a major challenge as different institutional arrangements – such as the county/ payam and state/mahaliya – converge. In turn, there are specific administrative requirements related to the CPA which will require staffing and recurrent costs.
- ii. Governance and Rule of Law: the Three Areas will present a number of challenges around power and resource sharing of different groups. This will be exacerbated by an

¹³¹ Particularly relevant for Abyei and Southern Kordofan.

- uncertain legal position with competing traditional, colonial, post-colonial and sharia laws. A number of different processes have been launched to ensure better participatory planning and development of strategic action plans that enhance collaborative decision-making. These include NMPACT, the first cross line planning process in Sudan, the Abyei Road Map process and the Rizeigat, Missiriya and Dinka peace consultations.
- iii. Economic Policy – Poverty Reduction: poverty is widespread in both rural and urban areas. Evidence suggests the existence of significant geographic disparities and inequalities between the Three Areas and other parts of the country, and further that women are among the most affected.
 - iv. Productive Capacity Recovery: a major characteristic of the Three Areas is the near disintegration of rural production.¹³² A shift has to be made from subsistence to market-oriented surplus production.
 - v. The Environment and Natural Resource Management: Sudan has been subjected to a series of drought shocks, the most recent in 1984-85, and in 1990. Studies of the period 1992-1994 in latitudes 10^o-18^o North (Northern Sudan) indicate that locations which received on average 400 mm of rainfall now receive on average less than 200mm. This has a direct negative impact on the possibilities for crop and range productivity and has caused a steady movement of peoples and vegetation types to the South. The underlying climatically-induced population shift to the South has met with resistance from other populations (particularly in the Three Areas).
 - vi. Food Security and Livelihoods: food security in the Three Areas has generally improved but remains fragile. Increased security in the Southern Kordofan, for example has enabled some farmers to expand cultivation and some households to restock livestock. However the presence of land mines continues to be an obstacle to productive use of land in some areas. The ceasefire of the last two years has shown that without the threat of violence and without organised investments in local productive capacity, traditional agriculture is able to significantly improve crop yields to the level of generating trade and surplus storage. Malnutrition, however, remains of concern. In 2002, for example, a survey indicated that the global malnutrition rate in Blue Nile was around 22 percent. Malnutrition rates also remain volatile, being affected by interruptions in food assistance, which can be caused by flooding (a problem in Abyei and Blue Nile State in August 2004), conflict, poor sanitation and health.
 - vii. For basic social services, there are regional variations and some similarities. For water and sanitation: levels of access to safe drinking water and improved sanitation are low across the Three Areas. Access is particularly poor in Blue Nile State, where many water reservoirs (hafirs) dry up during March-June, making it necessary for people to travel long distances (7-15 km) to fetch water. For health: basic health indicators in the Three Areas are poor. For example, the under-five mortality rate is estimated to be 147 per 1,000 live births in Southern Kordofan and 172 per 1,000 live births in Blue Nile State, which is the highest level in Northern Sudan. Furthermore, levels of access to health services vary substantially between GOS and SPLM/A-controlled areas. In Blue Nile State and Abyei health care facilities are particularly inadequate in SPLM/A-controlled areas. For education: net primary enrolment rates in the Three Areas are between 40 percent and 50 percent. However, again there is great variation between GOS and SPLM/A-controlled areas. In Blue Nile State, for example, access to education facilities in SPLM/A-controlled areas is particularly poor.
 - viii. Infrastructure: this has lacked investment over many years and is in desperate need of a comprehensive programme of funding at the national and state levels, as well as

¹³² See Sudan National Human Development Report, forthcoming.

extensive development of feeder roads to create year round access for farmers, herders and traders to markets. The general absence of access to electrical power and communications also requires investment in order to ensure connectivity and promotion of production, trade and economic diversification and employment.

- ix. Refugees and IDPs: of the overall population of an estimated 33 million in Sudan, more than one-fifth (some 6.7 million) are displaced due to the effects of war, underdevelopment and drought. The existence of about 1.2 million (30 percent) of IDPs in the Three Areas is significantly higher than the national average (20 percent). In turn, due to their geographical position all Three Areas have suffered a very high percentage of outward and internal displacement. Estimates for example for Abyei are that some 75-85 percent of the population has fled the area or is displaced within the state.
- x. DDR: the demobilisation and reintegration of soldiers and those associated with fighting forces from the GOS, SPLA and allied forces will be one of the most critical processes towards lasting peace. Demobilisation is not a simple, straightforward technical issue, but a complex, long-term process of demilitarisation along with the transformation of former combatants into civilians. This will by necessity involve reconciliation at the political, social and cultural levels between ex-combatants and their communities for lasting peace to prevail. It is thought that some 40 percent of people who have fought on both sides are from the Three Areas, and thus a comprehensive demobilisation process will be of major importance.

KEY POLICY AND INSTITUTIONAL CHALLENGES

Ownership and Use of Natural Resources

15. A common source of violent conflict has been the contest over land and water use. Historically this has been between sedentary agro-pastoral groups in the South and pastoral groups in the North. However, natural resource competition has increased with the use of large-scale mechanised farming and the exploration of oil. Farmers, herders and many local leaders believe that it is they who are the legitimate owners and users of land. In contradiction to this a number of key national laws and regulations on the use of land have been issued at different times, the most critical of which is the 1970 Unregistered Land Act which stated that: *"any land of any kind occupied or unoccupied which has not been registered before the commencement of the act shall be the property of the government and shall be deemed to have been registered as such"*. Under this law, vast areas of subsistence farm land, forest and pasture have been converted for cash crop production without replacing lost grazing/browsing biomass (27percent of the central clay plains have lost their original tree and grass cover). Traditional corridors of animal movement have been interrupted as a result, generating increased levels of resource-based conflict.

16. The extensive alienation of public land by the government and its subsequent policy of leasing land to urban business interests (Sudanese and international) has been a main cause of the war and will need to be resolved to avoid a return to conflict.

Widespread Poverty

17. The level of deprivation and access to social services constitute important elements in explaining the root causes of poverty. The key poverty indicators are presented below. It is apparent that the level of deprivation and access to social services in the Three Areas is in most cases worse than that of Southern Sudan and far from the national average level.

Table 9.1: Social and Development Indicators for the Three Areas and Southern Sudan, 2003.

Main Indicators	Southern Sudan	3 Areas*
MDG 1: Eradicate Extreme Poverty and Hunger by 50 percent by 2015		
Prevalence of Child (under 5) Malnutrition (percent)	48	Equal
Gross National Income per capita (US dollars)	90	Higher
Population earning less than one dollar per day (percent)	90	Higher
MDG 2: Achieve Universal Primary Education by 2015		
Net Enrolment Ratio in primary school (percent)	20	Lower
Primary School Completion Rate (percent)	2	Lower
Adult Literacy Rate (percent)	24	Higher
MDG 3: Promote Gender Equality and Empower Women by 2005		
Female to male enrolment ratio (percent)	35	Lower
MDG 4: Reduce Child Mortality by 2/3 by 2015		
Under five mortality rate (per 1,000)	250	Equal
MDG 5: Improve Maternal Health by ¾ by 2015		
Maternal Mortality (per 100,000)	1700	Higher
Births attended by skilled health staff (percent)	5	Lower
IMDG 6: Combat HIV/AIDS, Malaria and Other Diseases by 2015		
Physician per 100,000 persons	1	Lower
Prevalence of HIV among female youth (percent)	3.1	Equal
Incidence of Tuberculosis (per 100,000)	25	Higher
MDG 7: Ensure Environmental Sustainability		
Access to improved water source (percent)	27	Lower
Access to improved sanitation (percent)	15	Lower
Carbon Dioxide Emissions per capita	0	Equal
MDG 8: Develop a Global Partnership for Development		
Fixed line and mobile phone subscribers (per 1,000)	0	Equal

* Indicators have been qualitatively compared with the social indicators for Southern Sudan

Source: NSCSE 2004

Financing Arrangements

18. As the Three Areas have a unique political status under the CPA, and therefore both specific political priorities as well as critical socio-economic needs, special financing arrangements have been made for support. Given their special status, it is indicated in the Wealth Sharing Protocol that some 75 percent of the National Reconstruction and Development Funds shall be earmarked for 'war-affected areas' not in the South – including the Three Areas. A number of the implementing details have yet to be decided but some of the unique characteristics and revenue sources are outlined below:

- i. **Abyei:** net receipts from national oil and non-oil revenues, 2 percent of oil revenues with the Ngok Dinka, equitable shares of both the National and Southern Sudan Reconstruction and Development Funds, allocations for the running costs of the Abyei administration from the NG, and the establishment of its own Abyei Resettlement, Construction and Development Fund.
- ii. **Southern Kordofan and Blue Nile State:** net receipts from national and non-oil revenues, 2 percent of oil revenues from the respective states, and an equitable allocation from the National Reconstruction and Development Fund.

19. Implementation modalities for the Three Areas shall have to rely on a decentralized, area-based mechanism that would fund local-level institutions and communities to implement activities based on local knowledge, experience and priorities. The mechanism would involve the Executive Councils at the respective State/Abyei Council level and seek to draw upon the skills of local development partners (UN, NGOs, CBOs) and the private sector.

20. Given these unique arrangements, mechanisms will have to be established to ensure the transparent designation and allocation of funds from the various national and international sources for the respective areas. In turn, a “community-driven recovery” approach will be established relying on the three institutional pillars: communities, local governments (including line ministry departments), and the private sector (including NGOs). The degree of centralisation will depend upon how soon functioning executive bodies can be established and the dependence on external actors such as the UN agencies and NGOs.

Weak Information and Statistical Data Base

21. There are no (or poorly) functioning information and statistics systems in place in order to provide adequate descriptions of the current status and to monitor and evaluate progress of recovery and future development. As well, the incidence of droughts and floods in the Three Areas is increasing both in frequency and severity and it will be importance to develop early warning and response systems at state and local authority levels in order to reduce impacts on the populations affected and their economies. This will certainly require a reasonably strong information and database.

GOALS FOR 2011

Joint Vision Statement:

“To make the Three Areas models for peaceful co-existence based on the implementation of the Protocols and the consensual sharing of resources to meet basic needs and satisfaction of human rights”.

22. Initial plans for recovery have been made by the state administrations in Southern Kordofan and Blue Nile. In parallel with this, the SPLM areas of Southern Kordofan and Southern Blue Nile have developed their own Strategic Action Plans. In Abyei Area a participatory and detailed Strategic Action Plan has been developed with costings.

23. The immediate priorities outlined above involve both political, security and socio-economic components. Specific outcomes are set out below:

Outcome 1: Institutional Reform and Development

24. Integration of the various governance arrangements into one consolidated executive, legislative and judicial entity for each respective area (in line with the agreed provisions of the CPA as outlined above and the general activities agreed for decentralisation).

25. The first step will include the initiation of a joint multi-agency local government-driven recovery program in up to 12 counties/ localities in the Three Areas (four in each). This will help: (i) strengthen core local government functions; and (ii) enhance recovery through inputs that help strengthen government-civil society-private sector interaction, and that mirror future governance systems of planning, budgeting and service delivery as far as possible.

Outcome 2: Implementation of the CPA

26. This particularly relates to:

- Abyei - the formation of the specific administrative/governance institutions including the Legislative and Executive Councils, elections, and the determination of boundaries, registration of the population, and preparations for a referendum in six years;
- Southern Kordofan and Blue Nile – reaching popular consensus on the application of the CPA and relationship with the Constitution through the establishment of the Parliamentary and Presidential Commissions, and establishment of state governance, administrative, rule of law and financial mechanisms, including the respective Land Commissions, census, and elections.

Outcome 3: Improving Rule of Law

27. Interventions in law enforcement, the judiciary and legal reform will need to respond to the immediate needs for protection of civilians; establish appropriate transitional justice mechanisms; build the capacity of police, judges, prosecutors, lawyers, prison officers, and all related financial and administrative personnel; reconstruct physical infrastructure; provide operational equipment and communication; conduct a review of existing legislation; assist in drafting new laws, guidelines and procedures; facilitate the drafting of a Interim National Constitution, the Southern Sudan Constitution and State Constitutions; incorporate international human rights, humanitarian, refugee and criminal law standards, including gender-justice; undertake the review and reform of customary law, and establish its linkages to the statutory system. In doing all this, the relationship with those whom the Rule of Law institutions are to serve - the citizen - will need to be kept in mind. The interface with the public in all this institutionalisation is critical for legitimacy and support.

28. Substantial police training will be required, particularly in relation to attitudes, integrating the police into the criminal justice system, and enhancing capacity to work with communities, improving literacy, ensuring regional balance and increasing female participation, changing the existing ranks/ uniforms.

Outcome 4: Halve Present Level of Poverty by 50 Percent

29. This goal is based on the Poverty Eradication Strategy (PES) Concept Note approved by the Parties September 2004. The PES seeks to identify crucial strategic policy issues, interventions and relevant operational measures that ensures mobilisation of all stakeholders and leads to social equality and justice for all the citizens of Sudan. For the Three Areas this will comprise a number of activities including the following:

- i. Establishment of a Poverty Eradication Unit, training/ recruitment, provision of technical assistance, monitoring and evaluation, and poverty analysis.
- ii. Involvement in development of an interim PESP.

Outcome 5: Increase Production to Enhance Food Security by 50 Percent

30. There are several livelihood systems in the Three Areas, including agro-pastoralism, transhumant pastoralism, agro-pastoral- fishing, and trade. The key policy focus will be on promoting rain-fed farming; livestock; fisheries; forestry; bio-diversity and wildlife conservation; institutional reform in mechanised farming; land tenure reforms; marketing reforms; rural credit; small scale agro-business, small agro-processing industries, traditional handicraft; and plant protection and storage systems.

31. Productive capacity has been eroded during the prolonged war. Training, access to finances and a conducive policy environment are extremely important factors to improve livelihoods and build a stable economy. Differences in areas need to be taken into consideration

during planning e.g. the number of returnees, the variety of cultural backgrounds, and the variety of agro-ecological zones. It is important to develop an open and fair economy that allows for equitable growth and wealth creation for its citizens. The role of government is to develop a poverty reduction framework, the rules and to promote predictability and security. Creating open approaches to improving the economy is known to lead to higher GDP per capita growth rates. Creating appropriate institutions that support this and overcoming vested interests are major priorities.

Outcome 6: Expand Access to Basic Services

Activities in the basic services include the development of the necessary institutional and staffing requirements to begin a first phase of policy development and coordination of basic social services and a second phase of social service provision. Particular interventions will include the following:

- i. *Education*: design of a school policy and curricula accounting for the unique ethnographic composition of the Three Areas, and particularly to appropriately phase common usage of English and Arabic for returning populations. In turn, priority activities include large-scale school building, purchase of textbooks, training and teacher recruitment.
- ii. *Health*: development of a health policy, establishment of a Health Information System for each area, start programmes for training and recruitment, expansion of primary and secondary public health facilities.
- iii. *Water*: the focus will be on the creation of an integrated water management system increasing availability (for example by way of dams and reforestation) and access to water by protecting wells, boreholes, and water yards. In turn, mapping of current capacity, training and provision of technical assistance, drilling and rehabilitation of boreholes, renovation of water yards and sanitary blocks.

Outcome 7: Infrastructure Expansion

32. A major infrastructure programme is needed to link the Three Areas together by all weather highways and to the Northern and Southern States. Internal all-weather link roads along main routes are also needed, as well as renovation of urban power and water systems as well as key airstrips.

33. Investment in infrastructure in the Three Areas will be a critical priority, particularly as road and rail will act as 'connectors' between the North and South and within the Three Areas themselves. Funding in general will have the direct benefit of increasing access to basic human services such as water supply, electricity or transport. In turn, such investments will create employment, for example by way of public work schemes, and by generating commerce and productivity.

34. As in the South, infrastructure in the Three Areas is almost completely lacking. The only exception is in areas around major oil development. Key objectives will be the building and renovation of key inter/ intra state roads (350 km paved by Phase II), building of bridges (100 by Phase II) and the renovation of three airstrips – which will be supported by the arrival of the UN peace-support mission. Greater access to basic services will be increased particularly in urban areas with development of urban power and water in the state capitals.

Outcome 8: Sustainable Returns

35. All displaced populations who wish to do so, have returned to areas of residence and reintegrated into home communities, have sustainable livelihoods and access to basic services; ex-combatants have been demobilised and are supported with effective vocational skills, equipment and guidance to support livelihoods; the most vulnerable groups are provided with

sufficient protection and economic support to allow them to establish functioning livelihoods including the removal of mines and unexploded ordinance.

36. Reintegration of war-affected populations in the Three Areas will be critical due to the high level of displacement, the impact of the civil war and the high degree of militarization. The key components of support to return, demobilization, mine action and community recovery are outlined in Cluster 7 of the JAM, the GOS/SPLM Urgent Needs Document of October 2004, and the UN 2005 Work Plan. The overall goal of the component is to help ensure the sustainable integration of displaced populations and ex-combatants in the communities to which they return, resettle, or in which they chose to integrate throughout Sudan. Projected returns and movements for the Three Areas are set out below.

Table 9. 2: Projection of IDP and Refugee Movements in the Three Areas

Category of Displaced	Current Estimate	Changes 2004	2005	2006	2007	2008-10	Remaining Displaced	percent Overall Return
<i>From Three Areas</i>								
-In Three Areas	300,00	(27,000)	91,000	72,480	54,124	-	54,586	80
-In South	130,00	-	30,600	29,820	29820	26,758	13,002	90
-In North	510,000	(113,000)	30,600	73,280	57,964	36,640	198,156	50
-Refugees	50,000	-	17,000	16,500	11,501	-	5,000	50
-Sub-Total	990,000	140,000	170,000	192,080	153,409	63,398	271,112	68.1

Outcome 9: Improved Information

37. Data and information institutions should be established that enable collection and analysis of key data, to monitor and evaluate progress towards poverty reduction and peace building. A disaster early warning system is needed together with a rapid response mechanism.

38. Activities will include the census and popular registration which will be critical for a number of key processes including state and council elections and the referendum in Abyei. Communication and public dissemination programs will be important for returning and resettling populations. In turn, a common monitoring and evaluation system will play a central role in programme implementation by assuring regular review and appropriate decision-making. Civil society and governmental leaders will be major players in ensuring the programmes' responsiveness to citizens and their realities on the ground. The monitoring system requires involvement of all relevant stakeholders, including community members, their leaders, government staff and the international community.