Country Report: Sudan

June 2006
At the invitation of Mr. Salva Kiir, the First Vice President of Sudan and the President of the Government of Southern Sudan (GoSS), we visited Juba from 16th to 22nd February and Khartoum on the 23rd February. Mr. Kiir graciously chaired a special session of the Cabinet, State governors, and members of the National Assembly, where a presentation was made on the key challenges facing the GoSS and some suggested approaches for addressing these challenges, followed by a wide-ranging discussion. We then met with a number of Ministers, where in closed sessions specific challenges were discussed and possible mechanisms for dealing with them were proposed. We also met in a specially convened meeting with Under-Secretaries, Director-Generals and Directors of a large number of ministries where a presentation on good governance was made followed by a wide-ranging discussion on challenges as seen by members of the civil service.

We met with the UN Coordinator for Southern Sudan, to gain an understanding of modalities of coordination, and the key risks and challenges in Southern Sudan. The Coordinator then kindly convened a special meeting of a range of UN officials, where in a structured discussion, opportunities and challenges were identified.

The World Bank's Country Director for the Sudan was in Juba at the time and engaged in extensive discussions with us throughout the visit. We met with Bank-appointed officials managing the Multi-Donor Trust Fund, and also held discussions with some of the consultants appointed to help GoSS. A presentation was made to a number of donors during a meeting of the International Oversight Committee of the Multi-Donor Trust Fund, on the context and key challenges that need to be focused upon to promote the creation of effective government institutions. Bilateral meetings were held with the USAID country representative and representatives of the Government of Norway. A representative of the LICUS unit in the World Bank facilitated the visit and accompanied the team for many of the meetings.

At the end of the mission in Juba, a presentation to Mr. Kiir was made on the five key issues facing GoSS that are critical in the short term but also foundational for the medium to long term, with recommendations as to the actions that need to be taken.

In Khartoum, his Excellency the Ambassador of Norway, in partnership with representatives from the Government of National Unity, convened a special meeting of a large group of international stakeholders in Sudan to discuss the implications of the Principles for Good International Engagement. In this meeting, a presentation was made on the context, challenges and the type of strategic framework that could assist in making aid more effective for the people of Sudan. We also met with the IMF representative and the World Bank manager of the Multi-Donor Trust Fund.

While separate briefings and notes were provided to particular stakeholders, including a report to the President of Southern Sudan, this report is intended to serve as an overview of key issues discussed and analyzed, concluding with an analysis of the particular challenges faced by international actors in Sudan.
Scenarios for Sudan's future

Scenarios are probabilistic projections of possible developments in the future. Their chief value is to heighten attention on trends and to understand the drivers of change, to alert decision-makers to both adverse and positive developments early on, so that appropriate policy responses can take place. A peace agreement usually provides an open historical moment, where the future can be radically different from the past. Such moments are short in duration, usually lasting one to two years. The key characteristic of such moments is that in risky environments, the balance is on the side of opportunities rather than risks, provided that risks are clearly understood and approaches for risk management devised. In June of 2005, we delineated the following three scenarios that still retain their relevance. These are reproduced below:

(1) A prosperous and stable Southern Sudan
If this vision were to be realized, the state of Southern Sudan in six years would be characterized by a predictable system of decision-making, where issues that require political leadership are separated from those that require management, and the two are linked through processes of monitoring and clear accountabilities. The driver of this scenario will be the combination of the assets of political, institutional, natural, social and financial capital, through a coherent strategy that is underpinned by the creation of financial and governance institutions, and inclusion of the citizenry in both the government and the economy through an ambitious strategy of human capital formation. To avoid the fate of most oil-dependent countries, this scenario will depend on centrally addressing the question of corruption through both systemic measures in the area of financial management, accountability and putting all expenditures on the budget. Transparency in award of contracts, whether for services or for licenses, and commitment to investigate and prosecute cases of corruption would be essential to establishing the reputation of Southern Sudan for integrity and rule of law. Another mechanism would be to bring the aid management process within a well-coordinated and coherent framework of priorities.

(2) A stalled government
There will be visible progress on the surface on some aspects, such as some infrastructure being built and some services delivered, but the institutional arrangements to maintain momentum generate prosperity and predictability would not be in place. As a result, different parts of the government will be pursuing different agendas with different sets of donors, NGOs and private sector interests. Major decisions will take a long time to make and would be difficult to implement, because the government would be internally fragmented. In this scenario, human capital formation would slow down, and dependence on external agencies and technical assistance would increase. Many parallel institutions would exist in the country in the form of NGOs and UN agencies, whose financing would decline over time as donors moved onto the next crisis. The bureaucracy would balloon consuming the resources of oil in recurrent costs. Decisions on development expenditure would be arbitrary, responding to perceived crisis, and implemented in costly and ineffective ways. Commercial interests from neighboring countries and large firms would be the driver of the use of oil, pushing the design and implementation of projects that may not be suitable for the country. Budgetary systems would be fragmentary both internally and the donor assistance would be opaque handled.

(3) Escalation of violence and collapse
The above two scenarios are premised on the assumption that key actors will abide by the terms of CPA. All actors are extremely aware, however, that there are significant interests in the country
that are not aligned to the success of the CPA. Whether and how the Darfur crisis is handled will have major implications for the evolving situation in Sudan, as will other key political interests among key political players in Khartoum. There is therefore a risk of further violence in the East, the West, and potential violent activity in the Nuba Mountains, Southern Blue Nile and Abyei, and militia activity in the South. This fragmentation-scenario can only be avoided by firm commitment by the parties to the CPA, and not the least by all political forces in Khartoum. Consequently, the risk of crisis and further violence is always present, but this is an issue that the SPLM and their partners in GoSS are keenly aware of and are focused on. This will therefore not be further addressed here. Nevertheless, the lack of progress and service delivery, no visible signs of a peace dividend may fuel tension and violence, and become quite handy weapons in the hands of those who want to undermine sustainable peace. The developmental choices that are being made are therefore of significant relevance to the success of the implementation of the CPA.

Implementation of the CPA

The new institutional architecture has proven resilient in the face of its first shock. Dr. Garang's tragic death and the ensuing loss of lives during riots could have unraveled the entire peace process. Rapid consensus on the leadership of Salva Kiir, his assumption to the First Vice Presidency of Sudan and the Presidency of Southern Sudan, the establishment of GoSS and the flow of revenues to the South are indications of commitment to the new political process by critical stakeholders. To consolidate the chance of realizing the first scenario, the challenge now is to create institutions that would be able to guide the country through the agreed-upon benchmarks of the CPA and to deliver the peace dividend to the people of Sudan. Darfur and East Sudan continue to threaten the process of stability and it is hoped that political resolutions to these conflicts can be arrived at quickly.

Adherence to the spirit and letter of the CPA requires a fundamental change in language and mental models and commitment to a process to generate increasing trust. The SPLM/A is embarking on a process of transformation from a guerilla movement to a government. While language of a guerilla movement is about resistance, language of governance is about rule of law and adherence to processes of accountability and transparency to satisfy the aspirations of its citizens. The Government of National Unity (GNU) has an equally difficult transition to face, for it has to change itself from being a security-oriented organization dedicated to repression of resistance through violence, to acceptance of its former adversaries as partners in a political process dedicated to the creation of one country with two systems. For each of these entities, the magnitude of change required is similar to that of the transformation from command economy to a market economy in the former Soviet Union. There are likely to be frequent misunderstandings and even crises; key to the success of the process is commitment to resolving the differences through a political process and the deepening of communication between the leaders and the citizens.

Financial management and economic diversification

As rent from oil is going to be the dominant source of income in the short run, the system of governance will be heavily redistributive. Government decisions over allocation of resources will
make the critical difference to both groups of people and spatial areas of the country, thereby generating either hope or resentment. As rent-based polities have historically suffered from corruption and mismanagement, it is essential that effective systems for decision-making on the budget, transparent financial management, and effective expenditure are rapidly put in place. Given the extent of rent available, proportionate to donor resources, moving rapidly to create these systems will make the crucial difference to poverty or prosperity of Sudan's citizens. A set of initial steps for the creation of transparent and accountable financial management institutions was described in separate briefings. In the immediate term, the creation of a Single Treasury Account and a transparent system for management of the reserves are goals that developmental partners should focus on.

Important for the medium to long term will be a strategy of diversification of the economy. Sudan is the only country on the Nile basin that can increase the flow of water into the Nile, thereby affecting its neighbors; its agricultural potential is vast, its forests rich, and its mineral wealth is yet to be fully documented. As the largest country in Africa, peace in Sudan could yield an enormous dividend for its neighbors, as historical evidence demonstrates that resumption of peace in a country can contribute 1 - 2% to the rate of growth in neighboring countries. The case of Dubai illustrates the possibility that oil revenue can be used for launching a developmental path through a truly diversified economy. A critical challenge for domestic and international partners will be to use resources as a catalyst to lay the basis for a diversified economy: the challenge of developing a market is immense and requires innovative thinking.

The humanitarian context

In the short term, the humanitarian situation arising from years of prolonged conflict and ongoing conflicts in different parts of the country requires sustained attention. Millions of internally displaced people and refugees living in neighboring countries are likely to move back to their places of origin or return to the country. Such movements, unless managed, could lead to exacerbation of local disputes over scarce water and land, thereby leading to conflicts among groups. Security, therefore, is inherently tied to the provision of opportunities to people in general and young men and women in particular. Sudan offers an opportunity where the root causes of food insecurity can be dealt with through imaginative approaches to increasing production and the creation of market conditions for the transfer of goods from areas with a surplus to areas with a deficit. Viewed from this angle, attention to the transport network, particularly the improvement of river transport and rehabilitation of the railway could have immense benefits for the sustainability of growth in rural areas. Food aid needs to be handled with care as some Sudanese stakeholders are voicing concerns that injection of large volumes of food aid are making it uneconomical for farmers to harvest their crops. On the other hand, it needs to be understood that an estimated 2 million people are going to need assistance during 2006.

Establishment of mechanisms where communities can become directly linked to the government through the provision of block grants based on clear criteria for electing leaders, adherence to criteria of accountability and transparency, and management by delegating decision rights to the local level could be an important vehicle for pre-empting local conflicts and laying the foundation for the delivery of services. Examples of programs in Indonesia and Afghanistan could be examined for tailoring to the context of Southern Sudan as a program is already underway in the North. Such
a program could begin with a pilot in one or two of the States where the internally displaced and refugees are returning in large numbers.

Provision of infrastructure

Provision of infrastructure in the South is going to be a litmus test of the credibility of the CPA and GoSS, as the absence of infrastructure has been one of the key indicators of feelings of deprivation and exclusion. While JAM has laid down ambitious goals in this area, for the period 2006-2011, the feasibility studies on the basis of which decisions on the best options ought to be taken are not yet in place. Sudanese and international stakeholders are also yet to agree on mechanisms of delivery, making trade-offs between time and cost through using foreign contractors or building the capability of Sudanese private and non-governmental sectors. Addressing this challenge requires the creation of a project design facility, where feasibility studies could be undertaken, projects prepared, and contracts tendered. Such a facility would ensure that a pipeline of projects was prepared sufficiently in advance to ensure credible expenditure of the rent. Options to ensure both internal economic integration as well as regional integration through the design of infrastructure programs should be fully explored. For example, UN logistics officials are indicating that Port Sudan is the critical point of delivery of goods to Southern Sudan and upgrading the port’s facilities could help improve the efficiency and lower the cost of delivery to all parts of the country.

Mobilization of supplies for infrastructure is particularly urgent in the case of Southern Sudan, where the wet season renders construction either difficult or impossible. As the effective period of construction of infrastructure is limited to the six months of the dry season, this critical seasonal factor should be taken into account in the design, contracting and mobilization of contractors in all projects, otherwise delays will be inevitable and funds will have to be transferred every year from one budget year to the next.

Creation of government institutions in the South

A government is a series of organizations, divided across functions and levels of governance. Its scope and modality of activity is defined by a set of rules, which constrain and empower its staff to act. Agreement on these rules, in the form of one or a series of laws, together with regulations and procedures set out in manuals, is the pre-requisite for establishing governance institutions.

The creation of systems of governance in Southern Sudan entails a choice; either all the laws, regulations and manuals of procedure that provide the nested hierarchy of the rules has to be approached as though operating in a Greenfield site and designed anew, or the system of rules and regulations that were in force between 1956 and the early 1970s could be reviewed, and rapidly adapted for current usage, and then modernized gradually. Each approach entails benefits and costs. What is critical is that the decision on the approach to be adhered to needs to be made rapidly, as otherwise the perception of a legal vacuum could exact a toll on accountability and transparency in the use and allocation of resources. Care must be taken to ensure the coherence of the rules and that there is alignment from the constitution, through laws and regulations, to the manuals.
Establishment of an effective payroll and payment system has become urgent in the South, with payment of the SPLA a prerequisite for formalization and payment of the regular civil service. Establishment of pay stations where men could be paid directly by the government could be the first step in regularizing the process. Support from the UN mission for transport and security protection for such payment systems could be considered. A retina-based biometric ID card system initially for soldiers, but then more generally for civil servants, could make a significant contribution to the minimization of the problem of ghost workers or existing workers drawing multiple salaries which is a common problem across weak states. In the slightly longer term, establishing a payment system that pays individuals directly from GoSS, where individuals have personal identification and a means of receiving salary either in cash or through an alternative payments system, would be important.

Investment in people

Making government systems central to the implementation of the CPA and the recovery of Sudan's public and private sector institutions requires investing in its people. An impressive quality of human capital is evident at many levels of the government. A process needs to be tailored to the context, building on this valuable human capital with approaches to enhancing this capability. Extreme care should be taken that the best of the government–actual or potential–staff are not recruited into support positions in the international community.

At the same time, an approach to expanding rapidly the pool of professionals committed to working in Sudan must be devised. The quality of the civil service and private sectors could be considerably enhanced by the selection, on a merit basis, of a large number of young Southern Sudanese to be entered as soon as possible into training courses. While feasibility studies are under preparation, a pool of personnel to manage the projects under preparation could be trained. Management, financial management, oil management, audit, accounting, law, administration, engineering and forestry management are some of the skills where short courses for large numbers could result in large pay-offs. Such courses can be organized in a decentralized way, within or outside the country, as long as certification and monitoring of standards are established in a well-coordinated manner. Taking the decision to establish such a mechanism in the next two months would have immense implications for the increase in absorptive capacity in two to three years’ time. Failing to establish such a mechanism will hamper the ability to implement a reconstruction program.

Implications for international actors

Sudan poses a unique challenge to international actors. Rent from oil means that the traditional modalities of relations between donors and a recipient government are not appropriate to this context, as decisions over allocation of revenue from oil and other sources of revenue are going to be far more significant than resources derived from the donors. On the other hand, the magnitude of the humanitarian issue and the high expectations aroused by the CPA require rapid decisions and action on provision of basic services.
If the international actors are to become long-term partners to the people of Sudan, they need to reflect seriously on lessons learned from other contexts over the last 60 years, and explore adoption of innovative mechanisms that flow from the recently adopted principles of good international engagement adopted by the DAC committee of OECD. Creation of parallel organizations, giving rise to two bureaucracies, compensated on a very different basis from each other, is one of the inadvertent but inevitable consequences of an aid system that does not focus on enhancement of the capacity of government staff and does not take internal governance processes seriously. Such a system results in a brain drain from the government, the private sector and the non-governmental sectors to the international bureaucracies, usually in menial or support positions. When the international bureaucracies does not have clear merit-based criteria of hiring, delivery of outputs and accountable and transparent systems for use of resources, it gives rise to resentment and accusations of double standards. Civil servants in the South and prominent Sudanese academics in Khartoum raised concern over the qualification of hundreds of international consultants and staff, and argued that some of the international actors persist on either ignoring the government or treating it as a necessary inconvenience.

Substitution for government functions can have both positive and negative effects. Dubai’s case illustrates that highly qualified international staff, that are paid competitively, reporting to government and working within the context of a government-managed developmental strategy, can deliver enormous benefits. Technical assistance that is supply driven and does not have quality controls, on the other hand, can result in fragmentation of systems of governance, undermining or further diffusing accountability.

The key innovation that is required in the context of Sudan is to reach a consensus on the centrality of government systems and then having the patience and perseverance to base interventions on this consensus. Whether agreement on one set of procurement rules, reporting modalities and use of government budget as a central instrument of policy-making and trade-off can be adhered to, are critical indicators of commitment to this approach.

Through creating the MDTF, donors have taken a major step in translating their adherence to the principle of harmonization into practice. However, they are yet to agree on two to three medium to long-term priorities that the MDTF could become the instrument of realization. For instance, if MDTF were to become the key instrument for creation and promotion of systems of good governance, then it would need to be staffed accordingly. Or should the goal of MDTF be presentation of key options and prepared projects on infrastructure, and producing options for a diversified economy, then its operating rules and staffing would be different. The other major option for the use of MDTF, along the lines of Afghanistan, could be creation of a system of a series of joint programs, which once the program architecture is in place, are scalable according to the populations needs and the funds available. Adoption of one or all of these points of focus requires rules and procedures and manuals that are tailored to the context, and do not invoke the operating rules of the World Bank on a default basis.

International engagement is not limited to provision of funds. Every one of the international stakeholders can bring to the table a different resource necessary for the success of the CPA. The most important of these resources is commitment to remain engaged for the medium to long term period that the transformation of Sudan requires. In order to reap maximum effect from the engagement of international actors, a division of labor in terms of the areas of comparative advantage based on the rules and procedures of an organization or government. Avoiding misunderstanding and creation of a climate of mutual trust requires that the time period for
processing assistance in each of the relevant organizations be clearly explained to the Sudanese counterparts and that international actors cohere around a strategy that would ensure sustainability in the medium to long term.

UN agencies and NGOs face the challenge of becoming models of good governance themselves. To avoid perceptions of opaqueness, it is essential that donors require both UN agencies and NGOs to adopt a transparent process of yearly budgeting, and agree to auditing of their accounts by independent auditors and disclose the costs and effectiveness of their operations to all other stakeholders, particularly the people of Sudan. The assumption that NGOs are equivalent to domestic civil society needs careful examination, and the impact of the growth of the NGO sector examined from a political economy perspective.

While substitution for government functions by external actors might be necessary in the short term, a clear exit strategy should be established for when execution and responsibility for these functions should pass to the government, together with criteria for when the transition should be made. Where external actors receive resources for delivery of functions in the short to medium term, the organizational locus of responsibility to citizens on a territorial or population basis, together with unit costs for delivery of those services, should be made explicit to the citizens.

In our discussions with government officials, we have repeatedly returned to the theme of management of time, and clarification of levels of decision rights. We have argued that GoSS will need to make two decisions a month to ensure attention to medium to long-term sustainability, and that each of these decisions should be based on thorough preparation of options and analysis of likely consequences and degree of risk and implementation. We have recommended that at least 50% of the calendar of the President of Southern Sudan and 50% of the Cabinet of GoSS be determined one year in advance, with the remainder available for urgent issues and dealing with the likely crises that will require rapid decision. Dealing with the international community entails considerable transaction costs for Sudanese officials, as a flood of delegations discussing the same issues repeatedly make their appearance. If Sudanese officials are to focus on the critical tasks facing their countries and follow up implementation of their decisions, it is essential that international actors reduce the transaction costs for dealing with them. For instance, a set of papers on progress on key issues could situate everyone, so the ceremonial and substantive are separated. Use of joint missions on key topics at suitable intervals could help reduce transaction costs.

Conclusions

The high expectations of the population cannot be satisfied in the short term. Coordination between Sudanese officials and their international partners must focus on lowering expectations through an approach that enhances the effectiveness and efficiency of delivery, while explaining that gaining momentum requires a lot of invisible work before visible results in the form of infrastructure and services can be delivered. Sequencing is critical to translating the desires of the population and their government to meet them into feasible action and credible processes. In our findings we have focused on the sequence of decisions that need to be taken in the next four months. It is now essential to map out a process that focuses at any one time on a limited number of actions and organizations that form the critical path to the creation of effective institutions.