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**Sudan Regional  
Finance and  
Planning Project**

**Final Report**

Contract No. AFR-0012-C-00-1024-00  
Project No. 650-0012

September 30, 1984



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# SUDAN REGIONAL FINANCE AND PLANNING PROJECT

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Attached herewith is the final report for the Sudan  
Regional Finance and Planning Project.

On behalf of the DAI team, I should like to take this  
opportunity to express our appreciation for having  
had the opportunity to participate in this important  
and challenging project at this particular time in  
Sudanese history.

*David G. Edens*  
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cc: Dr. Osman Mohamed Osman  
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OVERVIEW OF PROJECT ACTIVITIES

## OVERVIEW OF PROJECT ACTIVITIES

### INTRODUCTION

The Sudan Regional Finance and Planning Project (SRFPP) evolved from the Rural Development Planning Project (RDPP), thus an adequate understanding of the background of the present project requires some knowledge of its antecedent.

On September 26, 1979 the Government of the Sudan (GOS) and the United States Agency for International Development (USAID) signed the project grant agreement for the RDPP (AID Project No. 650-0012). The project's purpose was to strengthen the capacity of central, provincial and local government to plan for provincial development; its ultimate goal was to increase the development impact of provincial projects on the Sudanese rural poor. At the provincial level of government, investigation confirmed that the development planning process was constrained by inadequately trained staff, functional weakness in project development and appraisal, and lack of appropriate and timely planning information.

The RDPP was designed to attack these major constraints simultaneously. Special training teams drawn from Sudanese educational and research institutions would provide short courses to provincial planning staffs, and others in development planning, on the project cycle, and related subjects, as well as conduct the basic research needed to generate an adequate data base for planning. In addition, formal training in regional planning, including one year diploma courses in Sudan and two year M.Sc. programs in the U.S., would be offered. To assist in these efforts, a U.S. contractor would provide four long term technical advisors and a variety of short term advisors on such subjects as training curriculum, research methods and development programming. As the work progressed,

the lessons learned in the North Kordofan, Blue Nile, and Bahr El Ghazal and Lakes target provinces would be spread to other provinces by such means as visits by Sudanese assistance missions to planning offices, special workshops in other provinces and concentration on development projects in pilot provinces that could be replicated efficiently elsewhere. To achieve these objectives, \$6,432,000 were obligated to the project, of which \$2,000,000 were to be provided by USAID and \$4,432,000, mostly in PL 480 Title III funds, were to come from the GOS.

In March 1980, Development Alternatives, Inc. (DAI) submitted a technical assistance proposal for implementing the RDPP to USAID and discussions continued into 1981. On November 3, 1981 a contract to assist the GOS by strengthening its capacity to plan for provincial development was signed by USAID and DAI. The DAI chief of party arrived in Khartoum the same month.

It is important to note the elapsed time between the signing of the project agreement in September 1979 and the beginning of implementation in November 1981. Because of legal, institutional and other changes that occurred in the interim, this two year delay meant that much of the project's design and conceptual basis was outdated when implementation finally began.

The Regional Government Act of 1980 provided for the consolidation of existing provincial administrations under six regional governments. The number was increased to eight in 1983. The creation of this new layer of government, with legislative and executive power, and its own bureaucracy, represented a substantial institutional change between the conception of the RDPP and the start of its implementation. Furthermore, the economic situation had worsened. Mounting deficits and rapid monetary growth led to inflation, growing balance of payments deficits, currency depreciation and increased foreign indebtedness. The need to reduce spending and

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control monetary growth meant that the subsidies upon which the new regional governments were heavily dependent could not be continued indefinitely and that ways would have to be found to make subnational government more self-reliant. In recognition of these changed conditions, the RFPP was reconstituted to become the Sudan Regional Finance and Planning Project (SRFPP). The amended project agreement was signed September 19, 1982.

#### SCOPE AND METHOD OF THE SRFPP

With the 1982 amendment, the scope of project activities was greatly widened to include regional finance, and the use of model projects as a training device was given expanded emphasis. The target areas were redefined to include all of Kordofan and the large Southern Region. Goals, purposes, inputs and outputs also became proportionally more ambitious.

#### Purposes

The redesigned project was intended to:

- increase the capability of the Kordofan and Southern Regional Government to direct and fund their activities through improved revenue generation, budgeting, financial management and project development; and
- support GOS efforts to establish a functioning structure of decentralized public administration and a decentralized public services delivery system.

The SRFPP was seen as the first step in a long term program to strengthen the administrative and financial capacities of regional government, to increase their capacities to plan and manage their activities and to provide services for their constituent populations.

#### Goals

The long term goals of the project were:

- to help the regional governments become more autonomous; and
- to increase the development impact of regional projects.

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To achieve these goals the project would strengthen financial systems by improving record keeping and budgeting procedures, increasing the capacities of finance departments, and improving information on the revenue base. Research would include consideration of the relative merits of alternative revenue systems and budgeting practices. On the planning side, the project would improve the process of project identification, design, appraisal, selection, implementation and evaluation.

At the time the agreement was expanded to include the finance component, the UNDP was providing assistance to financial management in Juba and for this reason the SRFPP would focus its financial capacity building activities on Kordofan and the coordinating units of the central government. As in the original concept, however, it was thought that the lessons learned in the target regions would eventually be applied to all regions. Project implementation would be the responsibility of the Directorate of Regional and Local Development (DRLD) and the regional planning departments, with assistance from the resident advisors.

### Inputs

To achieve their purposes, the parties agreed to provide resources worth up to \$10,927,000 of which USAID would provide \$2,500,000 for foreign exchange costs and the GOS would provide \$8,427,000, from PL 480 Title III funds. In kind these would take the form of:

#### Training

- Formal Training: Up to 12 persons to be placed in M.Sc. degree programs.
- Nonformal Training Abroad: Up to 12 persons to be sent to short term courses in the U.S.
- Nonformal Training in the Sudan: Through contracts with Sudanese training institutions, the SRFPP would provide short courses on topics related to basic

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record keeping, budgeting, financial management, revenue management, and planning.

### Research

- Through studies conducted primarily through Sudanese consulting firms and institutions, with assistance from U.S. short term consultants and resident advisors, the project would support the region's efforts to improve the quality of both planning and development projects. In the area of finance, actual and potential revenue sources, intergovernmental fiscal relations, and the cost effectiveness of various taxes would be studied.

### Outputs

#### Skills

- Training for approximately 200 persons from Kordofan and the Southern Regions, and the central MFEP in planning;
- Training for approximately 600 persons in budgeting, finance and revenue collection would be provided by the project.

#### Systems

- A basic format for recording regional revenues and expenditures would be established by the project, which, when consolidated, would provide an aggregate account for the regional level of government in the Sudan.
- Systematic record keeping of expenditures and revenues for all levels of government in Kordofan would be established.
- The budgetary process would be reformed in Kordofan so that budgetary estimates of receipts were based on the previous year's actual receipts, rather than on a much higher imaginary level.

- A procedure for apportioning central grants among the regions on the basis of population, per capita income and revenue effort would be established.

#### Model Projects

- Under the auspices of the SRFPP, an unspecified number of development projects would be designed, implemented and evaluated.

### IMPLEMENTATION

The implementation history of the SRFPP may usefully be divided into three phases. These phases are a function of the group dynamics of the principal representatives of the three parties: the GOS project director, the USAID project officer, and the contractor chief of party. The phases in question are: Stalemate, lasting from November 1981 to November 1982, Precarious Progress, extending from December 1982 to August 1983, and Rapid Progress, lasting from September 1983 to the present time. For better or for worse, the progress in implementation of the SRFPP has depended on the state of this tripartite relationship.

#### Stalemate

Although none of the original three are now associated with the project, and the full story is known only to them, the record shows that when the chief of party arrived in Khartoum in November 1981, he almost at once became embroiled in what one observer aptly called a "triangle of hate." This acrimony was already established when the first chief of party arrived, and thereafter the situation deteriorated rapidly. Workplans were prepared and discarded, courses were organized and cancelled as the infighting intensified. Without attempting to reconstruct the process, let it suffice to say that the Sudanese project director outmaneuvered his counterparts. The project officer was replaced in May and the chief of party was repatriated in August. In the course of this first phase, the

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project director attained several key objectives: he achieved complete control over LS project funds, he acquired veto power in the selection of short term consultants and gained access to the process of selecting a successor chief of party in Washington. Although effective control of the project was in the hands of the project director, he was in check by the prevailing circumstances. The project was at this time being changed from a purely planning project to one of finance and planning, and it was agreed that a new start in implementation would be postponed until the arrival of the new chief of party. At the end of the stalemate phase, only one training course had been offered by the project, a short course for planners from Kordofan in May and June of 1982.

#### Precarious Progress

The new phase began auspiciously. The second project officer was able to establish an improved working relationship with the project director and the new chief of party enjoyed several advantages in comparison with his predecessor. For one thing the GOS project director had participated in the selection process and had confirmed the choice. Secondly, the project director's dominant position in the project hierarchy was now secure. Finally, passions were spent and all concerned were anxious to get on with the work. This combination of players was short-lived, however, as the USAID project officer was transferred from Khartoum in December 1982.

With the arrival of the third USAID project officer, the time consuming process of establishing a working relationship began again, but this did not prevent some positive steps being taken. Workplans and budgets for the first half of 1983 were prepared in Juba and El Obeid for their respective regions, and a short course for the South was held in Khartoum and Juba in February - March 1983. These were followed by planning workshops in El Obeid and Wau.

In this period, the project officer and the chief of party developed a constructive working relationship based on mutual confidence and candor, but relations between the project officer and the project director may best be described as guarded. In the beginning, the new chief of party and the project director worked together on a cordial and collaborative basis, but this relationship gradually deteriorated. The main source of contention was the management of the advisory team. In the chief of party's view, the team should be the instrument of mutually agreed upon policy, whereas it appeared that the project director saw them as his to direct. This difference of opinion was exacerbated by residual hostility felt by the project director, on the one hand, and the Juba and El Obeid advisors, on the other. In the case of the Juba advisor, the tension involved in the situation was such that his effectiveness was impaired to the point that his withdrawal from the project was necessary. He departed Sudan in April, with his position being filled by the Wau-Rumbek advisor.

Under these circumstances, the relations between the project director and the chief of party continued to worsen, and the project was again on shaky ground. Another crisis point was reached in June, again over a personnel issue, and it was clear that the project director and the chief of party could no longer work together constructively. USAID took the position that either the chief of party should go, or the project director should go, or the project should be cancelled. It addressed the GOS in these terms, noting in doing so that the first option had already been tried. The GOS responded by removing the project director from the project and from his position as director of the Directorate of Regional and Local Development. There followed an interregnum, lasting into August when the new director took up his duties.

### Rapid Progress

The arrival of the new project director ushered in a period of rapid progress in implementation. Responsibility for regional project activities was shifted to regional officials and funds needed to implement work plan activities were released to regional accounts. An enlarged set of benchmark targets was established to guide project activities in directions consistent with project purposes. The process of developing regular channels of communication between the center and regional officials was begun. Arrangements were made for courses to be taught project sponsored participants by Sudanese training institutions and procedures were established for selecting candidates for U.S. training.

The details of the progress made in the past year are reserved for the next section, but it may be noted here that, in relation to the rate of progress of the previous 22 months, the improvement has been enormous. These gains were made possible by the coming of the new director. His arrival at last made possible a high degree of cooperation and collaboration, without which a joint endeavor such as this cannot succeed.

### Environmental Constraints

Aside from the management conflict that bedeviled project implementation for more than half of the DAI contract period, there were other impediments worthy of note. The major ones of these are briefly addressed below:

#### Contractual Limitations

After the new project agreement was signed to include public finance, the DAI contract was never adjusted to include responsibility in this field, nor was responsibility ever delegated to another contractor. The result has been lopsided implementation, with work going ahead in planning, but little being done in the field of finance. Yet finance at the regional level and lower is notoriously disorganized and chaotic. The project paper recognizes this and addresses itself to the problem very

well. By not implementing the SRFPP as a whole a strategic opportunity has been missed.

Without finance there can be no projects and planning will be a meaningless paper process. Finance and planning should be viewed as two elements in a generalized process of public resource allocation. At the regional level of government, trying to separate and treat planning without considering finance is analogous to giving a heart transplant to a man dying of cancer. Greater progress would have been made in planning, not to mention finance, if both components had been implemented in tandem.

#### Systemic Problems

The Sudan Finance and Planning Project presumes the existence of a framework of government, a cohesive institutional framework encompassing central, regional, area and village/rural levels of government. Neither does this exist in practice nor does the relevant law describe it conceptually. As a result the functions and responsibilities of government at different levels are not clear. Given the resulting confusion, regional government tends to assume responsibilities and absorb resources that more appropriately should apply to district or local government. There is also a lack of cohesiveness within regional government. There are able and educated people employed in regional and area council government, yet performance rarely seems to match capability. This is because of organizational deficiencies. Individuals and departments seem to be functionally isolated, rather than parts of an organized system. As a result, human skills are wasted and eroded by time. The lack of an integrated system makes the definition of individual responsibility difficult. Unless job descriptions accurately define what people are actually supposed to do, within and among the different levels of subnational government, an assessment of training needs will not be very useful as the basis of training programs, nor will the programs themselves necessarily address

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the real deficiencies. Thus the lack of organization has hindered the design of a cogent approach to training and blunted the effectiveness of the training that has been accomplished. This is not to say that the project's focus on training is misplaced. With rural illiteracy rates of 85 per cent or higher, almost any sort of training has social value.

### Overmanning

There is a tendency for government employment to become part of the welfare system, with government, in effect, becoming the employer of last resort. This is especially the case in the South. While this may have merit as a kind of social security system, it is disastrous in its effect on government efficiency. The effects are to greatly inflate chapter one in relation to the local tax base, overload government with unskilled employees, increase dependence on central government grants, and prevent the funding of development projects. The constant struggle to pay wages means that funds are drawn from other chapters to meet chapter one requirements, that equipment and maintenance are insufficient, that few projects are started and fewer are successful, and that high level officials spend much of their energies on grant negotiations with the central authorities, instead of building the capacity of their own administrations. Worse, it tends to mean that teachers and medical workers at the area and village levels of government go unpaid for long periods of time. Without their services, the quality of human resources will not be improved. In this setting, rational planning by even highly skilled practitioners will be difficult, if not impossible, and orderly budgeting will be challenging to say the least. The continuous call of chapter one on available resources has complicated the project's efforts in training, research, and developing model projects.

### The Security Problem

Beginning with the mutiny of the Bor garrison in May 1983, the security situation in southern Sudan has deteriorated rapidly.

Although Equatoria remains accessible, project activities elsewhere have become either difficult or impossible. Activities have never been extended directly into Upper Nile and only marginally into Bahr El Ghazal. Before fighting in the area made visits inadvisable, the project director, the project officer and the chief of party visited Wau and held discussions with finance and planning officials. As a result of this contact a work plan for Bahr El Ghazal has been written and approved, and funds allocated there for research and small self-help projects. Concerning the project's fund for Bahr El Ghazal, procedures were worked out whereby projects proposed by area councils would be selected and financed by regional officials, who would then be responsible to Khartoum project management for accounting for the use of funds and for reporting progress in implementation. The approach taken with Bahr El Ghazal represents a departure from the previous emphasis on middle size regional projects, as followed in Kordofan, and is an attempt to involve area councils with regional government officials in project preparation, while at the same time ensuring adequate accountability for the use of project funds. The Bahr El Ghazal format is seen as a model for small projects funds that were being set up in Equatoria and Kordofan as the end of the contract period approached. (The Bahr El Ghazal format is contained in the Second Quarterly Report, 1984.)

Both Bahr El Ghazal and Upper Nile are included in project training activities carried out in Juba and Khartoum. Their participants are included under training in the next section. Thus Upper Nile has received some benefit from the project by bringing their participants to other locations for training, but even so the project's impact there has been relatively slight. Bahr El Ghazal has benefited somewhat more, but neither have received the attention and funding provided either Equatoria or Kordofan. Thus the security problem has significantly constrained the reach of the SRFPP.

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## ACHIEVEMENTS

With the coming of the new project director, it was agreed that additional quantitative benchmarks would be useful as guides to activity and indicators of progress. Subsequently these were specified and are used here to appraise the successes and failures of the SRFPP. Actual quantitative achievements, compared with LOP benchmarks in Table 1, are discussed below.

### U.S. Dollar Funded Benchmarks

#### Long Term Technical Assistance

At the end of the contract period, DAI had supplied 101 months of 120 person months of authorized long term technical assistance. The reason for the shortfall is that the team was never brought up to full strength after the departure of the original Juba advisor. Had this position been filled, the achieved number would have been approximately on target.

For several months after the Juba position became open, plans called for using it to recruit a public finance or budget specialist, to be based in Khartoum, so that the finance component could be successfully implemented. When it eventually became clear that the finance component would not be awarded to DAI, that the present contract would not be extended and that the security situation in the South made assigning a fourth planner in the Wau-Rumbek area indefensible, the utilization of the open position lost its urgency. For a detailed accounting of both long and short term advisory person months, see Annex I.

#### Short Term Technical Assistance

With a shortfall of more than 75 percent, this resource was clearly underutilized. The reasons for this shortfall are:

- The opposition of the first project director to bringing in foreign expertise;
- The failure to implement the finance component, and

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Table 1. Quantitative Benchmarks

<u>U.S. Dollar Funded</u>	<u>Cumulative through Q<sub>3</sub> 1984</u>	<u>LOP</u>
<b>Technical Assistance</b>		
Long Term (person months)	100.7	120
Short Term (person months)	4.3	20
<b>Training</b>		
M.Sc. (persons)	4	6
Short courses (persons)	1	6
<b>Planning Research</b>		
Project Development Handbook (LS/\$)	1	1
 <u>LS Funded</u>		
<b>Training</b>		
Seminars and Workshops	26	12
Full Time Training (persons)	27	26
Total GOS Personnel Trained	406	200
<b>Research</b>		
Resources Inventory/Documentation Center	2	2
Training Needs Assessment	1	1
Project Development Handbook	1	1
Research/Studies Papers	9	9
Translations	5	13
Upgrading Institutions	4	2
<b>Model Projects: (Funding/Implementation)</b>		
Medium Scale	2	6
Small Scale	4	

- The length of planning and recruitment time requirements for short term technical assistance, as compared to the relatively short duration of the Rapid Progress phase of implementation, which was the only time short term technical assistance was feasible.

These factors taken together meant that only a fraction of the potential could be effectively utilized.

The experiences of the two DAI associates employed by the SRFP, Alton Straughan and John Wheeler, dramatize the uneven course of project implementation. Straughan came in the early months of implementation to conduct training needs assessments in the target regions, but his mission was aborted without substantive results because of a serious misunderstanding among the tripartite management as to the timing and the propriety of his consultancy. His contribution was only nine person days. Wheeler, on the other hand, came toward the end of the contract period and under much more propitious circumstances. Wheeler's task was to prepare a project development handbook. More about this in the research section below, but it may be noted that his consultancy was most fruitful and that his product has been well received.

#### Training - M.Sc. Programs

At the end of the contract period the SRFP had placed four candidates in planning related M.Sc. programs in the U.S., and had made a commitment to finance a fifth candidate, starting in January 1985. The four now enrolled are:

<u>Name</u>	<u>Institution</u>
Albert Doro	University of Pittsburgh
Fatih Ali Mohamed Siddiq	University of Wisconsin (Madison)
Moses Mabior Deu	University of Pittsburgh
Salah Abdel Salam Omer	University of Wisconsin (Madison)

The fifth candidate to whom a commitment has been made is Muawia Elamin Elahmer. At the end of the contract period,

his funded PIO/P had been prepared by USAID/Khartoum and he was in the process of applying for admission to several U.S. universities. As only six of the 12 M.Sc. openings provided by the project had been earmarked for planners, the achieved number of four, with a potential of five, represents a fairly good utilization rate.

The chief constraint on U.S. training has been the difficulty in finding people in positions related to project goals and purposes, with the necessary professional credentials, who at the same time can meet the English language requirements. Identifying eligible candidates has not been easy. Project guidelines for U.S. training require candidates to satisfactorily pass either the TOEFL or ALIGU exams and the majority who have taken these have not passed. Several SRFPP candidates for U.S. training have availed themselves of special remedial courses offered routinely at the American Center and on an ad hoc basis by Jeanine Toder in El Obeid.

The language requirement has been an especially onerous constraint for would-be short course candidates. By the end of the contract period, only one of six short course possibilities in planning had been utilized.

However, some additional U.S. training should occur in the period between October 1984 and the PACD of December 1985. In the last weeks of the contract period, the Director, Economic Development Institute, the World Bank was addressed concerning arrangements for the project director, Osman Mohamed Osman, to attend a suitable workshop between March and August of 1985. In addition commitments have been made to seek training opportunities for Mark NYikango, Abdalla Adam Hamdouk and Abdellahi El Tom and Hassan El Mirghani.

Mark NYikango is Director of the Industry and Planning Department, Upper Nile Region. Further training for this promising official could well generate net benefits for the

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regional government and people of Upper Nile for years to come. It is recommended, therefore, that NYikango attend Project Analysis for Agriculture and Rural Development (USDA-TC 140-2), May 6 - June 14, 1985 in Washington, D.C.

Abdalla Adam Hamdouk is one of the outstanding young officials in the Regional Ministry of Finance and Economic Affairs. Hamdouk has passed the ALIGU test with a score of 230 and is well qualified for overseas training. It has been proposed and agreed to by USAID that Hamdouk should attend the University of Wisconsin, Madison, in the Spring semester, 1985 as a special student. Arrangements to this end were begun in the final weeks of the contract period.

Hassan El Mirghani and Abedellahi El Tom have long been associated with the SRFPP. They play important roles in the DRLD, and they are part of the linkage that is forming between central and regional governments. The goals of the SRFPP would clearly be served by their receiving further training. Therefore, it is recommended that they attend the course: Project Planning and Evaluation, Institute of Training and Organizational Development, University of Pittsburgh, February 11 - April 5, 1985.

Thus, with these five possibilities in the wings, it is conceivable that SRFPP short course participation could rise from one to six by the PACD of December 1985.

#### Planning Research

Project Development Handbook Wheeler's handbook was finished in August and has been reproduced in English by the Ministry of Finance and Economic Planning under the title: Guidelines on Project Preparation for Local Development. The Guidelines were written with area council personnel primarily in mind, but it is expected to have application at the regional level of government as well.

This handbook is the centerpiece of the SRFPP's research effort. It outlines, step by step, in elementary terms, the procedures to follow in preparing small projects at the grass roots level. It represents the change of thinking in project management that has occurred with experience. Emphasis has shifted from time consuming and administratively demanding regional level, medium sized projects, to small, self-help projects at area or rural council level of government. Wheeler's Guidelines appropriately is written in clear, straight forward terms for officials at this basic level of government.

In support of Wheeler's effort, the technical advisors in Equatoria and Kordofan have assisted their counterparts in writing pro forma project preparation guidelines, for application within regional government, which provide a linkage to project development at the area council level. This is intended to encourage and make fruitful collaboration between regional and area council officials. Thus the SRFPP leaves behind in Kordofan and Equatoria the main ingredients of a local government project development framework. What is needed now is an intensive training effort in the application of the Guidelines, and the supporting regional pro formas, so that this conceptual outline may take on the substance of a functioning institution.

First steps along these lines are being taken. A special training course on using the Guidelines is to be given by the Development Studies Research Center (DSRC), in el Obeid, for Kordofan officials. In Juba, a Project Management Course, begun in late September by the Regional Accountancy Training Center (RATC), will use the Guidelines as a text. Thus a useful beginning in building a framework for local government project planning has been made in Kordofan and Equatoria; what is needed is a continuation of the work in these regions,



and an extension of the approach to other regions. To facilitate this, the staff of the DRLD is engaged in translating the Guidelines into Arabic.

LS Funded Benchmarks

Training

The SRFPP has exceeded its LS training benchmarks in each category, so that this element of project activity has been quantitatively successful. Qualitatively speaking, the project has been less than a resounding success, but the reasons for this are reserved for a critique in the final pages of this report. The main features of our training activity are summarized below:

LS FUNDED TRAINING

<u>Region</u>	<u>Participants</u>		
	<u>Long Term</u> (DSRC Diploma or M.Sc.)	<u>Short Term</u> (includes O-J-T)	<u>Total</u>
Kordofan	6	162	168
South	16	200	216
Center	5	17	22
Total	27	379	406

The details of these SRFPP sponsored courses are presented in Annex II.

## Research

Research Inventory/Documentation Center. In both Kordofan and Equatoria documentation centers have been established at project expense and the accumulation of books and documents is proceeding. In addition, funds for data collection and storage have been allocated to Bahr El Ghazal. Therefore, at the end of the contract period, two centers had been established, with the possibility of a third before PACD.

In noting this success, however, the lack of progress in inventorying planning resources must be mentioned. In the South nothing of significance has been achieved by the SRFPP in this activity and only faltering steps have been taken in Kordofan. Efforts have been made for over a year to get natural resource survey work started, but with few tangible results. The SRFPP has accepted the Kordofan view that survey work be left entirely to local management and LS 100,000 have been allocated to the region to support their efforts. But to date, progress has been slow because of disagreement among officials in Kordofan as to what is to be surveyed, and how. Recently a management organization has been set up, but it is becoming clear that outside technical assistance will be necessary if progress is to be made. The possibilities of collaboration with an FAO team already at work in the region and/or scholars at the University of Khartoum were being examined as the contract period came to an end. Although LS 100,000 in SRFPP funds have been allocated and LS 284,000 in total have been earmarked for this purpose, it is impossible to claim more than a faltering start has been made in resource survey work in Kordofan.

Training Needs Assessment. An important step in developing project preparation capacity at the area council level of government in Kordofan has been taken with the appointment of two project planning officers to the executive staff of each of the ten area councils. The SRFPP is committed to their training and to this end a comprehensive training needs



assessment has been prepared by Miles Toder, the Kordofan technical advisor. Based on a survey and evaluation of the target group of 20, and the professional tasks they are expected to perform, an eight months program, in collaboration with SAAS and the DSRC, is envisioned for their training in Khartoum. Toder's training needs assessment is included as research/studies paper number nine in Annex III of this report.

Project Development Handbook See the discussion above in the U.S. dollar funded section of this report.

Research/Studies In addition to Wheeler's Guidelines, the contract team has produced nine special studies pertaining to various aspects of finance and planning in the target regions. These studies also have relevance to other regions and could be of use in designing a successor project, should that be considered in the future. The nine special studies are included in Annex III of this final report.

Translations To date, translations have not been a significant project output. The major effort by the DRLD is the translation of the Wheeler Guidelines from English into Arabic. Other DRLD translations include Arabic into English translation of the Rashad Infrastructure Proposal, two different descriptions of courses offered by the Sudan Academy for Administrative Sciences, and an Introductory Study: Umm Rawab Area Council.

The situation, however, may soon change. The SAAS has proposed setting up a center for translating Arabic publications into English, and English materials into Arabic. This is one of several interesting innovations and research projects included in their recent proposal for a strengthening grant. The SAAS is one of several teaching institutions considered for upgrading with project resources and four others have been awarded funds. The proposed translation center has obvious merit and will be seriously considered by project management for funding before PACD.

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Upgrading Institutions

The purpose of the strengthening grants is to improve the quality of instruction in institutions that lend themselves to the purposes of the SRFPP. The institutions which have benefited from SRFPP strengthening grants thus far are the Regional Accountancy Training Center (RATC) and the Inter Regional Training Project (IRTP) in Juba, and the Development Studies Research Center (DSRC) and the Institute of Accountancy Studies (IAS) in Khartoum. The RATC was selected for a grant because it seemed well placed to serve the three southern regional governments with training in accountancy and administration. The IRTP, on the other hand, concentrates on training in the general skills needed by chief executive officers and their staffs at the area council level. Its concentration on training for area council personnel makes the IRTP an especially attractive alternative for financial support. In Khartoum, the IAS is expected to provide accountancy training for Kordofan officials and those southern participants who find, for one reason or another, that they cannot attend classes in Juba.

The DSRC, in Khartoum, offers a one year diploma program in planning techniques and project development. Under the terms of its strengthening grant, the DSRC will develop special short courses in planning and related subjects. The DSRC has agreed to prepare and offer special courses for training the 20 area council project officers referred to in the section on training needs assessment. Thus benefits are already accruing to the project from its grant making activities.

By mid September the process of strengthening grants had reached an advanced stage:

<u>Institution</u>	<u>Grants Committed (LS)</u>	<u>Grants Paid Out (LS)</u>
RATC	150,000	150,000
DSRC	175,000	75,000
IAS	175,000	160,000
IRTP	60,000	60,000

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Thus, in the closing weeks of the contract period, grant payouts reached LS 445,000 or 80 percent of commitments. With total commitments standing at LS 560,000, a SAAS grant of LS 150,000 to LS 200,000 would lift SRFPP strengthening grants to the three quarter million level.

### Model Projects

The lack of well prepared project proposals has been a continuous problem in implementing the SRFPP. The fact that this is the case is simply another indication of the massive effort in training that is needed if decentralization is to have a real chance of success.

The major project financed by the SRFPP is the Kheiran Rural Development Project in the Bara District of Kordofan. This project is based on the provision of 20 wells with 20 irrigation pumps to make water available to 120 farming units. Areas of cultivation will be 210 feddans in vegetables and 30 feddans in fruit trees. In full production, these cultivated areas are expected to yield 6.5 tons of vegetables per feddan per annum and to support a total of 1800 fruit trees. Integrated with this production will be 240 goats or sheep and 2400 hens producing up to 120 dozen eggs a day. The Kheiran Project is now in the final stages of completion, pump installation remaining to be done on somewhat more than half the wells, but all wells are now completed. It is expected that winter crops will be produced this year on some of the individual farmers' plots. The initial estimated investment cost was LS 250,000, but by the time it is complete SRFPP outlays for the project will likely range from LS 325,000 to LS 350,000. Farmers are expected to net approximately LS 2000 per year after they have paid back their equipment loans in the third year.

A second project, approved by the SRFPP for funding in the final weeks of the contract period, is the Juba Shops Project. When completed this project will consist of three blocks of 16 business units each. The SRFPP has agreed to finance one block of 16 shops as a pilot project for an estimated

cost of LS 190,000. If this experiment is successful, the remaining two blocks will be financed, so that total investment cost could amount to approximately LS 600,000. This project is to be situated on land owned by the Juba Area Council and should generate a small income stream for the council in the long run. This project is supported by the SRFPP because managing the completed blocks should be well within the capabilities of area council personnel, and thus it avoids the problem true of so many projects of management and technical requirements being in excess of the capabilities of local government officials.

The experience gained from the implementation of the Kheiran Project has led to a change of thinking in project selection. Most larger project proposals are not as well prepared or as promising as was the Kheiran Project. The Kheiran Project, a medium size effort, fully taxed the administrative capacities of the Kordofan ministries involved and probably overchallenged the capabilities of the Rural Water Corporation which was responsible for wells and pumps. The result has been a long investment period in which attention and effort were effectively absorbed by Kheiran, at the expense of other functions.

As a result of this experience, SRFPP interest and effort shifted toward microprojects, especially those containing an element of self-help. Proprietary interest at the local level is relied upon to compensate for managerial deficiencies at higher levels of government. In effect, small, simple, well understood projects, that local people are committed to, are thought to have a better chance of success than do larger, more expensive and technically demanding projects, conceived and designed at the regional level. The Guidelines, the regional project pro formas and the accountability requirements outlined in the Bahr El Ghazal workplan are all parts of what is intended to be a small projects selection and implementation process to be used by the SRFPP in 1985.



The new approach has already led to the financing of four small projects in Kordofan. These are essentially social service projects intended to improve health and education delivery systems in rural areas. The four and their cost are as follows:

El Baharia Dispensary	LS 25,200
Sodari District Hospital	10,207
Jikka Village Water Station	25,000
Kajarat Primary School	27,000
	<hr/>
Total	LS 87,407

With these four small projects, the SRFPP has committed itself to finance six projects in all, worth approximately LS 600,000. If the small projects approach now in place is successful, the total could very well exceed LS one million. In 1985 all workplans are to contain small projects funds to be allocated by regional project representatives to finance local, self-help projects.

#### A CRITIQUE

Looking back over the history of project implementation and achievements, it is clear that the targets that have been met are of the kind that money can readily buy. Passing out money is always easy, so grants to institutions have moved well ahead of the target level. And through buying into existing programs, total participant training has also exceeded its target by a wide margin. The project has been far less successful at achieving success in those areas that require human skills, experience and organization. It has required a definite change in tactics and emphasis to meet the model projects funding target, and, at the end of the contract period, fully implemented projects cannot consist of more than a couple of microprojects in Kordofan.

Although in quantitative training output the project has done well, the quality of this activity is less clear. Quantitative success has been achieved by utilizing existing training potentials and sending our participants to standard courses. Only in a relatively few cases have course contents been designed with particular people in mind. It would be a great improvement in 1985 for the SRFPP to concentrate on using its leverage on grant receiving institutions to design and offer courses for discrete groups and classes of participants, as has been done in the case of the 20 project officers from Kordofan area councils.

Training needs assessments ought to precede course design, but this is not as easy as it might seem in a regional and local government situation in which the 'real' system is not the same as the paper or official system. What people actually do is often very different from their job descriptions. Without an organized system, in which people are not sinecures but workers, training needs are hard to define. And without organization, new skills acquired through misdirected training will soon be lost through disuse.

All of this points toward the need for a systems approach to the decentralization question. Just as it was found that there can be no projects without finance, it is now equally clear that without organization financial management will be inefficient. The question of actual staffing needs in relation to tasks to be performed urgently needs examination. But this will not be possible without the responsibilities of each level of government being defined, in relation to its natural constituents and to each other. But answering these questions will not be meaningful without public resources being allocated in proportion to public responsibility. Thus any serious program commitment by USAID to decentralization should contain project elements designed to achieve:

- Consensus on the proper agenda of each layer of government, not in vague terms but in specific categories of services to be rendered.
- Tax reform to achieve resource allocation that conforms at least roughly to the services to be rendered and the administrative functions to be performed by each layer of government.
- Systems analysis to define the needed organizational framework for each layer of government.
- Training needs assessments and the design of training programs to meet the needs in finance and planning.

These basic steps are easy to recite but extraordinarily difficult to achieve, even in one or two regions. The experiences of the SRFPP contract period clearly show, however, that without dealing directly with these elements, real devolution of power will not likely be achieved in the Sudan. Since the creation of a working system of local government will be costly, perhaps the list should have begun with the proposition that the number of layers of government might profitably be reduced. But this is a political issue and thus well beyond the expertise of a technical assistance contractor.

David G. Edens  
Chief of Party

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FINAL REPORT ON PROJECT ACTIVITIES  
KORDOFAN REGION

FINAL REPORT ON PROJECT ACTIVITIES

KORDOFAN REGION

The purpose of this report is to describe project sponsored activities that have taken place in the last quarter of the project's life, and to summarize the accomplishments over the nearly two and one half years that the Regional Finance and Planning Project has operated in Kordofan Region. Combined with an analysis of recent events and emerging trends in western Sudan, a prognosis is provided regarding the likely future of decentralized development planning in the region.

PROJECT ACTIVITIES JULY THROUGH SEPTEMBER 1984

The final quarter of the Regional Finance and Planning Project was a period of rather limited accomplishments. Contributing to this was the fact that both of the Ead Holidays fell during this time, the planning advisor took some of his accumulated leave, and the process of project close-down including transfer of property, packing and arranging for shipment of personal possessions, and arranging for an orderly transition of ongoing project sponsored activities from contract advisors to USAID and GOS counterpart staff took up a great deal of time.

Nonetheless several significant events did take place, the most important of which was the launching of an effort to establish at the District Council level "planning units" intended to bring the process of development planning to the people and areas being affected. The program was initiated with an orientation workshop for the 20 men and women selected from the cadre of administrative officers serving in the Department of Local Government, Ministry of Administration and Regional Affairs (see Appendix I). Two persons were selected from each of the region's district councils to serve as the nucleus of the planning unit, being relieved of their present administrative responsibilities but continuing to function under the First Executive Officer.

The fact that only 12 of the appointed 20 individuals attended the orientation illustrates the difficulties with communication and transportation within the region, facts which must enter into the design and execution of the region's planning program.

Several outcomes from the orientation are noteworthy as they illustrate just how far the possibilities for a decentralized planning process have evolved within the region. First the Department of Planning showed a willingness to devolve responsibility to the districts in several key areas of planning, decision making, and implementation. The newly appointed planning officers were informed of their role in initiating project ideas, developing preliminary designs, and performing the initial analysis aimed at ensuring both the appropriateness and feasibility of planned interventions. Beyond simply acquainting them with the outlines of the 'project cycle', that orderly and systematic approach so often advocated as being a better way to plan and carry out projects, emphasis was placed on how resources for implementing such projects could be obtained. An alternative strategy was suggested where instead of literally running blindly after money and technical assistance as is so often done, an effort be made first to use more effectively the limited, albeit already committed development budget allocation from the regional government and from the districts' own sources of development funds, particularly the self help tax. To supplement this the planners were acquainted with the several foreign donor sponsored funds, the requirements for gaining access to those resources, and the most likely to be effective procedures for bringing those resources to bear on their districts' development problems.

Aside from pushing the planning of projects and responsibility for their execution to the districts, it was made clear that the entire matter of deciding development priorities and the future direction of development activities in the districts would be largely up to the districts themselves. Efforts would be made to break down the entire development budget, most of which is controlled by the regional ministries in

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El Obeid, to one based upon districts with the council's own priorities playing an active role in determining spending for development projects within its jurisdiction. And regarding the very small amount of funds which the districts presently have direct control over, it would be up to the districts to decide whether or not they will go toward investment or eaten up by current expenditures. However, it would be a legislative decision; not one made by the executive branch and not hindered by the application of complex yet generally acknowledged as ineffective 'safeguards' imposed by higher levels of government. A far more realistic model of the process of development budget formulation, review, and approval was suggested as the basis for devolving more responsibility and the resources needed to carry out those development functions to the districts.

Rather than continue the practice of development fund disbursement in El Obeid, the Department of Planning would begin to shift this responsibility to the district planning officers, sending them periodic installments for disbursement to projects that have been already agreed upon and that are in a position to be able to spend the allocated funds. Thus decisions concerning which projects are to receive how much and at what time would be made also at the district level in accord with local needs and priorities. Accountability for the use of development funds both within the executive branch of government and between the government officers and the locally elected representatives whom they serve, would be emphasized. At the same time, by building in the district planning officers into the process by which funds are disbursed, the planners would be formally included in the decision making process in an advisory capacity with a limited but unmistakable measure of authority. Fund disbursement at the district level would have two additional benefits. It would save on the enormous amount of waste that occurs when people from the districts have to travel to the capital to lobby for and receive development funds, and at the same time it would free the Department of Planning to focus attention on problems of regional significance rather than

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taking on the thankless task of having to allocate limited development resources to authorized yet seemingly unlimited projects.

The second outcome of some significance from the workshop was the realization of several organizational difficulties that needed to be overcome for the region's planning program to be able to operate effectively. The complexities inherent in working between ministerial boundaries as well as those of working between the district councils with their executive and legislative authority and those of the regional government were discussed. It was acknowledged that more than just good personal relations were needed to overcome these obstacles and that appropriate working relations based upon laws, administrative regulations, and a thorough understanding of these by all parties concerned was needed. Various interpretations of existing legislation were offered and discussed and a commitment made by the directors of planning and local government to continue to clarify these issues, educate the various government and elected officials involved, and where necessary press for changes and refinement in existing regulations and procedures.

The fact that planners must operate within this organizational environment was underscored, and that to operate effectively one must understand it and their particular role, responsibilities, and powers within that system. In particular, planning as a part of the process of public decision making, not something sitting outside of that process, was the third theme stressed during the week long workshop. The fact that planners have limited resources at their disposal, not only financial but, more significantly, of a coercive, persuasive, informational, and in many cases technical nature was discussed and suggestions made how to work in light of this reality. The rather unique nature of a planner's work, oriented toward the future rather than solving problems of a more immediate and seemingly pressing variety was also discussed, as well as the implications in terms of job satisfaction and their relationship with colleagues engaged in administrative tasks.

Few of the above themes are new or unique to a discussion of planning. What is perhaps most surprising is the level of discussion, the participation of the newly appointed planning officers, and expressing of competing ideas and views concerning these issues. The fact that the more technical aspects of planning work, the methods, skills and analytic techniques that ordinarily dominate training sessions were not awarded center stage is indeed unusual. Instead the framework within which planning is intended to proceed was debated, shaken a bit, but in the end clearly given additional strength and meaning. The more technical aspects must now be considered with training and experienced technical support provided to the planners who will be expected to work at the district council level.

There were clear indications that the work sponsored under the Regional Finance and Planning Project has developed some capability to provide the support that will be required by a further decentralized planning program focused at the district level. In addition to initiating the idea for district planning units, conceptualizing the role and function of such units as part of a broader process of regional planning, and gaining the cooperation of government officials in other ministries and departments to make the necessary organizational and personnel changes a reality, three members of the Planning Department participated in the workshop as discussants, lecturers, and organizers. Based upon the training they have received, the experience over the past two years in project planning and implementation, and extensive thinking and discussing problems of planning and development in Kordofan, the department appears poised to take the lead in directing and supporting the growth of a process of planned change and development administration.

While several encouraging signals came out of the workshop there remain several obstacles to be overcome before the planning program can achieve even a modest level of effectiveness. Changes in the process of development budgeting must be supported at the highest levels in the regional government. Support must also be given in the form of enforcing the laws and administrative

procedures already on the books as a basis for public decision making, resource allocation, and implementation of programs and projects approved by legislative bodies. Finally, the newly appointed planners at the District Councils must receive technical support and supervision as they begin their assigned functions. Each of these will encounter different difficulties, but unless they are overcome the entire effort will founder.

Progress on the region's model development projects was discouragingly slow during the last quarter. Construction teams continued their work on installing engines and pumps and doing the required deepening of the shallow wells in the Kheiran area, albeit at a very slow pace. This time a turnover in the management of the Rural Water Corporation seemed to have something to do with the delays, and one can hope that the new managers will be able to improve the functioning of that organization. It is still realistic to say that most of the production units will be able to plant their first crop in November, in time for the winter season. Interestingly, despite all of the delays and aggravation in implementing this project, there are many groups of farmers to the north, east, and west of the project area who have organized themselves into units and wish to participate in the scheme. Perhaps once the first 20 units begin to repay their share of the costs, the program can be extended to include new units. It is also interesting to note how many people, Sudanese as well as expatriates, are familiar with the project. So far it represents one of the few economically and technically feasible activities that makes sense in that area and probably deserves to be watched rather closely as consideration is given to planning the future of North Kordofan.

The Animal Traction Project was formally submitted and was undergoing review by USAID and presumably the government as the quarter drew to a close. Questions thus far raised center on the viability of oxen as draught animals in the region. Interest in using camels has been expressed, and this issue as a focal point for possible redesign of the project will certainly have to be

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debated. There appears to be enough interest in the project at the regional level so that the necessary follow-up will take place to keep the proposal from simply dying.

Funds were transferred to the region to begin to organize the resource survey. The director appointed by the Minister of Agriculture continued to work out the details of what will be a year long research program. While it may be too early to judge the ability of the region to carry out this survey, it appears that assistance in the form of advice and criticism will be needed from outside. The other research activity conducted in the last quarter was an analysis of the region's development budget by the planning advisor (see Annex III, #9).

Finally, plans were being made to transfer some of the equipment purchased under the project and used to support the work of the planning advisor, to the Department of Planning. Among the more important items are the Ford F-250 truck, a small photocopy machine, and some camping equipment for field work. A decision was made to go ahead and purchase microcomputers for Kordofan, Equatoria, and the DLRD in Khartoum and approval from the Mission for procurement was obtained. (See Appendix II).

#### SUMMARY OF ACCOMPLISHMENTS IN KORDOFAN REGION

During the DAI contract period a total of 15 formal training activities were conducted involving government employees from the region. People were selected from each of the five regional ministries and ranged in rank from clerk to assistant department director. Although the finance component of the project never really materialized, training was provided in various topics in public finance, accounting, taxation, and administration as well as in topics related to planning and economic development. In total nearly 160 participants were involved in project sponsored training programs and courses. (See listing of courses and names of participants in Annex II).

The formal training sponsored by the project was carried out by a mixture of local and outside people and institutions.

First an effort was made to tap local resources where senior government officials were asked to participate as lecturers on subjects with which they were familiar. For some training exercises local officials conducted the program by themselves, and in others they were used to supplement courses designed and organized by outside organizations, usually from Khartoum. Still other courses were organized and conducted entirely by one of several training institutes, either being held in El Obeid or in Khartoum. Included among these institutes were the Development Studies and Research Center of the University of Khartoum (DSRC) and the Sudan Academy for Administrative Sciences (SAAS).

While the number of trainees is by itself rather impressive, it means little unless the skills and knowledge acquired can be put to some use in accomplishing the government's responsibilities. Toward this end a system for maintaining an inventory of training received by recipient and type was initiated as well as a survey instrument for evaluating the participants' reaction to such training activities. It is intended that such information will better enable government managers to assign people with appropriate skills to the right jobs as well as to have improved information regarding the courses for which they might be asked to nominate candidates in the future.

Aside from the formal training activities referred to above, a significant amount of non-formal and on-the-job training was carried out. Here two types of activities served as a focal point for training purposes. First the hundreds of development project "proposals" or rather ideas that came to the Department of Planning, served as excellent examples for illustrating principles of project design, analysis, and evaluation. Only a select few became subjects for detailed analytic work and design, but most were examined and exploited for purposes of demonstrating either planning, finance, or administrative concepts and techniques. Primarily people in the ministries of Finance, Agriculture and Services were involved in this work, and in addition to having value as a training exercise it ser-

ved to improve, however, marginally, those projects that did reach the stage of implementation. Perhaps of greater consequence for the future, the non-formal training exercises by bringing together people from different ministries, created a good working relationship based upon an accepted process of project review, a common set of understandings, and standards of professional performance and outputs.

The second group of non-formal training activity consisted of reviewing, discussing, and reacting to foreign donor proposals for development assistance to the region. Donor initiatives, with their implicit development objectives and strategies for Kordofan provided an excellent stimulus for analysis and debate over what should be the appropriate strategy for the region. In particular the proposals made by USAID which in terms of their sheer size overwhelm the modest resources available in the region's own development budget, were most useful and provocative. Beyond the substance of those proposals, the review exercise included emphasis on how to deal with donor agencies by understanding their objectives, constraints, mode of operation, and motivation. Considering that USAID alone is contemplating investment of over US\$40 million in the next few years, the influence that the regional government can have on this investment may be most significant in terms of the region's future. There is certainly evidence that the donors have listened to the views expressed by regional officials which has been reflected in subsequent revisions of proposals for donor financed activity within the region.

Possibly as a result of the training activities discussed above, by the end of the project's life a noticeable demand for improved data and information has been generated. Earlier attempts to interest the regional government in various types of applied research into planning and development problems as specified in the project paper had never been successful because the need for such information was never apparent. The idea of a documentation center was appealing but its content seemed to matter less than its physical presence. However, work on development problems and solutions in the form of projects and programs



began to suggest areas where significant gaps in knowledge (some quantitative and some more qualitative) needed to be addressed for purposes of analysis and decision making.

It has not been possible to get much farther than spark the demand for information by the time the last quarter came to a close. The region's survey of natural resources was just in the organization stage, and a concerted effort to collect, copy and organize existing information relevant to the region in many areas had just begun as well. Significantly, an informal link between government officials in the ministries of Agriculture and Finance and the region's USAID financed Western Sudan Agricultural Research Project (WSARP) developed in the process of evaluating development project proposals, has been established which will tie together the work of agricultural researchers and those government officials responsible for allocating development resources. It is recognized that there is a need for effective and feasible solutions that have been tested by researchers to solve the region's development problems, and without this technical knowledge projects are doomed to fail.

In terms of research into questions relating directly to the process of planning, budgeting, finance, and the associated institutional and legal issues, the same demand for improved information still does not exist. People recognize that there are problems with the way things are done and how activities are organized, however, such research findings strike too close to home for regional officials to be comfortable with them. People recognize that the same old solutions to the region's development problems no longer work and that new ideas resulting from experimentation are needed. But when it comes to the organization and operations of government itself, that will have to come from within the system and slowly at that. Two pieces of research were carried out by the regional planning advisor, one on the impact of native administration on the process of development planning, and the other an analysis of development budget expenditures. From the reaction to these two pieces and the recommendations contained therein, it appears that the

acceptance of ideas for change has more to do with the way they are presented and reiterated and by whom, than on the facts, the analysis, and logic which serve to support them.

Lastly, a great deal of material and equipment support has been provided through the project which has been directly related to the productivity of those people engaged in planning work. Typewriters, office furniture, photocopy machine, and office supplies have all made the work of the professionals and supporting staff much easier, allowing them to concentrate on their duties rather than hunting for needed supplies and equipment. The psychological value of having a clean, orderly, and pleasant work place cannot be overstated and this was made possible through local currency grants to the Planning Department.

#### OUTLOOK FOR CONTINUED PROGRESS IN DEVELOPMENT PLANNING

The impact of the Regional Finance and Planning Project on the institutions, personnel, and process itself of development planning in Kordofan has been significant. A firm foundation has been constructed and guidelines for further growth and change in that process have been suggested (see the proposed program for Kordofan Region, July 1984 through June 1985, in the Second Quarterly Report of the Regional Finance and Planning Project, Development Alternatives, Inc. June 1984). Indeed, negotiations have already begun between the regional government and the Directorate of Local and Regional Development, Ministry of Finance and Economic Planning, Khartoum concerning the specific activities to be supported through local currency grants that are expected to continue under the Regional Finance and Planning Project.

Still, there are some problems ahead any one of which can easily derail the development planning program just beginning to take hold in the region. First is the fact that the majority of the region's development resources are still allocated without any technical analysis or advice provided by the Department of Planning, or any other technical department in the regional government. Rather a process of political bargaining for resource

allocation dominates the budgeting of development resources. The primary consideration appears to be one of satisfying key interest groups rather than attempting to base allocation decisions upon any set of quantifiable goals and objectives subject to public debate and scrutiny, measurable, verifiable, and able to be translated into specific targets as guides for program execution.

The dominance of a political bargaining process, by which development resources are allocated, troubles those officials who are aware of and understand the potential benefits resulting from a planned allocation approach. Such a planned approach is always the most difficult to introduce into those situations that most need it. And Sudan is no exception, as it is a way of thinking and behaving that, under present circumstances and in light of the social and political organization of the people, is most unlikely.

The approach taken in strengthening the region's planning process has been to try to influence this ingrained system of resource allocation at the margin by accepting at first the respective sectoral shares and even specific projects and attempting to influence the way funds are used, accounted for, and results measured and evaluated. At the same time, using resources provided through the Regional Finance and Planning Project that were under the direct control of the Department of Planning and subject to donor and central government scrutiny, an attempt has been made to program these funds using a planned approach, both to introduce people in the government to this discipline, and more importantly, to demonstrate the advantages that such a technically supported and systematic process has to offer. It is important that these resources continue to be available, as the demonstration effect will be long and slow in coming, and without them the Department of Planning and its work in establishing a regional process of development planning will be reduced to irrelevance.

Another problem is that the strength of the Department of Planning, and whatever influence it may have on allocation of

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development resources, depends less upon the institution than upon the man serving as its director. Presently a thoughtful, intelligent, and aggressive individual heads the department. Should he leave or be transferred it is safe to say that much of what has taken place and is planned for the future will be set back if not entirely reversed. It will be several years before what has been attempted takes hold, procedures established, and ways of thinking and behaving become ingrained, so as not to depend upon personalities for their support and enforcement. The present director must be encouraged to stay on if any results at all from the Regional Finance and Planning Project's assistance are to have any influence over the long run.

Finally there is a good chance that the press of current and more urgent problems facing the region may simply overwhelm any longer term, systematic thinking about the future. Indeed, development funds currently available, which shrink in real terms with every successive year, and amount in any case to only ten percent or so of the region's total expenditure, may be further diverted to ameliorating the effects of the drought and impending food and water crisis in Kordofan. While a longer term solution is desperately needed to this problem, planning might all too easily be viewed as an expensive and unnecessary luxury, as might whatever little investment currently is taking place in the public sector.

These are the challenges that lie ahead in trying to introduce a new approach to development planning in Kordofan. USAID and other donors could, and should be encouraged to support this effort. But a good deal of the decisions regarding the future of this effort are in the hands of the government.

Miles F. Toder  
Kordofan Advisor

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FINAL REPORT ON PROJECT ACTIVITIES  
EQUATORIA REGION

Orientation Workshop for Staff  
of the  
Development Units in the District Councils  
Kordofan Region

Date: 25-30 August 1984

Location: Cooperatives Training Center, El Obeid

Participants: Twenty Administrative officers who have been selected to staff the Development Units being established at the District Council Level and officials of the regional ministries concerned with local level planning and development.

Sponsor: Department of Planning and Economy, Kordofan Region, in cooperation with the Department of Local Government and other concerned departments with financing from the Regional Finance and Planning Project (USAID).

Coordinator: Ismail el Rahil Miri, Department of Planning and Economy, Ministry of Finance, Kordofan Region.

Function of the Development Units

The Development Units are being established in each of the Area Councils to promote and supervise development activities falling within the jurisdiction and authority of the councils as specified by the Peoples Local Government Act, 1981. These units will be staffed by two officers reporting to the First Executive Officer.

Their major responsibilities include:

1. Collection of information and data required for local development planning.
2. Organization of the work of the districts in identifying, preparing, analyzing, selecting, implementing, and evaluating development plans and projects.
3. Preparation of development budget in coordination with sectoral departments and regional authorities.
4. Disbursement of development funds, financial accounting and supervision of required progress reports.
5. Promotion of community self help initiatives.
6. Assisting with coordination of different government units within the district for development activities.

7. Serving as a link between the regional authorities and the area council in matters concerning development and planning.
8. Assisting with the work of the Development Technical Committee consisting of the heads of the various sectoral departments in the district and representatives of the Council Development and Services Committees to ensure co-ordination of development and planning activities.

Speakers and Topics

Saeed Abu Kambal, Director of Planning and Economy: Introduction to Development Economics and Planning

Zein el Abdien el Chag, Director of Local Government: Intergovernmental Relations

Ismail el Rahil, Head of Planning Section, Department of Planning: Introduction to Project Cycle

Abdalla Adam Hamdouk, Planning Inspector, Department of Planning; Project Preparation Guidelines and Implementation

Miles Toder, Kordofan Planning Advisor, Regional Finance and Planning Project: Planning Process and the Role of Planners

John Zins, UNICEF Planning Advisor, Zonal Development Project: Organization of District Planning Units, their Function, and Availability of Financial and Technical Resources

Yousif Bashir, Director of Practical Education: Development of Primary Education

Yassin Badawi, Deputy Director of Intermediary Education: Development of Intermediary Education

Dr. Taha Abdel Hamid, Director of Public Health: Public Health Promotion

Dr. Abas Bashir, Director of Preventive Medicine: Primary Health Care

Mohamed Abdulla Shershair, Head of Geology, Division of Water Resources: Development of Water Supplies

Ahmed Eibedella, Director of Horticulture: Forestry and Agriculture Projects

Mirghani Maki, Director of Procurement: Financial Regulations and Control of Local Development Budget

## REGIONAL FINANCE AND PLANNING PROJECT

## M E M O R A N D U M

To: David Edens, COP  
From: Miles Toder, Kordofan Planning Advisor  
Subj: Selection of Micro-Computers  
Date: 26 August 1984

Following my discussions in Washington and examination of several alternative packages of computer hardware and software I have come to the conclusion that the Kaypro makes the greatest amount of sense for purchase by our project. Several factors make this choice particularly wise; however, one in particular deserves special mention. The fact that I have been able to operate this particular computer under the severe field conditions of El Obeid suggests that the Sudanese can expect similar reliability from their units. While the Kaypro is far from the cutting edge of computer technology, its operability, serviceability in remote locations, combined with an adequate storage capability for running a variety of applications, makes it the best machine for the exploratory purposes for which it will be used.

## Introducing Micro Computers

Outside of the capital city of Khartoum there are very few if any microcomputers in operation. Most of those that are in the country are in the hands of expatriate personnel associated with the various development assistance programs. Not surprisingly there are many different computers, printers, and other peripheral devices represented amongst the small computer population and each system has its own particular problems either with heat, dust, electricity, humidity, and access to support of either a technical, informational, or material nature.

Whatever development has taken place in terms of computerization has been in Khartoum where most of what exists in country is concentrated. There people have organized both formal as well as informal exchanges for sharing information, solving each others problems, suggesting new applications, and in general commiserating over the absurdity inherent in trying to exploit this advanced and rapidly changing technology in such a remote and inhospitable environment.

And true to form the Arab traders have not been too far behind in incorporating computer hardware, software and assorted related gadgets into their limited if not diverse line of tractors, motorcycles, paint and other consumer durables. It is possible to one extent or another to purchase supplies and parts for Wang, Apple, and perhaps several other brands, They may not all have all things for all models, and depending upon who you talk with, they may or may not be able to solve problems

and provide service, but it appears that these things are coming. For the time being the rule of thumb appears to be not to count too heavily upon local support in Khartoum. Computers beyond the city limits are entirely on their own.

Physical and technical considerations aside, there are two conditions that must be met if introduction of microcomputers is to be a useful and beneficial experience. First there must be existing manual systems of record keeping, information storage, accounting, and general management and operation which computerization is intended to improve upon or at least support. Unless such demand already exists for information, the added power to store, process, access, and present data converted into usable information that is provided by a computer, will lack meaning and utility.

Unfortunately the picture here is mixed. The demand for reliable and timely information is very uneven. There are those who desire information for its own sake, but many people charged with public decision making seem to get by just fine with little or none at all. Perhaps it is because they have had to operate in an environment with such poor data for so long that they have learned to make do with what they have. Impressions of a qualitative nature count much more than empirical observations laboriously gathered and analyzed.

There are many systems of record keeping and data collection in existence since before independence which continue to operate out of tradition but which produce little in the way of useful information. There are also systems that have been ignored or discontinued that might yield significant data, and then there are those that ought to exist but do not. What is clear is that the introduction of microcomputers will not radically improve the existing situation, but in certain areas suggested in my report written last April entitled "Exploratory Analysis for Using Microcomputers in Equatoria Region," some of the functioning and useful data collection activities of the government might be improved upon.

Although there is no direct evidence to support this contention, it is possible that the introduction of computers might stimulate a demand for improved data management and information that has thus far been latent. If people can gain satisfaction from using the microcomputer to assist in preparing written reports, doing statistical analysis of different kinds and manipulating data without the drudgery of manual methods which often obscure the purpose and meaning of such analysis, I suspect that they are more likely to engage in such work. Others may not agree with this contention but it is at least worth trying to verify. Given the poor terms of service for government employees and the factors contributing to a very low level of job satisfaction, it may well be that the positive psychological effect of introducing microcomputers will

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be worthwhile even if the demand for improved information is presently very weak.

The second condition that must be satisfied before computerization makes any sense is that there must be individuals interested and capable of learning how to use the system. This seems to be less of a problem as there are many curious as well as serious people as potential candidates. Many of the young recent graduates from the University of Khartoum desperately want to have some link with the technological changes that are passing them by. Most of them live in houses without electricity, but that seems to be even more of a reason to want to learn how to master the computer.

#### Alternatives Considered

After reviewing the new offerings that have appeared on the market since my last trip to the United States, a mere 14 months ago, it is apparent that the Kaypro along with its 8 bit cousins working on the CPM Operating System belong to the previous generation of computing machines. Among the new machines that I investigated were the IBM personal computer, the new IBM portable personal computer, the Compaq - one of a series of IBM compatible or, in this particular case, 'look alike' models to have come out in the past year, the Apple IIe, and the Wang personal computer. These machines were selected simply because they were sitting around either in the offices of DAI or USAID, and because there were people who had a least some experience with them.

The most significant recent innovations in personal computers are their increased speed, enlarged memory and simplified operation. There has also been an explosion in the number and variety of software packages made to run on these more powerful computers. Since most people use perhaps less than 10% of the capacity of their microcomputers (and they acknowledge that) the primary reason to purchase more of a computer than they need seems to be able to take advantage of future software offerings that will require greater random access memory and written for the IBM operating system (MS/DOS).

This new generation of computers has left in its wake some real bargains insofar as purchase of the older less powerful machines are concerned. The prices have fallen, reliability increased as the bugs and quality control problems have been worked out over time, and a steady flow of "up grades" have appeared to improve the operation of these machines along with an adequate selection of new software.

The only innovation in computer hardware that I could see having some utility in a place like Sudan is the availability of hard disk storage which the IBM model XT and the Compaq Plus both have incorporated. The hard disk unit in addition

to being able to store an enormous amount of data (10 megabytes) is also sealed and hence protected from airborne dust, grimy hands, and other problems which afflict floppy disks and their drives. But there are drawbacks as well which in my opinion make this particular storage arrangement problematic. Both of the models mentioned have the disk built into the unit, making it inaccessible and impossible to change and replace if it should fail. Compare this to the disk drives on many personal computers which can be readily replaced with a minimal amount of training and tools. Also, the hard disk requires a truly uninterruptible power supply, not one that merely switches on when the primary power source fails. I for one do not know of anyone who has such a power supply who has not had endless problems with it. The final difficulty with the hard disk relates to how it is used rather than to the unit itself. Like floppy disks it is advisable to back up all of the information contained on a hard disk. The tendency to not do this and continue to load data onto the hard disk until someday a problem appears, resulting in the loss of a tremendous amount of data, is very strong.

Without a doubt the increased storage capacity and processing power of the new computers would be useful in several applications in Sudan. However, I suspect that such applications using large data bases are a long way off and ought not even be considered at the present time. Instead, what is needed is a reliable machine that can be used for training and a limited range of applications that are essentially experimental in nature. Most of the machines that were examined have little or no track record when it comes to field usage under less than ideal circumstances. It is this criteria which I believe to be most important and for this reason the Kaypro appears as the most attractive alternative having a proven record both in Sudan and several other countries in which DAI has used the computer over the past few years.

#### Recommended System

The Kaypro II with the Okidata 92 dot matrix printer backed up by the Minuteman standby power supply is suggested as the system for purchase through the Regional Finance and Planning Project. Included with the Kaypro is the Perfect Software series, M-BASIC and a CPM Utility Disk, but this should be supplemented by the addition of Wordstar, Supercalc, and dBase. It is estimated that the computer, printer, power supply and standard package of software will cost about US\$2,000. One set of the additional software would add about US\$700 to the cost. This compares quite favorably with the purchase price of the IBM pc which without printer or any software starts at US\$2,400 and the IBM-XT or Compaq Plus with hard disks starting at US\$3,000.

It is necessary to include with the system spare disk drives, dust covers, cables, surge protectors, multiple outlet plugs, transfer (if the units are not converted so as to be switchable between 110 and 240 volts), and a voltage stabilizer. Disks, printer ribbons, form paper, and manuals should also be included.

It is strongly recommended that thought be given to the design, installation, training, and follow-up needed in order to introduce microcomputers to the Sudanese in the Ministry of Finance. Development Alternatives Inc. Computer Applications Division should be considered as a knowledgeable and experienced resource to turn to if the decision is made to go beyond the simple procurement and delivery of these machines.

TECHNICAL ASSISTANCE  
(Person months Analysis)  
November 1981 - October 1984

Long Term Technical Assistance

<u>Name</u>	<u>Months</u>
E. Charle	9.8
M. Horner	13.7
M. Toder	28.5
J. Miller	25.7
D. Edens	23.0
Sub-total	<u>100.7</u>

Short Term Technical Assistance

A. Straughan DAI Associate	0.4
J. Wheeler Dai Associate	<u>3.9</u>
Sub-total	4.3

Total Technical Assistance (person months)	<u>105.0</u>
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SUDAN REGIONAL FINANCE AND PLANNING PROJECT

COURSE DESCRIPTIONS

Course Title: First Short Course: Kordofan

Date: 26 May - 6 June 1982

Participants: Officials from Kordofan and Central Government involved in Regional Development (22).

Location: Khartoum and el Obeid

Executed by: RFPP

Topics:

Introduction to Planning in Sudan

Government Finance

Regionalization

Role of the Planner

Planning and Private Enterprise

Research for Planning

C/B Analysis

Data Sources for Planning

Project Design Evaluation

Donor Project Selection Criteria

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Course Title: First Short Course for the South

Date: 15 February - 21 March 1983

Participants: Central and Southern Region Officials  
concerned with Regional Development (22).

Location: Khartoum and Juba

Executed by: SRFPP

Topics:

Planning and Development

The Role of the Planner

Regionalization and Higher Education

The Role of Social and Economic  
Research in Planning

Regional Planning

Project Evaluation

The Role of Transport and Communication in  
Regional Development

Regionalization: The Constitutional Framework

Financing Regional Government

Sedentrization of Nomads

Foreign Loans and Aid

The Role of the Private Sector in  
Regional Development

Course Title: Kordofan Regional Workshop

Dates: 28 April - 12 May 1983

Participants: Regional and Central Government officials concerned with project preparation and regional planning (24).

Location: Khartoum and el Obeid

Executed by: RFPP

Topics:

Planning and Development  
Decentralized Policy  
Financing Regional Development  
Financing Local Development  
Project Evaluation and the Project Cycle  
Project Implementation and Follow Up  
Regional and Local Taxation Systems  
Natural Resources of Kordofan  
Policy for Animal Resources  
Policy for Agriculture  
Cooperatives in Development  
Medical Services: Regional and Local  
Policy for Education

Course Title: Wau Short Course

Dates: 28 May - 10 June 1983

Participants: Area Council officials (26).

Location: Wau

Executed by: RFPP

Topics:

The Regional Finance and Planning Project  
Planning and Development  
Regional and Local Planning  
Role of Self Help in Local  
Development  
Financing Regional Development  
Project Evaluation and the  
Project Cycle  
Planning Social Welfare Services  
Project Implementation and Follow Up  
Agricultural Development  
Regional Education Services  
Local Education Services  
Health Services: Regional and Local  
Role of Banks in Development

Course Title: Introduction to Micro-Computers

Dates: 1 October - 19 November 1983

Participants: Regional officers (9)

Location: El Obeid

Executed by: Department of Planning,  
Ministry of Finance

Objective:

Familiarize participants with language, equipment operation and potential application of micro-computer technology

Topics:

Overview and Terminology

Basic Language

Introduction to Software Packages

Inputing and Editing Software

Statpack Statistical Package Orientation

Data Base Construction

Use of Statpack for Analysis and  
Presentation of Data

Course Title: Council Management Course, IRTP #6

Date: October - December 1983

Participants: Mid Level Area Council Admin. Officers (21)

Location: Juba

Executed by: IRTP

Objectives:

Further development of the skills required for effective administration.

Relating theory and classwork to the field experience already gained by the administrators.

Further development of the administrator's potentials, confidence, responsibility and general outlook.

Topics:

Local Government Finance and Financial Management

Managerial Mathematics and Statistics

Development Economics and Planning

Law

Personnel Management

Local Government

Urban Planning and Development

Miscellaneous Topics

Course Title: Development of Regional Financial Resources

Dates: 3 December 1983, 2 weeks

Participants: Upper Level Financial Administrators (3)

Location: Khartoum

Executed by: SAAS

Objectives:

Discussion of problems that restrict development and promotion of financial resources of the regions.

Studies of means and ways for increasing the financial resources of the regions to meet the public services and development.

Introducing the economic and social bases upon which the tax structure and items stand.

Topics:

Economic and Social Bases of Taxation

Types of Taxes

Regional Budgets

Development of Financial Resources Other than Taxes

Economic Effects of the Central Government Support upon the Regions

Financing Regional Consultancies

Course Title: Regional Planning

Dates: 18 December 1983; 2 weeks

Participants: Planners working in the Regions (6).

Location: Khartoum

Executed by: SAAS

Objectives:

Raise the efficiency of technical committees for regional planning and to provide them with the qualitative and quantitative methods of economic planning.

Promote performance in project planning and execution at different stages.

Topics:

Economic Planning

Definition and Implication of Development

Regional Development

Fundamentals of Planning

Planning Problems and Regional Budgets

Economic and Regional Planning

Sources of Finance for Regional Investment

Uses of Quantitative Methods in Regional Planning

Course Title: Training of Trainers

Dates: 7 January 1984; 2 weeks

Participants: All regional Ministries (20).

Location: El Obeid

Executed by: SAAS

Objectives:

Develop interaction skills

Introduce listening methods and techniques

Assessment of training needs

Topics:

Use of Audio Visual Aids

Interpersonal Skills

Techniques for Listening

Assessment of Training Needs

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Course Title: Decentralization and Development Workshop

Dates: 30 January - 26 February 1984

Participants: Chief Executive Officers from Area Councils (9)

Location: Juba

Executed by: IRTP

Objectives:

To consolidate the work of the previous decentralization seminars and the Equatoria colloquium, by examining management issues in depth with area council chief officers, benefiting from their own experiences and data collected on the West Equatoria survey activity.

To improve the decentralization process by confronting ministry officials with the realities of area council management, and giving such officials an unusual opportunity to explain ministry policies that affect area councils.

To enable the chief officers to examine purposeful and successful development initiatives on the ground.

Course Title: Financial Control Systems

Dates: 1 February 1984, 2 weeks

Participants: Upper Level Administrators (3).

Location: Khartoum

Executed by: SAAS

Objectives:

Introduction of participants to the different methods of financial control systems in order to improve their work according to the financial systems and regulations.

Promote the financial performance of the participants with intention of establishing economically rewarding financial administration.

Topics:

Financial Control, Definition and Necessity

Governmental Financial Sources and Budgets

Accounts and Financial Control

Control of Expenditure

Cost Accounting and Control

Internal Control

The Role of Treasury in Financial Control

Control upon Stores

The Use of Statistical Data in Auditing

Course Title: Financial and Administrative Accountancy

Date: 15 February 1984; Ten days

Participants: Administrators at Director and Assistant  
Director Level (5)

Location: Khartoum

Executed by: SAAS

Objective:

Introducing the non-accountant directors to the fundamentals of financial and administrative accounts and defining the financial aspects of different administrative activities.

Topics:

Accountancy Theory

Financial Schedules, Definition and Their Uses

Standard Cost

Analysis of Production and Sales

Accounting as a Tool for Project Evaluation

General Budgets and Financial Resources

Planning Budgets

Source and Application of Funds

Use of Accounting Data in Decision Making

Course Title: Administration Development for Executives

Date: 14 April 1984; Two weeks

Participants: Department Heads and Directors (16)

Location: El Obeid

Executed by: SAAS

Objectives:

Build capacity to analyze and solve administrative problems through techniques of data collection, tabulation, and evaluation of alternatives.

Improve ability for implementation and monitoring of programs designed to address specific problems.

Topics:

Problem Solving

Problem Identification

Data Collection Techniques

Network Analysis

Operations Research

Course Title: Short Course: Introduction to Techniques  
of Project Appraisal

Dates: 28 April - 10 May, 1984

Participants: 15

Location: Khartoum

Executed by: DSRC

Topics:

The course will introduce and employ the standard quantitative methods used in project selection. Approximately half time will be devoted to classroom exercises, case studies and drills, so that all participants who complete the course will be equipped to calculate NPVs, IRRs and other efficiency measures for financial evaluations of projects. Shadow pricing and economic evaluation would be introduced in the later stages of the course but extensive coverage of this subject is reserved for a more advanced intermediate course to be considered later.

Course Title: Land Use and Conservation

Dates: 30 April - 7 July 1984

Participants: Ministry of Agriculture Officials (16)

Location: Yei

Executed by: Ministry of Agriculture, Equatoria

Objectives:

The 10-week course is designed to improve land use methods currently employed by smallholders in Equatoria. It is a practical course, following a more academic course given two years ago. The lecturers will come from the Ministry of Agriculture, the Project Development Unit in Yei, Juba University and Silsoe College of Agricultural Engineering in the U.K.

Topics:

Spaceship Earth - an Environmental Approach

Maps, Satellite Images and Area Photographs

Land Degradation with Particular Reference to Soil Erosion

Classifying Land Resources

Land Use Systems with Particular Reference to Farming Systems, Soils and Agronomy

Land Use Planning and Farm Management Planning

Physical Conservation Works for Smallholders, Design, and Construction

Physical Conservation for Larger Scale Mechanized Farming Design and Construction

Course Title: Cost Accounting

Date: 7 May 1984, 2 weeks

Participants: Accountants in High Management Positions (4)

Location: Khartoum

Executed by: SAAS

Objectives:

Raise efficiency of officials of cost accounting sectors  
Introduce participants to modern scientific as well  
as practical methods of cost accounting

Topics:

Basic Principles of Cost Accounting  
Cost Accounting Systems  
Standard Cost and Measure of Deviation  
Analysis of Production and Sales  
Stores Accounts and Administration  
By-products and Cost Disintegration  
Accounting and Decision Making  
Utility and Cost Analysis  
Budgeting as a Tool for Planning and Control  
Economic Feasibility Studies

Course Title: Training Session #2 for Budget and  
Financial Officers

Dates:: 7 - 21 May, 1984

Participants: Budget Officers from Area Councils in  
Equatoria Region (11)

Location: Juba

Executed by: IRTP

Topics:

Budget Preparation  
Development Budgets  
Local Government Accounting  
Council Management  
Council Finances

Course Title: Administrative Development for Middle Level Officials

Date: 13 May 1984, two weeks

Participants: Inspector Level Officials (14)

Location: El Obeid

Executed by: SAAS

Objectives:

Improve administrative performance by developing quantitative and behavioral skills.

Provide awareness of management principles and techniques for people in management roles without any such training.

Topics:

Principles of Public Administration

Laws and Regulations of Public Service

Personnel Management

Regional Planning and Budgeting

Information Systems

Decision Making

Decentralization and Government Organization

Course Title: English Language for Graduates

Date: 23 May 1984, six weeks

Participants: University Graduates in Regional Ministries (11)

Location: El Obeid

Executed by: Department of Planning, Ministry of Finance  
and American Center English Teaching Program, Khartoum

Objective:

Review of English language skills to improve abilities  
on the job and enable participants to qualify for  
training conducted in English

Topics:

Program follows the American Kernal Lessons Intensive  
English Review Course: Intermediate Level, Longman  
Publishers.

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Course Title: Orientation Workshop for Staff of the District Development Unit.

Dates: 25 - 30 August 1984

Participants: District Council Administrative Officers (12).

Location: El Obeid

Executed by: Department of Planning, Ministry of Finance

Objective:

Introduction to purpose and function of District Development Unit

Topics:

Introduction to Development Economics and Planning  
Intergovernmental Relations  
Introduction to Project Cycle  
Project Preparation Guidelines and Implementation  
Planning Process and Role of Planners  
Organization of District Planning Units  
Financial Resources (external)  
Development of Primary Education  
Development of Intermediate Education  
Public Health Promotion  
Primary Health Care  
Development of Water Supplies  
Forestry and Agriculture Projects  
Financial Regulations and Control of Local Development Budget

Course Title: Council Management Course, IRTP #7

Dates: September - December, 1984

Participants: Mid Level Area Council Admin. Officers (15)

Location: Juba

Executed by: IRTP

Objectives:

Further development of the skills required for effective administration.

Relating theory and classwork to the field experience already gained by the administrators.

Further development of the administrator's potentials, confidence, responsibility and general outlook.

Topics:

Local Government Finance and Financial Management

Managerial Mathematics and Statistics

Development Economics and Planning

Law

Personnel Management

Local Government

Urban Planning and Development

Miscellaneous Topics

Course Title: Project Management (Phase I)

Date: 24 September 1984, 2 months

Participants: Middle Management Personnel (31)

Location: Juba

Executed by: RATC and Department of Planning, Ministry  
of Finance

Topics:

Basic Concepts of Government Accounting and Auditing  
Basic Concepts of Government Budgeting  
Basic Concepts of Business Accounting  
Structure of Government in Sudan  
The Civil Service in the Southern Region  
Decision Making in Public Administration  
Basic Principles of Organization  
Basic Principles of Management  
Basic Principles of Personnel Management  
Office Management Communication  
Basic Quantitative Techniques

Course Title: Special Accounting Course for Accountants

Dates: 24 September - 24 December, 1984

Participants: Accountants from Regional Governments (24)

Location: Khartoum

Executed by: Institute of Accountancy Studies

Topics:

Financial Regulations

Government Accounting

Financial Accounting

Costing

Auditing

Course Title: Bookkeepers' In-service Training Course

Date: 15 November 1984, 3 months

Participants: Bookkeepers from Equatoria and Upper Nile Region (27)

Location: Juba

Executed by: RATC

Topics: N.A.

Course Title: Induction/Basic Course, IRTP

Dates: N.A. 4 months

Participants: N.A.

Location: Juba

Executed by: IRTP

Objectives:

Provision of a clear understanding of the working and goals of the administrative network.

Development of the skills required for effective administration.

Developing responsible, confident and disciplined administrative officers

Attachment to the Area Councils is aimed at exposing the newly recruited administrators to the realities of work situation and problems. To enable them to apply in practice what is learned in the classroom (12 months).

Topics:

Finance and Financial Management

Economics

Law

Local Government Administration

Communication

Public Service Regulations

Military Training

ECONOMIC CONSIDERATIONS IN  
DECENTRALIZATION POLICY  
Research/Studies Paper #1

Project Title: Sudan Regional Finance and Planning Project  
Project Number: 650-0012

## ECONOMIC CONSIDERATIONS IN DECENTRALIZATION POLICY

Decentralization means that several levels of government have the authority to raise revenue, to supply present goods and services to the public, and to invest resources in order to increase the supply of future goods and services. This dispersal of authority and responsibility implies that diverse levels of government exert influence on the distribution of income and wealth and the stability of the economic system, in addition to the more obvious influence on the allocation of resources. In the Sudan, the main levels of government involved in these processes are the national or central government, nine regional governments and scores of area, rural and village councils representing local interests.

The present legal basis for this dispersal of authority is the result of a long evolutionary process. The Local Government Ordinance of 1951 established a framework of local councils to finance and deliver local services, but the development of autonomous government under this legislation was abridged in 1960 with the Provincial Administration Act. This legislation established Provincial Councils to which the administrative center of gravity tended to shift. Provincial authority was further strengthened by the Local Government Act of 1971 which expanded their planning, executing and coordinating powers. But since the 1950s a perception has existed that the system did not work as it had been intended. The presence of dissatisfaction at each stage of the process led to the legislation and reform establishing the next stage. This groping process was repeated in the Regional Government Act of 1980 and the Local Government Act of 1981. Together these acts provide the new regionalism which attempts to balance authority and responsibility between national, regional and local levels of government. While the general outline of the new system has been provided in the legislation, operational details are as yet unclear.



Aside from the political issues implied in this devolution of power, certain economic questions will have to be answered if the new system is to work and endure. These questions are, first, what is the most efficient allocation of financial and administrative responsibility among the three levels? Second, what is the most efficient distribution of actual or potential tax sources among them? And third, what is the most efficient locus of responsibility for planning public sector projects?

#### THE BENEFITS AND COSTS OF DECENTRALIZATION

A basic assumption made in this paper is that the more centralized are finance and planning responsibilities, the more standardized will be the pattern of goods and services rendered the public and the more inflexible and insensitive to local conditions will be the planning process. Conversely, the less centralized the responsibilities, the more diverse will be the pattern of goods and services supplied and the more flexible and attuned to local preferences will be the planning process. It is presumed here that in a large and geographically diverse country, such as the Sudan, with a relatively small, scattered and ethnically diverse population, decentralization in principle is a good thing because it promises a relatively effective means for meeting the distinctive and particular needs of diverse localities and regions.

Against these presumed benefits, however, must be weighed some distinct disadvantages or costs. In a decentralized administrative system there is a tendency to waste resources through excessive duplication of administrative facilities, personnel and functions. There is also the danger of waste of resources through fragmented, inconsistent and contradictory public decision-making. In addition, serious costs may arise through the loss of economies of scale when similar activities are undertaken on a piecemeal basis by numerous local or regional authorities. Also, local needs may go unsatisfied for a number of reasons when finance depends on local taxation.

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Skill shortages are reflected in a low tax collection capability. Local or regional authorities may be inhibited in levying new taxes by fear of negative location effects. A mobile population tends to move to lower tax regions. Finally, social needs may far exceed available resources when the tax base rests on local agricultural activity.

#### THE DISTRIBUTION OF RESPONSIBILITY

The foregoing considerations point to the calculations needed to determine the most desirable distribution of responsibility among the three levels of government. The goal of decentralization policy should be to distribute responsibility among the levels of government in such a way as to maximize the net benefits of decentralization to society. This means, in practice, assigning each level of government the responsibility for those services it can supply more efficiently in relation to other levels of government. The term "efficiency" is used here in the sense of benefits over costs. Although used in the context of economic resources, the meaning could be expanded to include political costs and benefits as well.

At the national level, the authorities by necessity will have to be responsible for goods and services that are essentially public in character. A pure public good is one whose benefits are so diffuse that they are consumed by all members of society, and whose benefits cannot be isolated and sold discretely to individual purchasers. The classic example of a pure public good is national defense. All members of society benefit from national defense and there is no way that increments of it can be isolated, packaged and sold in markets to particular beneficiaries. Firms will not undertake to produce it because there is no way they can recoup their costs, and lower levels of government will not do so because they cannot get tax beneficiaries outside their jurisdictional boundaries to pay for it. The benefits of defense are

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internal to the nation but external to any subset of the nation, so that the provision of national defense will not be produced if not undertaken by national authorities using national resources.

Other services of similar collective nature, best done at the national level, include international relations, foreign trade policy, national development policy, macroeconomic policy in general, and the supply of interregional transport and communications. In the Sudanese context, a case can also be made for national health and literacy programs from which the nation as a whole will benefit.

At the regional and local levels responsibility for services should in principle be given to the jurisdiction within which the benefits accrue. For example, if it can be demonstrated that the benefits of a project in a particular council area will be consumed entirely within that jurisdiction, then there is a strong case for making the provision of this particular service the responsibility of the area council rather than the regional government. There may be, however, complicating circumstances which weigh against this conclusion. Suppose for example, we are considering health or education services. In these kinds of activities there are likely to be substantial economies of scale. For technical reasons, it may be socially more efficient to provide health or education services on a regional basis, bring consumers to regional centers, rather than trying to provide numerous small centers at the area council level. Otherwise, if left to the area councils, the desirable amount of service might be too expensive to provide.

Furthermore, at the area council level the lack of trained manpower represents a serious constraint on the efficient supply of services. From the social view point, any service should be supplied up to the quantity at which marginal social costs of the service are equal to marginal social benefits. If shifting functions to the regional level that might otherwise be done at the area council level lowers marginal cost relative to marginal benefit,

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then the shift should be made, at least temporarily until the capacities of the area councils can be improved through specialized training and improved public education. But if this is done care should be taken to devise institutional arrangements that ensure that regional authorities will be sensitive to the needs and project ideas arising at the area council level. Without this link, some of the flexibility and diversity of services promised by decentralization would be lost.

#### THE DISTRIBUTION OF PUBLIC RESOURCES

Let resources follow responsibility. It is clear that once public responsibilities have been assigned to the various levels of government, available resources should be linked to them, for otherwise the assignment of responsibility is meaningless.

At the present time central government transfers account for 60 to 90 percent of total regional revenues. Thus the new regions are heavily dependent on the central government for their sustenance. There is also evidence that local government outlays constitute an increasingly heavy burden on the already overstretched national purse. (See Table 1). According to World Bank figures, payments to local government represented 11 percent of central government expenditures in 1970/71, and by 1980/81 they had risen to 22 percent of total spending. During the 1970s, these transfers grew at a compound rate of 31 percent a year, as compared with an overall growth in central government total spending of 22.8 percent. This increasing call on the Sudanese central treasury is one of several factors contributing to the problems of expanding deficits, increasing inflation and worsening balances of foreign payments. These transfers now exceed the cost of the armed forces and are nearly as large as total development spending.

The existing process of grantsmanship seems to have an inherent bias toward disappointment and unfulfilled expectations. What follows is an exposition of the process that is based on the premise that the participants behave rationally and that it is the structure of the process itself that causes some very undesirable results.

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TABLE 1. THE COMPOSITION OF CENTRAL GOVERNMENT  
ACTUAL EXPENDITURES, 1980/81

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	<u>EXPENDITURES (LS)</u> (MM)	<u>PERCENT SHARES</u>
CURRENT EXPENDITURES	902.0	73.3
ECONOMIC SERVICES	43.3	3.5
SOCIAL SERVICES	60.5	4.9
REPAYMENT OF LOANS	75.0	6.1
ARMED FORCES	150.8	12.3
LOCAL GOVERNMENT	265.8	21.6
GENERAL ADMINISTRATION	306.6	24.9
DEVELOPMENT EXPENDITURES	289.0	23.5
OTHER	40.0	3.2
TOTAL EXPENDITURES	1231.0	100.0

SOURCE: World Bank, Sudan: Investing for Economic Stabilization and Structural Change (Statistical Annex, Part II, 1982), Table 5.4.

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The present system is a loosely structured process in which the participants try to maximize their utility positions. Utility is assumed to be a function of a subjective mix of power, status, income, loyalty to agency and service to constituent interests. Revenues budgeted at the regional level are the region's forecast of its own internally generated revenues, plus expected central transfers. Budgeted regional expenditures are the expected costs involved in fulfilling stated goals and pleasing local constituencies (tribes, townships, etc.). Budgeted expenditures are inflated in order to express unsatisfied regional needs when negotiating budget support with the central authorities. A region's own revenue estimates are unrealistically enlarged in order to nourish the hope of the central authorities that tax effort and fiscal control are being improved at the regional and local levels. Actual

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grant revenues may fall short of commitments because they are largely a function of fiscal conditions at the national level. In an era of runaway inflation and financial insufficiency some degree of shortfall is probable.

Specific outcomes of the process are influenced by the particular mix of motives brought to the negotiations by the principals. Although their mix of motives doubtlessly is complex, central government negotiators have an interest in using their power to grant or withhold resources to extract commitments from regional negotiators to increase tax effort and to improve financial management so as to achieve greater financial self sufficiency in the long run.

As for regional negotiators; all of the specified utility variables are served by the simple goal of maximizing grant resources. Power, income, status, agency achievement and constituent acclaim all vary directly with the size of this income stream. Since taxes are a source of constituent discontent, regional politicians may be assumed to measure success in terms of their ability to expand services without increasing taxes. Tax effort concessions made to central authorities may be thought of as prices paid by regional authorities for additional grant income.

In practice the central government usually comes nearer to fulfilling its grant commitments than do regional governments in raising their own revenues. The central government benefits from established institutions and procedures, and it has the power to create money as well. As an illustration of regional shortfall, cumulative own tax revenue commitments for the years 1975-80 in the former southern region were LS 57.1 million, whereas actual collections were only LS 29.5, a 48 percent shortfall. The non-tax shortfall for the period was even greater. Actual cumulative non-tax revenues were LS 10.4 million, while forecasted receipts for the period were LS 29.9 million. Thus the shortfall was 65 percent of expectations. This situation is not confined to the south. In Kordofan, for instance, forecasted regional revenues

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were LS 11.6 million for 1981/82, but only 6 million were actually collected in 1981/82.<sup>1/</sup>

The grants process can be used to explain the tendency of regional authorities to include revenue estimates in their budgets that they have no realistic hope of collecting. As long as regional officials believe they can increase their grant receipts by making inflated own revenue commitments they will do so.

The use of budgets that bear little relation to reality creates confusion and leads to an excess of actual expenditures over actual receipts. In day to day financial management, the continuous cash shortfall encourages the "borrowing" of funds earmarked for particular budget chapters or line items and using them to satisfy more urgent needs elsewhere. When it becomes necessary to make the payment for which the borrowed funds were intended, funds are drawn from a third source to cover the shortage. In effect, funds are borrowed from source A to pay B because the funds obligated to B have already been borrowed to pay C, and so on. Since budget spending obligations always far exceed available resources, the authorities are perpetually under pressure to find more money by juggling accounts. It is for this reason that capital funds find their way into current account and less money is transferred to the area council level of government that was budgeted for it. Another result is the tendency of payments to local vendors and contractors to be continuously in arrears. This leads to loss of confidence in government, compensatory overcharging by local merchants and popular disillusionment with the idea of economic progress as an obtainable goal.

If this interpretation is valid, the grants process is a major cause of fiscal laxity and confusion at the lower levels of government. While it is rooted in rational bargaining behavior, its unstructured format leads to undesirable results. Improved

<sup>1/</sup> Southern Regional Ministry of Regional Administration, Police and Prisons, Seminar on Decentralization (December 1981), p.58, and Kordofan Regional Ministry of Finance, El Obeid.

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efficiency in regional and local government will not be achieved unless the grants process is either reformed or abandoned.

Indications are that the authorities are now moving to reduce dependence on grants by shifting a portion of the national tax base to regional control to permit them to finance more of their own activities directly. It has been announced that, beginning in fiscal 1983-84, personal income taxes, business income taxes and excise tax collections are to be under the control of regional authorities. The proceeds are to be offset against the grant each region otherwise would have received. These new arrangements imply that henceforth a major portion of regional resources will be provided by their own tax revenues and that dependence on the grants process will be substantially reduced. Personal income taxes and business profits taxes account for virtually all of Sudan's direct taxes. In 1980/81 they, plus excise taxes, amounted to LS 180 million. (Table 2.) This represented 23.5 percent of central government revenue and 68 percent of the local government transfer.

As a means of reducing dependence on the existing grants process, this change can only be applauded, although certain new problems are introduced. For one thing there will be a considerable equity problem. Table 3 shows that, on a per capita basis, the direct tax proceeds are heavily concentrated in the Khartoum region. Business profits taxes account for approximately three quarters of direct tax proceeds, so that the spatial distribution of enterprise, as well as profitability and the rate of tax, determine the regional shares in these revenues. Darfur and the southern regions will be seriously disadvantaged unless revenues are redistributed through transfers.

Secondly, tax rates should be applied uniformly throughout the country. Otherwise there would likely be some shifting of taxed resources from higher rate regions to lower rate regions. In cases where the elasticity of the tax base with respect to the rate of tax is greater than one, an increase in the rate will cause a decline in revenues, rather than an increase.<sup>2/</sup>

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<sup>2/</sup> Elasticity:  $\frac{\% \text{ change in value of the base}}{\% \text{ change in the rate of tax}}$

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TABLE 2. THE COMPOSITION OF CENTRAL GOVERNMENT  
ACTUAL REVENUES, 1980/81

	REVENUE (LS MM)	PERCENT SHARES
TAX REVENUES	608.1	79.2
DIRECT TAXES	115.0	15.0
INDIRECT TAXES	493.1	64.2
EXPORT TAXES	81.0	10.5
IMPORT TAXES	245.1	31.9
EXCISE TAXES	65.0	8.5
OTHER TRADE AND MISCELLANEOUS TAXES	102.0	13.3
NON-TAX REVENUES	160.0	20.8
TOTAL REVENUES	768.1	100.0

SOURCE: World Bank, Sudan: Investing in Economic Stabilization and  
Structural Change (Statistical Annex, Part II, 1982), Table 5.3.

TABLE 3. CENTRAL GOVERNMENT DIRECT TAX COLLECTIONS  
ACCORDING TO REGIONAL SOURCES, 1981/82

<u>REGION</u>	<u>DIRECT TAX</u> (LS M)	<u>1982 POPULATION</u> (M)	<u>PER CAPITA DIRECT TAX</u>
NORTHERN	3500	1070	3.271
EASTERN	8200	2133	3.844
CENTRAL	9300	3993	2.329
KHARTOUM	113600	1723	65.932
KORDOFAN	4200	2988	1.406
DARFUR	2500	2986	0.837
SOUTHERN	1519	5795	0.262

NOTE: 1982 population estimates are that 1983 Census figures  
discounted one year by the population growth rates for  
1973/83 recorded in Table 4.

SOURCES: Direct tax estimate for the South is from Ministry  
of Regional Administration, Police and Prisons, Southern  
Region, Seminar on Decentralization (Juba: Southern Region,  
December 1981), p. 47. All others are from John F. Due,  
Strengthening the Revenue Systems of the Central Government  
and Kordofan Region of the Sudan (Khartoum: Report to USAID,  
1982), Table 6.

There is some evidence that suggests that, unless care is taken to keep rates uniform among regions, inter-regional shifts in resources could be a problem in the Sudan. Table 4 shows that the Sudanese population is capable of considerable mobility. In northern Sudan there is a strong nomadic tradition, and in Eastern, Kordofan and Darfur regions the nomadic share of the population is still substantial. Furthermore, a review of population growth rates over the post-independence years reveals that major population shifts have occurred.

In the third world at large, natural rates of population growth are rarely more than 3.4 percent a year or less than 2.0 percent a year. Applying this range to the Sudan by assuming that in no region are natural rates in excess of 3.4 or less than 2.0, it is clear from Table 4, that the Northern Region, with growth rates of only about one percent a year, has been experiencing a steady drain of population since independence. Net emigration from the Central Region occurred in the 1973-83 period. Emigration from Kordofan until 1973 was followed by immigration thereafter. In the 1973-83 period, Darfur experienced net immigration, most likely from Chad. In general, Khartoum has been the chief recipient of immigrants.

Turning to the South, the very large population shifts evident there are largely attributable to civil strife. Emigration and negative growth in Equatoria and Upper Nile during the 1956-73 period was followed by immigration and high growth in the postwar years.

In general, there is enough evidence of population mobility to suggest that regional taxes on agricultural production, herds, and property, other than real estate, will be increasingly costly to collect at the margin, and that shifting of taxed resources among regions could be a problem unless standard rates are universally applied and effectively maintained.

Finally, there is the problem of deficient administrative capacity at the lower levels of government. In general, central

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TABLE 4. POPULATION ESTIMATES (M)

<u>REGION</u>	<u>1956</u>	<u>% OF TOTAL</u>	<u>1973</u>	<u>% OF TOTAL</u>	<u>1983</u>	<u>% OF TOTAL</u>
NORTHERN	824	8.1	964	6.5	1083	5.3
EASTERN	941	9.2	1572	10.6	2208	10.8
CENTRAL	2070	20.3	3804	25.6	4013	19.5
KHARTOUM	505	4.9	1150	7.8	1802	8.8
KORDOFAN	1762	7.3	2203	14.9	3093	15.0
DARFUR	1329	13.0	2181	14.7	3094	15.0
EQUATORIA	903	8.8	758	5.1	1406	6.8
BAHR EL GHAZAL	991	9.7	1388	9.4	2266	11.0
UPPER NILE	889	8.7	799	5.4	1600	7.8
TOTAL	10214	100.0	14819	100.0	20565	100.0

	% NOMADIC 1983	ANNUAL COMPOUND GROWTH RATES		
		1956-73	1973-83	1956-83
NORTHERN	4.6	0.9	1.2	1.0
EASTERN	25.3	3.1	3.5	3.2
CENTRAL	6.1	3.6	0.5	2.5
KHARTOUM	4.9	5.0	4.6	4.8
KORDOFAN	25.3	1.3	3.5	2.1
DARFUR	15.2	3.0	3.6	3.2
EQUATORIA	-	-1.0	6.4	1.7
BAHR EL GHAZAL	-	2.0	5.0	3.1
UPPER NILE	-	-0.6	7.2	2.2
TOTAL		2.2	3.3	2.6

SOURCES: 1983 figures are from a preliminary report on the April Census results.

1956 and 1973 data are from Ministry of Finance and National Economy, Economic Survey, 1978/79.

government officials are more efficient tax collectors than are regional officials. Although the same regional and district tax offices that collected direct taxes before the reform will continue to do so, they will now be under regional control. This means that in time they will tend to take on the standards and norms of other associated regional agencies. This factor points to declining tax effort and receipts. On the other hand, regions will be authorized to retain 60 percent of future increases in collections and this will provide an offsetting incentive to maintain efficiency and increase effort. Although the balance of forces is presently unclear, the transfer of resources and responsibility from the center to regional authorities could in the end be successful if collection efficiency is maintained, rates are kept uniform, and budget administration in general is improved.

Even so, it is unlikely that the grants process can be abandoned entirely. Regional needs far exceed the tax resources now available and the gap between them continues to grow as population expands, existing facilities deteriorate and production grows by fits and starts. Improving administrative capacity at the lower levels of government will be a long term and laborious process. Any attempt to improve interregional equity and to achieve a more balanced state of development will require some sort of transfer system. In the next section a grants formula is offered for purposes of illustration and discussion.

#### A GRANTS FORMULA

There are several elements any formula for allocating financial resources among regional governments will have to include. These essentials are:

1. A procedure for determining the total amount of resources to be transferred. This could be specified as a target in economic plans, as a percentage of central government revenue or as a residual left over after higher priority needs were met.
2. A specification of the criteria to be used in allocating the sum to be transferred among the regional governments, and the

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weight to be attached to each criteria. The criteria most commonly used are population and per capita income. The usual assumption is the greater the population to be served, the greater will be the resources required, other things being equal. But in large and diverse countries, regional conditions are usually not equal. A region can have a relatively large population and at the same time have a higher per capita income, and in such circumstances the high income reduces the case for subsidization on the basis of population alone. Thus the formula will be such that a given region's allocation will vary directly with its population and inversely with its per capita income.

Additional criteria are often included to meet special needs and circumstances. In the case of Sudan, it is appropriate that the formula be designed to provide incentives that reward tax effort and development effort. In effect, the central government would reward those who strive to help themselves. In this exercise revenue effort is measured in terms of revenue collected per LS 1000 regional income. Development effort is gauged in terms of actual development spending per LS 1000 of actual total expenditures.

Equations. To develop a grants formula embodying these criteria, it is necessary to specify an equation for each criterion:

1. Population and per capita income:

$$A_i = g_1 \frac{P_i (1.0 - 0.5Y_i/Y_t)^2}{\sum_j P_j (1.0 - 0.5Y_j/Y_t)^2}, \text{ where } A_i \text{ is the grant allocation}$$

based on population and per capita income of the  $i^{\text{th}}$  region. In the numerator  $P_i$  is the population of the  $i^{\text{th}}$  region,  $Y_i$  is the per capita income of the  $i^{\text{th}}$  region and  $Y_t$  is the per capita income of the nation. The denominator is the sum of this expression for all of the regions.

$g_1 = G(W_1)$ , where  $G$  is the total grant to be allocated and  $W_1$  is the weight assigned to population and per capita income.

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2. Revenue effort:  $A_i = g_2 (R_i / \sum R_j)$  where  $A_i$  is the allocation received by the  $i^{\text{th}}$  region. The numerator is the revenue collected by the  $i^{\text{th}}$  region per LS 1000 of regional income and the denominator is the sum of all such revenues collected by all regions.  $g_2 = G(W_2)$ , where  $G$  is the total grant to be allocated and  $W_2$  is the weight assigned to revenue effort.
3. Development effort:  $A_i = g_3 (D_i / \sum D_j)$ , where  $A_i$  is the allocation based on development effort received by the  $i^{\text{th}}$  region. The numerator is the development expenditure of the  $i^{\text{th}}$  region per LS 1000 of regional government expenditures and the denominator is the sum of all such expenditures by all regions.  $g_3 = G(W_3)$ , where  $G$  is the total grant to be allocated and  $W_3$  is the weight assigned to revenue effort.

Combining these elements provides:

$$A_i = g_1 \frac{P_i (1.0 - 0.5Y_i/Y_t)^2}{\sum P_j (1.0 - 0.5Y_j/Y_t)^2} + g_2 \frac{R_i}{\sum R_j} + g_3 \frac{D_i}{\sum D_j}$$

An Application. To apply the formula it is necessary to provide some assumed values. Therefore consider the following assumptions:

1. Three regions: A, B and C.
2. Weights:  $W_1 = .80$ ;  $W_2 = .10$  and  $W_3 = .10$ .
3. Conditions:

Region	Population	Per Capita Income	Revenue per LS 1000 of Regional Income	Developer Expenditure per LS 1000 of Regional Expenditure
A	938,000	160	58	99
B	838,000	170	14	149
C	4,000,000	240	9	120

4. Total grant to be allocated:  $G = \text{LS } 130,000,000$

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Results. Applying the formulas the following LS distribution is obtained. (LS M)

Region	Population & Per Capita Income	Revenue Effort	Development Effort	Total Allocation
A	26,228.8	9,308.6	3,497.0	39,034.4
B	21,746.4	2,247.0	5,263.7	29,257.1
C	56,024.8	1,444.4	4,239.3	61,708.5
Total Allocation	104,000.0	13,000.0	13,000.0	130,000.0

The application of this formula, or some variant of it, would provide much needed objective standards to the grants process. It would greatly reduce if not eliminate the importance of negotiation and the destructive bargaining tactics associated with it. It would provide a high degree of predictability. All parties could forecast the outcome, so that budgets and spending plans could be made in a timely and orderly fashion. Regional officials would have incentives to keep accurate financial records, to improve tax effort and efficiency and to set aside funds from current spending for capital formation. Most of the data needed except regional income is either being generated by government operation or subject to estimation without much difficulty. The lack of regional income and product accounts is the only serious obstacle. The scope of the national accounts section would have to be expanded, but otherwise there is no reason why a formula approach could not be employed at the present time.

#### DECENTRALIZED PLANNING

Given a distribution of administrative responsibility according to the principle of maximum social benefit, as proposed in an earlier section of this paper, it would be most convenient if the optimum

distribution of planning responsibility were simultaneously determined. In an ideal state this might be the case, but in reality there is no necessarily close connection between delivering goods and services to the public and establishing the instruments required to produce them. The skills needed to maintain output in an ongoing concern are very different from those required to plan future output, design projects, assess profitability, implement projects, etc. The skills required by the project cycle are scarce and must be utilized to maximum advantage. At the same time popular participation in the development process should be accommodated and encouraged.

At the national level, planning responsibility should continue much as it is at present. The agenda of national planners should include defining national goals and objectives, and estimating the resources available for achieving them. A national development strategy for the long run and macroeconomic policies for short run tactical purposes should continue as part of the national agenda. Central government authorities should also be responsible for projects whose outputs are of the nature of public goods, or which generate direct or indirect effects that spill over at least one set of regional boundaries. The center should continue with its three year investment programs for such projects. To maximize the returns from scarce human resources, an expert consultative group of national planners might be designated to serve as short term consultants to regional and local governments on planning issues.

At the regional level, planning responsibility should include the specification of a development strategy based on regional comparative advantage and a consistent set of norms and targets to be attained. It should be their responsibility to ascertain that regional goals are consistent with national goals and priorities. Regional authorities should also specify a set of criteria for regional projects that is consistent with regional goals and resource balances. But beyond these fairly obvious tasks it is difficult to be specific about planning responsibilities.

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At both the regional and local levels of government the lack of trained personnel represents a serious constraint on project preparation and management. At present, a highly refined division and specialization of labor is impossible. Given the prevailing skill shortages, what is needed is a planning policy based on flexibility in the use of regional manpower and a high degree of cooperation between planners at different levels of government. Since the capability of area and rural councils varies widely within regions, there can be no rigid prescription as to the planning functions at each level of government. In some cases rural and area councils can play a major role in project preparation; in other cases most planning functions will have to be performed on their behalf by higher authorities.

As a general principle a bottom-up approach is preferable to a town-down approach in rural planning and should be followed whenever possible. The benefits of decentralization in the form of a pattern of goods and services supplied that conforms to local tastes and preferences are more likely to be achieved with a bottom-up approach. Furthermore, in cases where officials and politicians are lax in their financial stewardship, public scrutiny can serve to increase official accountability. As grass roots interest in local government projects grows, pressure on local officials to account for their actions and uses of funds increases. Tax payers are more willing to pay their fair share when they can see the connection between their taxes and the desired public benefits which they have had a hand in planning. Mass participation thus contributes to better administrative performance. Accounts are more likely to be discussed and published. Successful politicians will tend to be those who are willing to bear public scrutiny. Thus devices and arrangements that serve to increase contact between officials and their clientele should be built into planning institutions.

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To recapitulate, at the lower levels of government there is a need to economize in scarce planning and management skills, and at the same time there is a need to encourage popular involvement in the planning process. A tentative and experimental step toward a workable distribution of responsibility may be derived from the useful distinctions between "hard" and "soft" projects and between low and high technology projects. Hard projects are infrastructure, agricultural and industrial projects which produce tangible products and so lend themselves to quantification, the measurement of expected costs and benefits, internal rates of return and the like. Since hard projects tend to absorb the preponderance of available capital funds, the conventional tests of efficiency and viability should be performed on such projects, and the more efficient chosen for funding in the hope of avoiding gross waste. These projects fall naturally in the sphere of planning specialists at the regional level. Soft projects, on the other hand, more reasonably may be left to popular determination. Soft projects are those whose benefits are more difficult to measure and evaluate. They consist largely of health, education, nutrition and rural development. Conceptually, values can be attached to improved health, greater literacy and the like, but in the present context it is so difficult that the results would not be very meaningful. Therefore, popular input can be greater in soft project fields. Appraisal can be limited to judgments about the qualitative cost effectiveness of alternative projects.

The terms low and high technology are used here in a very broad sense to capture the distinction between not only level of technology embodied in capital equipment and the proportions of capital and labor combined in the production process, but also between multi versus single product output, and single sector versus integrated development programs. The presumption is that the techniques involved in designing, appraising, implementing and operating projects involving modern technology, multiproduct outputs and integrated complex projects or programs will be more demanding than in the case of traditional technology, labor

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intensive, single product, single sector projects. In the latter, grass roots participation in preparation, appraisal and implementation should be relatively large. The former should be left for the most part to regional experts. These cadres are assumed to be conversant with development issues and the project cycle, and to be prepared to serve as hosts for more skilled short term consultants that may be called in as needs arise.

In the project identification and evaluation stages of the project cycle, popular participation should be given a prominent place, irrespective of the hardness or complexity of the project in question. Through this means the public would become more knowledgeable in development matters, the lessons learned from the evaluation of completed projects would tend to be embodied in new projects, the pattern of production would tend to conform to local desires and officials would be given an incentive to improve their performances.

There are many possible permutations by which regional government, area councils and rural councils might be arranged in descending order of responsibility in reference to the various stages of the project cycle, hard or soft projects, and high or low technology content. The matrix in Table 5 is not intended to be definitive, but only to depict in a general way how responsibility for planning might be distributed according to these distinctions among the lower levels of government in the Sudan.

In view of the massive shift of responsibility toward the lower levels of government that devolution is causing, the issues raised in this paper are important and deserve careful consideration of all involved in the process. To shift responsibility to ill prepared regional and local government invites administrative chaos and massive waste of resources. The task at hand is to find ways to minimize these short run losses and exploit the benefits inherent in a decentralized economy in the long run.

TABLE 5. A DISTRIBUTION OF PROJECT RESPONSIBILITY

STAGES OF THE PROJECT CYCLE	SP	SP	HP	HP
	LT	HT	LT	HT
IDENTIFICATION	RC AC RG	AC RG RC	RG AC RC	RG AC RC
PREPARATION	AC RG RC	RG AC RC	RG AC	RG AC
APPRAISAL	AC RG RC	RG AC RC	RG AC	RG AC
IMPLEMENTATION	AC RC RG	AC RG RC	RG AC	RG AC
EVALUATION	RC AC RG	AC RG RC	RG AC RC	RG AC RC

LEGEND

PROJECT TYPES:

- SP - SOFT PROJECTS
- HP - HARD PROJECTS
- LT - LOWER TECHNOLOGY
- HT - HIGHER TECHNOLOGY

AGENCIES RESPONSIBLE:

- RG - REGIONAL GOVERNMENT
- AC - AREA COUNCILS
- RC - RURAL COUNCILS

David G. Edens  
Chief of Party

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RURAL DEVELOPMENT IN THE SUDAN

Research/Studies Paper #2

Project Title: Sudan Regional Finance and Planning Project

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(This paper was written at the request of Dr. Osman Mohamed Osman,  
Director, DRLD)

## RURAL DEVELOPMENT IN THE SUDAN

There are several considerations to be taken into account in developing programs and projects to improve rural welfare. First, most of the Sudanese labor force, perhaps 80 percent, is dependent on agriculture for income and employment. This means that to raise the real standard of living of the majority of the population, agricultural policies and programs are of critical importance. Second, at the present time agricultural activity is still largely traditional in character; traditional agriculture covers more than half the total cultivated area. Third, the Sudan has large areas containing underutilized land resources, but at the same time there are major impediments to agricultural development. In large areas of the western Sudan, the desert is threatening to engulf arable land, while in other areas excess water is the problem. In the southern green belt the erosion and acidity of the soil constrain development. In the north the desert severely limits agricultural possibilities. Furthermore, the lack of infrastructure and the scattered distribution of the population inhibit the spread of market activity and the implementation of programs designed to improve rural living standards. Taken together, these considerations point to the need for coordinated GOS and donor programs tailored to the particular conditions obtaining in each of the major regions of the country.

### THE REQUIREMENTS OF DEVELOPMENT

There are five essential factors involved in agricultural development. These are:

- Price Incentives for Farmers
- Continuously Improving Technology
- Local Availability of Necessary Factors  
of Production
- Markets for Farm Produce
- Transportation

Without these ingredients, little or no development can take place. If they are lacking or insufficient, the GOS and donor assistance programs should attempt to foster them.

### Incentives

Increasing productivity implies that the orientation of agricultural activity moves from the mere subsistence of the farmer and his family to a commercial basis. To accomplish this close attention should be paid to costs and returns. Farmers must be able to sell their products in the market for more than it costs to produce them. The margin between costs and returns, the farmer's net income, must keep increasing if his family is to benefit from a rising level of living.

The GOS is now in the process of adjusting the pricing structure to provide these necessary incentives, and the recent gains in cotton output provide dramatic testimony to the power of adequate incentives. Inquiry and research in this area need to be continued in all sectors of the economy, especially in agriculture which affects the welfare of such a large portion of the population. International donors and lenders can make a significant contribution to rural welfare by sponsoring research and data accumulation on costs and returns in agriculture.

### Improving Technology

Technology refers to the way things are done. In agriculture this includes the methods used for the sowing, cultivating and harvesting of crops, as well as caring for livestock. It

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also includes the seeds, fertilizers, pesticides, medicines, feeds, tools, implements and sources of power farmers use. In sum, it refers to the combinations of the factors of production farmers use in seeking to maximize net income.

For agricultural production to expand, these combinations must be constantly improved. If they fail to change, agriculture will be stagnant. Production will not increase, or may even decline, unless continuous improvements in the quantity and quality of productive factors is maintained.

#### Availability of Inputs

For productivity to rise continuously, there must be a continuous local availability of the needed input combinations in the correct proportions and quantities. If agricultural development is to occur these inputs must be technically effective, of dependable quality, and available precisely when needed and at prices farmers can afford to pay. While government often attempts to provide the necessary inputs to farmers, it may not always succeed in maintaining the continuity and flexibility that is actually needed. In the Sudan, much potential production is lost because of the lack of needed inputs at the proper time.

The experience of many countries shows that the market system is an efficient way to provide this needed continuity and flexibility of supply. For the market to develop, there must be a continuous division and specialization of labor as the various economic agents take on more discrete and differentiated supply functions. If profit incentives are available the necessary market expansion usually takes care of itself.

In the Sudan however, the spread of the market is inhibited by the smallness of the population and its widely scattered distribution, by such environmental obstacles as the desert and the Sudd, by serious transportation deficiencies, and in some cases mistaken public policies.

#### Markets for Farm Products

For commercial agricultural activity to occur, there must be an effective demand for farm products. Without the expectation of demand, production will not be undertaken. There is an obvious interdependence between producers and consumers. Producers plan and produce well in advance of the market -- if they produce efficiently and anticipate demand correctly they make profits, if they produce inefficiently and anticipate demand incorrectly they likely incur losses. Government and assistance donors can contribute to the expansion of the market reducing the level of risk borne by farmers through the provision of information on prices and costs, and through measures to reduce spoilage, increase storage facilities, and augment the supply of credit. Even so, if effective consumer purchasing power is not present, desired output effects will not occur.

#### Transportation

This agricultural factor of production is so important that it deserves to be treated separately. Without efficient and low cost transportation the presence of the other essential factors will be meaningless. The absence of transportation means that consumer demands cannot be satisfied, inputs cannot be procured in the correct proportions and production cannot be efficiently organized except on the basis of primitive subsistence.

For a continuous rise in agricultural incomes to occur

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local and regional long distance transport facilities must form an integrated system of transportation. One of the major impediments to growth of the market in the Sudan is the lack of such a system.

### Conclusions

To sum up, Sudan at the present time suffers from deficiencies in these essential ingredients of rural development based on agriculture. In vast areas of the rainfed sector, there is no incentive to expand production because of lack of market demand. Populations are thinly spread and transport facilities are lacking. The potential of river transport is not being utilized and the level of rail service is declining. Storage facilities are inadequate. In east and west livestock productivity is limited by management practices that emphasize herd size rather than per animal productivity. Traditional values in some cases preclude livestock production for the market. Other production disincentives that have constrained agricultural production in recent years include inadequate profit margins for farmers, the overvalued pound, the lack of entrepreneurship in public corporations, the loss of skilled labor to the Gulf oil states, inadequate credit facilities and the inavailability of factor inputs in the needed proportions at the right time.

Foreign assistance donors and lenders can contribute to rural development, either by programs dealing with these deficiencies directly, or indirectly through rural institution building and by augmenting human resource development through health, education and training programs.

### A CASE REVIEW: USAID/KHARTOUM ASSISTANCE

USAID's current portfolio of development assistance projects provides the basis for a case study of a representative bilateral

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assistance agency. Table 1 contains a brief description of each of AID's major development projects, with the level of life of project dollar spending planned for each. To put the spending planned for development projects in perspective, USAID's actual non-military funding in FY 1983 reached \$171,956,000, of which \$28,482,000 or only 17 percent, was for development assistance. The balance of assistance expenditures was for current economic support in the form of food aid, commodity imports and assistance for refugees.

Table 2 contains some percentage shares of USAID planned project expenditures that can be used to interpret the information provided in Table 1. Over the long term, USAID plans project assistance at a level of \$215.3 millions and, of this total, 91.4 percent is for broadly defined rural development.

Projects 1 and 6 are examples of integrated sets of activities that attempt to deal simultaneously with several of the five essential factors discussed in the first section. For example, the Blue Nile Integrated Agricultural Development Project was designed to contribute improved inputs, technology and knowledge of incentives, while Southern Regional Agricultural Development I integrates marketing, research, financial management, and human and natural resource development. Of total planned project spending, these integrated rural development projects account for only about 10 percent.

It should not be surprising that transportation and marketing projects account for more than half of total planned project spending. These infrastructure projects require large capital outlays and, in terms of numbers, they account for nearly half of all rural development projects in AID's portfolio. In total, the road development implied by projects 3,4,5,9, and 13 will

Table 1 - USAID/Sudan: Assistance for Rural Development

<u>Project</u>	<u>Planned Expenditure (\$000)</u>	<u>Description</u>
1. Blue Nile Integrated Agricultural Development	12,032	To develop an integrated delivery system for small farmers and herders suitable for replication in the traditional rainfed sub-sector. The system will include improved agronomic inputs and practices; cooperative systems to provide production services and savings functions; extension networks to transfer agricultural information; and a project monitoring and planning unit to oversee project activities.
2. Western Agricultural Research	31,000	The project supports the efforts of the GOS Agricultural Research Corporation (ARC) to carry out research on agro-pastoral production systems in Western Sudan. All aspects of land and water resources as they pertain to use by humans, livestock and crop production are to be investigated. Project activities include training senior scientists, staffing research centers, and implementing a farming systems approach to research. Variety trials on sorghum legumes and forages are being conducted on research land and via on-farm trials that will improve soil fertility and crop production.
3. Kordofan Rainfed Agricultural Grant	20,000	This grant proposes to address three inter-related agricultural problems -- farm-to-market transport, access to crop storage, and seasonal cash-flow constraints. The principal components are: (1) policy reforms which stress private and public sector co-operation in Kordofan; (2) improved farm-to-market roads; (3) crop storage facilities for producers; and (4) secured inventory loans based on the value of stored crops.
4. Southern Rural Infrastructure 1	3,547	A two-phase project designed to provide the population in isolated, rural areas in the southern region with increased access to social services and to public and private production. It will also help strengthen the road maintenance capability within the southern region. Resources provided under the project will be used to rehabilitate the 450 kilometer Mundri-Rumbek-Wau Road, construct and equip a provincial equipment maintenance fleet and augment it with new intermediate technology equipment, and provide on-the-job training for maintenance personnel.

Table 1 - USAID/Sudan: Assistance for Rural Development

<u>Project</u>	<u>Planned Expenditure (\$000)</u>	<u>Description</u>
5. Southern Region Road Maintenance and Rehabilitation I	19,700	Designed as the first phase of a long-term effort to improve and preserve critical access primary roads in Southern Sudan. Components: (1) Rehabilitation of 290 km of primary roads; (2) maintenance of 1470 km of other primary roads and (3) the upgrading of the Juba Road equipment repair and maintenance facility.
6. Southern Region Agricultural Development I	10,100	The project is the first phase of a proposed 10-year effort on the part of the Regional Ministry of Agriculture and Natural Resources to promote increased agricultural production and farm incomes. The project consists of 5 related components: (1) Marketing, (2) Farming Systems Research, (3) Budget and Financial Planning, (4) Manpower Development and Utilization and (5) Area Development.
7. Agricultural Planning and Statistics	7,300	The project will assist the GOS in strengthening its policy analysis and planning capability in the agricultural sector. It has three components: (1) to strengthen the capability of the Ministry of Agriculture to identify, prioritize and analyse critical trade and agricultural marketing problems and issues; (2) to develop a reliable agricultural data base and reporting system; and (3) to strengthen the capability of the Ministry to identify, appraise and plan agricultural projects.
8. River Transport Agricultural Marketing	10,200	The proposed project is designed to improve the utilization of the White Nile River as a commercial waterway to stimulate agriculture production and marketing channels in southern Sudan. It builds upon the experience gained through the implementation of an existing local currency project financed by PL480 Title III local currency generations as well as the findings of recent feasibility studies. The project will focus on three major areas of assistance: (1) increasing private sector river transport service while rationalizing the role of the parastatal River Transport Corporation; (2) improvement of river and port management policies including collection of user fees to provide for maintenance services; and (3) physical and infrastructural improvements to the river.

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Table 1 - USAID/Sudan: Assistance for Rural Development

<u>Project</u>	<u>Planned Expenditure (\$000)</u>	<u>Description</u>
9. Western Sudan Agricultural Marketing Road	47,100	The proposed project funds the construction of a paved road between El Obeid and Kosti. El Obeid is the capital of Kordofan Region in western Sudan and serves as an important market center for the entire west. Kosti, located 250 km south of Khartoum (336 km by road), is served by all-weather paved roads to Khartoum as well as Port Sudan. Kosti is also an important port on the White Nile River and is served by the national rail network. The project will be jointly financed by the GOS, AID, the African Development Bank (ADB) and the Norwegian Government. Total project cost is \$118 million.
10. Rural Health Support	1,881	To strengthen the capacity of the GOS, especially in the area of management, to provide mother and child health and child spacing services in Darfur, Kordofan and Southern Regions. The project funds technical assistance, training and contraceptives.
11. Rural Health Support	16,200	To strengthen the capacity of the GOS, especially in the area of planning and management, to provide primary health care and mother and child health services in Darfur, Kordofan and Southern Regions. The project funds technical assistance, training, pharmaceuticals and the construction of medical supply warehouses, training centers and dispensaries.
12. Regional Finance and Planning	3,200	The project is designed (1) to increase the capacity of the Kordofan and southern regional governments to direct and fund their own activities, by improving their revenue generation, budgeting, financial management, and project development capabilities; and (2) to support a continuing GOS effort to promote a decentralized government and decentralization of services.

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Table 1 - USAID/Sudan: Assistance for Rural Development

<u>Project</u>	<u>Planned Expenditure (\$000)</u>	<u>Description</u>
13. Southern Access Road	10,000	The project is a multi-donor activity receiving assistance from the Sudanese and Kenya Governments, the EDC, Norway and USIAD. It will open an alternative road link to the Sudan's southern region. The project will assist in improving to-minimum commercial access standards an existing 582 km direct-access road between Juba in the Sudan and Lodwar in Kenya. The road will reduce dependence on the present road through Uganda which has been closed frequently in the past and to which continued access remains uncertain. The overall cost of the project is \$31 million.
14. Rural Renewable Energy	4,600	Designed to strengthen the Government's capability for applied research in renewable energy technologies. The project consists of two components: (1) general support to the Institute for Energy Research (IER) to assist it in developing, testing and analyzing the economic, social and technical feasibility of modified and new technologies; and (2) grants for dissemination of a series of renewable energy technologies in selected villages undertaken by PVOs and private business under the auspices of the IER.
Total Rural Development	196,860	

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Table 2 - USAID/Sudan: Some Additional Details

Total Planned Project Assistance	\$ 215,306,000
Shares in Total:	<u>%</u>
Rural Assistance in General	91.4
Integrated Projects (Projects 1 and 6)	10.3
Transport and Marketing (Projects 3,4,5,8,9 and 13)	51.3
Human Resource Development (Projects 10 and 11)	8.4
Research, Information and Management (Projects 2,7,12 and 14)	21.4

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extend the market in Kordofan, Equatoria, Bahr El Ghazal and Central regions. The River Transport Agricultural Marketing Project, number 8, is intended to open the southern Sudan market by improving the White Nile's capacity as a commercial waterway to Juba.

Rural development through investment in human resources, projects 10 and 11, accounts for approximately 8 percent of the value of AID's planned project portfolio. These are both rural health projects designed to contribute to improvement in mother and child health, through health education, child spacing, improved pharmaceutical supplies and better health services management.

Finally, the research, information and management group, projects 2,7,12, and 14, account for the remaining 21 percent of the value of AID's total project portfolio. One of these projects, Western Agricultural Research, seeks to increase knowledge in all aspects of agro-pastoral production systems as they pertain to Western Sudan. A second, Agricultural Planning and Statistics, aims at strengthening the project planning and decision-making capabilities of the central Ministry of Agriculture and to develop a reliable data base there. The other two projects of this group, the Regional Finance and Planning Project and the Rural Energy impinge on rural development somewhat less directly.

The former seeks to strengthen the planning and financial capacities of regional government. Efficiency in regional government would contribute to rural development through the ability to fund viable development projects from local resources. The Rural Energy Project is designed to contribute to rural welfare

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through the introduction of alternative renewable energy technologies. The high cost of fossil fuels is a major development constraint in the Sudan. Greater reliance on lower cost renewable energy sources would reduce pressure on the more fragile savannah vegetation and the payments burden associated with expensive imported petroleum products.

In conclusion, the USAID development project portfolio represents a fairly diversified approach to rural progress through developing the agricultural income base. Given the present state of transport facilities in the Sudan, the evident emphasis on this area seems well placed. The concern for greater knowledge should pay dividends in the future design of more effective government and donor projects and programs. Finally, the evident geographic concentration of the portfolio on Kordofan and the southern regions should be noted. The USAID case reflects the tendency of foreign assistance donors and lenders to focus their interests in specific geographic areas. This regional selectivity of donors has implications for future rural development strategy formulation in the Sudan.

#### PLANNING RURAL DEVELOPMENT

Sudan is a large and geographically diverse country with a small and scattered population. In addition there is a high degree of ethnic diversity. Under such circumstances there is a strong case to be made for decentralization of public authority and responsibility. With the Regional Government Act of 1980 and the Local Government Act of 1981, a process is now underway to strike a workable balance between the national, regional and local levels of government. The broad outline of the new system has been provided in the legislation but the operational details are as yet unclear. Nevertheless, it is certain that

decentralization is a high level concern and that henceforth regional and local preferences increasingly will be reflected in rural development plans and policies.

It is usually assumed that the more centralized are finance and planning responsibilities, the more standardized will be the pattern of public goods and services provided, and the more insensitive to local conditions will be the planning process. Conversely, the less centralized the responsibilities, the more diverse will be the pattern of goods and services supplied and the more flexible and attuned to local preferences will be the planning process. Given the Sudanese demographic and physical environment, decentralization is a desirable policy goal because it promises a relatively effective means for meeting the distinctive and particular needs of diverse localities and regions.

There are disadvantages or costs associated with decentralization of responsibility to be weighed against the presumed benefits. For one thing, in a decentralized system there is a tendency to waste resources through the duplication of administrative facilities, personnel and functions at several levels of government. There is also the possibility of wasting scarce resources through fragmented, inconsistent and even contradictory public decision-making. The loss of economies of scale may impose serious social costs when similar activities are undertaken on a piecemeal basis by numerous local or regional authorities. Finally, local needs may go unsatisfied when finance depends on local taxation and the local tax base is small.

These considerations point to the calculations needed to determine the most desirable distribution of responsibility among the three levels of government. The goal of decentralization should be to distribute responsibility and authority among

the levels of government in such a way as to maximize the net benefits of decentralization to the society. This means, in practice, assigning each level of government the responsibility for supplying those services it can plan and finance more efficiently in relation to the other levels of government. Efficiency, as used here, means the excess of benefits over costs.

At the central level of government, the authorities by necessity will be responsible for supplying national public goods. These are goods or services whose benefits are spread widely throughout the whole society. Since benefits spill over regional and local borders in such cases, the lower levels of government will not undertake their production. National defense, international relations, macroeconomic policy, inter-regional transport and communications are examples of public goods which must be supplied at the national level of government if they are to be had at all.

At the regional and local levels responsibility for services should in principle be given to the jurisdiction within which the benefits accrue. For example, if it can be demonstrated that the benefits of a project in a particular council area will be consumed entirely within that jurisdiction, there is a strong case for making the provision of this particular service the responsibility of the area council rather than the regional government. There may be, however, complicating circumstances which weigh against this conclusion. For example, consider health or education services. In these kinds of activities there are likely to be substantial economies of scale. For technical reasons, it may be socially more efficient to provide health or education services on a regional basis, bringing consumers to regional centers, rather than trying to provide numerous small centers at the area council level. Otherwise, if left to the area councils, the desirable amount of service

might be too expensive to provide.

Furthermore, at the area council level the lack of trained manpower represents a serious constraint on the efficient supply of services. From the social view point, any service should be supplied up to the quantity at which marginal social costs of the service are equal to marginal social benefits. If shifting functions to the regional level that might otherwise be done at the area council level lowers marginal cost relative to marginal benefit, then the shift should be made, at least temporarily until the capacities of the area councils can be improved through specialized training and improved public education. But if this is done care should be taken to devise institutional arrangements that ensure that regional authorities will be sensitive to the needs and project ideas arising at the area council level. Without this link, some of the flexibility and diversity of services promised by decentralization would be lost.

Given these considerations, and the great diversity of conditions in the various regions, rural development programs should be prepared on a regional basis and should reflect strategies based on regional comparative advantages. Some regions are potentially more productive than others and their needs vary widely. One region may be economically more advanced than another, even though it may have less potential for development. Elsewhere, great potentials may lie unexploited because of the absence of some of the essential ingredients of development.

Thus policies and strategies for rural development should be unique for each region. In one, improved transportation and technology may be the keys to progress, while in another, increased local availability of productive factors or market information flow may be needed. In all cases, however, priority should be given to the five essential ingredients described in the first

section. Rural development in the Sudan depends on improving the real incomes of the farming population, and for this to occur farm productivity must rise. The five essentials must be present for this to happen.

In general, policy should focus on maximizing farmers' net incomes, rather than the physical output of any particular product. The goal of national economic development is to maximize net value added, not the physical quantity of any particular line of production. Given prices that reflect opportunity costs, farmers will contribute to this national goal through increasing their own net incomes.

It is important to recognize that the role of public decision-makers in rural development has definite limits. While government and foreign donors can assist the development process, the basic decisions about what crops to grow, how to organize production and how much of each crop to produce are made by thousands of individual farmers. They invariably will make these decisions on the basis of their own perceived self-interest and it is for this reason that market information and price incentives that lead farmers to exploit regional comparative advantages are so important.

In this context, it is clear that the plans and strategies of foreign donors should be in harmony with the self-interests of farmers and the comparative advantages of the regions they assist. Donor funded projects should be consistent with regional development goals and coordinated with regional and area council plans and programs. Otherwise, effort may be duplicated, gains offered by economies of scale not realized and development opportunities wasted.

Since foreign donors tend to focus their activities on particular regions, coordination should not be difficult. In

preparing their projects, it is important for both regional officials and foreign donors to keep local interests and needs in mind. Project ideas should come as far as possible from village and area councils where local needs are best known and most clearly expressed. In this way the benefits of decentralized administration can most surely be achieved.

Foreign donors may find it in their interest to collaborate closely with local officials and project beneficiaries. The costs of project preparation and the risk of failure can be reduced by capitalizing on local self-help and proprietary interest. Local users will be committed to a project's viability if they have contributed cash, labor or materials to it. Projects in which local beneficiaries, foreign donors and area councils share the costs, in cash or kind, should enjoy a higher probability of success than in the case of those supplied entirely from external sources. In the long run, cost sharing arrangements could greatly increase the returns per pound spent on rural development in the Sudan and ensure that foreign donor activities were in harmony with local interests.

GRANT ALLOCATION BY FORMULA:  
SOME IMPLICATIONS AND PRELIMINARY FINDINGS

Research/Studies Paper #3

Project Title: Sudan Regional Finance and Planning Project  
Project Number: 650-0012

GRANT ALLOCATION BY FORMULA:  
SOME IMPLICATIONS AND PRELIMINARY FINDINGS

The preceding Third Quarterly Report contains a paper, which proposed among other things, an illustrative formula for allocating central grants among the regions.<sup>1/</sup> The purpose of the present paper is to assess the impact a formula approach might have on the grant allocations now being received by the various regions. In doing so, it should be acknowledged at the outset that the data available for this purpose are incomplete, of dubious quality and, in some cases, at odds with similar information from other sources. The results, therefore, should be thought of as only provisional indications of probable effects. Even so, exercises of this kind are necessary if steps toward a more objective and equitable allocation process are to be seriously considered by the authorities.

Grants Formulas

The grants formula proposed in the previous paper combines three allocative elements to which distributive shares were assigned. The main element was a formula for allocating funds on the basis of population weighted by per capita income. Population and income are universally recognized as the prime factors to consider in appraising state or regional need for central government assistance. The larger the population of a region, in relation to that of other regions, the greater will be its justification for central assistance, unless offset by relatively high per capita income. The presumption is that the higher is per capita income in relation to the national average, the better able a region should be to finance its own activities from its own tax base.

The earlier formula also included elements for rewarding revenue effort and development effort of regional governments. To give the central authorities a measure of control over the outcome a share of 80 percent of the total grant was assigned the main population and income element in the illustrative example, while the other

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<sup>1/</sup> David G. Edens, "Economic Considerations in Decentralization Policy," Sudan Regional Finance and Planning Project, Third Quarterly Report, 1983 (Development Alternatives, Inc.), Appendix III.

elements were assigned 10 percent each. These proposed shares are policy variables and are not an essential part of a grants formula; the outcome could have been left to the workings of objective factors in a suitably constructed formula.

At this writing, reliable information on development spending and tax effort are not available for enough regions to contribute to a meaningful test of the allocation impact of the complete equation presented in the prior paper. On the other hand, some interesting data on population and per capita income in rural northern Sudan have recently been published and are well suited to formula testing. These data are discussed in the next section.

Given the lack of tax and development effort data, this inquiry is restricted to the main elements of population and income. Extracting from the earlier paper, the formula now is

$$A_i = G \frac{P_i (1.0 - 0.5Y_i/Y_t)^2}{\sum P_j (1.0 - 0.5Y_j/Y_t)^2}$$

where G is the total grant to be allocated,  $P_i$  is the population of the  $i^{\text{th}}$  region,  $Y_i$  is the per capita income of the  $i^{\text{th}}$  region and  $Y_t$  is the per capita income of the nation. The denominator is the sum of these expressions for all regions.

This is the Hill-Burton formula used by the U.S. federal government for allocating unconditional grants-in-aid to the states. In this formulation grants are allocated on the basis of population, weighted by relative per capita income. The formula has the effect of increasing the weights sharply as regional per capita income declines.

In the analysis that follows, the results of an alternative formula are also provided for purposes of comparison. This is a simpler formula that provides allocation on the basis of population weighted by the reciprocal of relative per capita income.

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This formula is:

$$A_i = G \frac{P_i (Y_t/Y_i)}{\sum P_j (Y_t/Y_j)}$$

where G is the total grant to be allocated,  $P_i$  is the population of the  $i^{\text{th}}$  region,  $Y_i$  is the per capita income of the  $i^{\text{th}}$  region and  $Y_t$  is the per capita income of the nation. The denominator is the sum of these expressions for all regions.

### Regional Data

A recently published UNDP/IBRD study, prepared for the Ministry of Finance and Economic Planning, provides some rural family income and population estimates for eleven provinces of northern Sudan.<sup>2/</sup> These data are presented in Table 1 and are consolidated on a regional basis, in order of population size, in Table 2.

It should be noted in using these estimates that rural income and population data by region give only a partial measure of regional income and population. The urban elements could substantially alter the picture where there are large towns or cities generating incomes based on higher productivity industrial or service activities, rather than on agriculture. While conceding this, the purpose of this exercise is to begin to compare grant allocation outcomes provided by different formulas or distributive devices, given some suitable income and population data, rather than attempt to measure income and population precisely. Should adding urban income and population to rural elements raise their levels without much altering the relative positions of regions, their relative positions in grant outcomes would also be little changed. In these formulas what matters is a region's relative income and population position, not its absolute levels of income and population. As Khartoum is not included in these tests, it is plausible to suggest that relative regional positions would not be substantially changed by the use of total regional income and

<sup>2/</sup> The Democratic Republic of the Sudan, Ministry of Finance and Economic Planning (Planning), Rural Labour Study in Northern Sudan (UNDP/IBRD, Planning Assistance and Training Project, Khartoum, 1983).

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TABLE 1 RURAL POPULATION AND INCOME BY PROVINCE, 1981

<u>REGION</u>	<u>PROVINCE</u>	<u>POPULATION</u>	<u>ANNUAL PER CAPITA INCOME (LS)</u>
CENTRAL	BLUE NILE	954,924	277
	GEZIRA	1,863,688	185
	WHITE NILE	1,182,130	206
DARFUR	N. DARFUR	932,813	199
	S. DARFUR	1,069,795	218
KORDOFAN	N. KORDOFAN	1,095,822	265
	S. KORDOFAN	815,483	200
EASTERN	KASSALA	794,949	185
	RED SEA	143,020	135
NORTHERN	NORTHERN	362,884	160
	NILE	474,412	181

SOURCE: The Democratic Republic of the Sudan, Ministry of Finance and Economic Planning (Planning), Rural Labour Study in Northern Sudan (UNDP/IBRD), p. 57 and p. 94.

TABLE 2 RURAL POPULATION AND INCOME BY REGION, 1981

<u>REGION</u>	<u>POPULATION</u>	<u>ANNUAL PER CAPITA INCOME (LS)</u>
CENTRAL	4,000,742	213
DARFUR	2,002,608	209
KORDOFAN	1,911,305	237
EASTERN	937,969	177
NORTHERN	837,296	172
TOTAL	9,689,920	210

NOTE: Regional rural population is the sum of province rural populations. Per capita incomes are the sums of provincial per capita incomes, weighted by their shares in regional population. This is equivalent to the sum of the products of provincial population and per capita income (rural gross income), divided by regional population to produce regional rural per capita income.

population data. Thus the testing of these equations should at the very least provide some provisional evidence as to how a formula approach to grants allocation might work in practice.

#### Method and Test Results

In FY 1980-1981 the Northern, Eastern, Central, Kordofan and Darfur regions received together a total of LS 132,101,730 in central government grants.<sup>3/</sup> The separate development grant

3/ John F. Due, Report on Financial Aspects of Decentralization in the Democratic Republic of the Sudan (Khartoum: USAID, 1981), p. 33.

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is not included. The method of testing is to use LS 132,101,730 million as the aggregate grant to be allocated, and to apply the population and income data in Table 2 to the two formulas in question. The results are presented in Table 3, where the actual grants received by the regions also are included for comparison.

In terms of the level of grants allocated, both Hill-Burton and  $P_i (Y_t/Y_i)$  would award substantially more to the populous Central and Darfur region than actually was the case, and substantially less to Kordofan and the Northern region. The Eastern actual allocation is not very different from either of the formula results.

In Table 3, the regions in column one are listed in descending order of population size, and it should be noted that the rank orderings produced by both formulas replicate this ordering. This is not the case in the actual distribution in which considerations other than population and welfare were clearly involved. In both of the formulas the weights rise as per capita income falls, but in the present exercise income variations across the five regions are not large enough to alter the rank order based on population size.

The actual negotiated process, while making the largest award to the populous Central region, awards the second largest amount to the least populous area, Northern region. Darfur, with the second largest population received next to the smallest grant.

In terms of the absolute size of grants awarded, the greatest gainer from the use of either of the formulas would have been Central region, and the biggest loser would have been the Northern region. Darfur would gain substantially from the use of a population based formula, while Kordofan would lose.

A comparison of the outcomes provided by Hill-Burton and  $P_i (Y_t/Y_i)$  provides some insight into the effects of differences in their weighting procedures. Referring to Tables 2 and 3, a move from Kordofan to Darfur, for example, represents only a 4.8 percent increase in population, but this is associated with a

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TABLE 3 COMPARISON OF ABSOLUTE RESULTS

<u>REGION</u>	<u>GRANT DISTRIBUTIONS (LS)</u>		
	<u>ACTUAL</u>	<u>HILL-BURTON</u>	<u><math>P_i Y_t/Y_i</math></u>
Central	41,907,600	52,484,650	53,249,552
Darfur	21,801,580	27,296,812	27,164,685
Kordofan	24,073,250	19,596,714	22,863,182
Eastern	16,390,000	16,957,121	15,023,469
Northern	27,929,300	15,766,433	13,800,842
<b>TOTAL</b>	<b>132,101,730</b>	<b>132,101,730</b>	<b>132,101,730</b>

	<u>RANK ORDERINGS</u>		
	<u>ACTUAL</u>	<u>HILL-BURTON</u>	<u><math>P_i Y_t/Y_i</math></u>
Central	1	1	1
Darfur	4	2	2
Kordofan	3	3	3
Eastern	5	4	4
Northern	2	5	5

	<u>FORMULA GAINS OR LOSSES (LS)</u>	
	<u>HILL-BURTON</u>	<u><math>P_i Y_t/Y_i</math></u>
Central	+ 10,577,050	+ 11,341,952
Darfur	+ 5,495,232	+ 5,363,105
Kordofan	- 4,476,536	- 1,210,068
Eastern	+ 567,121	- 1,366,531
Northern	- 12,162,867	- 14,128,458

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39.3 percent rise in grant allocation under Hill-Burton and an 18.8 percent rise under  $P_i(Y_t/Y_i)$ . The amplified increase in grants occurs because of the associated fall in per capita income of 11.8 percent. In both formulas, the weight attached to per capita income increases as income falls. But under Hill-Burton, the increase in weight is considerably greater than under  $P_i(Y_t/Y_i)$  for any given decline in per capita income, hence the greater grant increase under the former.

This can be seen more clearly by direct examination of the actual weights. Arranged in order of descending per capita income, these are:

Region	Per Capita Income	Weights	
		$(1.0 - 0.5 Y_i/Y_t)^2$	$Y_t/Y_i$
Kordofan	237	0.1898	0.8861
Central	213	0.2429	0.9859
Darfur	209	0.2524	1.0048
Eastern	177	0.3347	1.1864
Northern	172	0.3487	1.2209

The Hill-Burton weights are much more sensitive to changes in per capita income. Moving over the range of values available (from the level of Kordofan to the level of Northern) involves a 27.4 percent decline in per capita income. Under Hill-Burton, this is associated with an 83.7 percent increase in the weight, as opposed to only a 37.8 percent increase in the reciprocal weight equation. These relationships imply an elasticity of weight with respect to income of 3.05 for Hill-Burton, as compared to only 1.38 for the income reciprocal formula. Should there be a welfare concern for using grants to compensate low per capita income regions, the Hill-Burton formula would give better results. On the other hand, should there be less concern with differential welfare conditions and a desire to put greater emphasis on population size, the reciprocal income formula would be more desirable.

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Table 4 provides the outcomes of the alternative allocation systems on a per capita basis. Under this procedure, the impact of variations in per capita income can be more clearly seen because an allocation based on population alone would provide all regions the same per capita grant.

As in the preceding discussion, Northern and Kordofan benefit from the present negotiated allocation process. They would lose the most per capita by changing to a formula approach. Individuals in the other three regions would be somewhat better off.

The per capita grants awarded by the actual process are in perfect reverse order to population size: the smaller the population the larger the per capita grant awarded. The logic for such an outcome is elusive. The rank order of per capita awards produced by both formulas perfectly reflect their per capita incomes in reverse order. Kordofan, with the largest per capita income, receives the smallest per capita award; Northern with the smallest per capita income gets the largest per capita grant. In the actual allocation of 1980-81, Northern received a per capita grant that is 77 percent larger than what would have been the case under a Hill-Burton regime. Kordofan with the highest per capita income received the third largest per capita grant, over 22.8 percent larger than the one Hill-Burton would have produced.

#### Summary and Conclusions

Grant allocation systems based on objective measures of need, such as income and population, produce very different results from those produced by the present bargaining process, in which subjective factors and bargaining stratagems have free rein. The workings of the two formulas tested produce results that are not remarkably different. Given its simplicity,  $P_i(Y_t/Y_i)$  might be the more attractive one for use in the Sudan.

There is much to recommend a formula approach. A formula could be used to allocate grants according to objective measures of need and to reward desirable behavior such as tax or development

TABLE 4 COMPARISON OF PER CAPITA RESULTS

REGION	PER CAPITA GRANT DISTRIBUTIONS (LS)		
	ACTUAL	HILL-BURTON	$P_i Y_t/Y_i$
Central	10.475	13.119	13.310
Darfur	10,887	13.631	13,565
Kordofan	12,595	10.253	11,962
Eastern	17,474	18.079	16,017
Northern	33.357	18.830	16,483

	RANK ORDERINGS		
	ACTUAL	HILL-BURTON	$P_i Y_t/Y_i$
Central	5	4	4
Darfur	4	3	3
Kordofan	3	5	5
Eastern	2	2	2
Northern	1	1	1

	FORMULA GAINS OR LOSSES PER CAPITA (LS)	
	HILL-BURTON	$P_i Y_t/Y_i$
Central	+ 2.644	+ 2.835
Darfur	+ 2.744	+ 2.678
Kordofan	- 2.342	- 0.633
Eastern	+ 0.605	- 1.457
Northern	-14.527	-16.874

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effort. Incentives to install orderly budgeting and planning processes are sorely needed in all regions. The reward of progress in these directions is highly desirable.

In the present system, regional bargainers apparently imagine that they are able to get larger central transfers than would be the case under alternative allocation regimes. This, however, is not the case. All negotiators cannot be winners. The present bargaining process resembles a zero sum game: for every winner there is a loser. If some get more than the grant determined by objective measure of need, others get less. Equity weighs in favor of a formula approach based on need.

There are important fiscal reasons as well for adopting a formula approach. The present system encourages the use of unrealistic regional forecasts of own revenues and expenditure requirements in order to support negotiating tactics designed to maximize grant income from the center. Deliberately misleading budgets encourage waste and inefficiency in regional government and contribute to the rising cost of public administration in the Sudan. A formula approach would encourage efficiency at all administrative levels and an end to the fiscal hemorrhage now associated with the movement toward decentralized government.

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Chief of Party

AN ASSESSMENT OF AREA COUNCIL PERFORMANCE

Research/Studies Paper #4

Project Title: Sudan Regional Finance and Planning Project

Project Number: 650-0012

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## AN ASSESSMENT OF AREA COUNCIL PERFORMANCE

This paper will provide an assessment of the performance of Area Councils with a particular focus upon their development activities. Major problems, constraints and opportunities will be identified and conclusions drawn concerning the possible use, role and form of written guidance that may be produced under the Finance and Planning Project.

The information and evidence upon which this paper is based was collected on visits to three Regions, Bahr Al Ghazal, Equatoria and Kordofan, during which meetings were held with officials of six Area Councils, five Rural and Town Councils and with Regional Ministry staff. Whether all the findings and conclusions reached from this small sample can be generalized to the country as a whole cannot be determined by the author. However, discussions with regional and national officials indicate that the problems facing these particular councils reflect those of local government throughout Sudan. As three Area Councils visited are in the 'South' and three in the 'North', then some quite significant differences between the two parts of the country will be accounted for. Two memoranda have been distributed that provide the background information on these Area Councils upon which this paper is drawn; copies can be obtained from the chief of party, Regional Finance and Planning Project.

One word on the terminology used in this paper; in Kordofan Region the terms Area Council and District Council are both in common use. In this paper the term Area Council is used throughout.

### ASPECTS OF PERFORMANCE

#### Roles, Functions and Relationship with the Region

The People's Local Government Act, 1981, established Area Councils as autonomous, corporate bodies. The Schedule to the Act defines the functions and responsibilities of these councils.

The Act also provides powers to the councils to set up and delegate responsibilities to "people's local councils on the level of towns, rural areas, quarters, villages" and so on. Six months prior to the enactment of the Local Government Act the Regional Government Act, 1980 was promulgated, initially excluding the then Southern Region but later extended to the south resulting in the establishment of three further regions. Unfortunately the two Acts do not interrelate well and have given rise to confusion, uncertainty and potential for overlap between the two levels of government. For example the Schedule of the Regional Act setting out the functions of a Region is almost identical to the Schedule included in the Local Government Act relating to Area Councils.

As a result of this overlap there does not exist a clear division of roles and responsibilities. In particular this confusion extends to development activities. For certain sectors there is a reasonably clear division on paper, for example primary education and primary health care are recognized as the responsibilities of the Area Councils. However, in practice in Equatoria Region construction of basic health units is still carried out by the Region, although the staffing and servicing of such facilities is left to the Council. Confusion is compounded by a paucity of consultation over the location of proposed new facilities. In the productive sectors the confusion appears even greater;

- in the south both levels of government have overlapping responsibilities for agriculture, livestock and forestry. Although Area Councils pay the technical staff posted within their area and have nominal responsibility for the sectors all activities are still controlled by the Region.
- in Kordofan field staff are still responsible to the Region and yet the Councils have committees for the productive sectors which are advised by regional staff. Such committees presumably reach decisions which cannot be binding upon the authority responsible for the sector, namely the region.

A lack of finance, expertise and construction units severely limits the capacity of Area Councils to undertake development initiatives in any sector. This has brought about a reliance on the Region to 'get things done' whether or not the Area Council has functional responsibility; an attitude that reinforces the confusions and distortions over who should do what.

There is considerable variation in the powers and functions that have been delegated to rural and town councils. In Bahr Al Ghazal the only major function to be handed over to rural councils is that for feeder roads, although less formally these councils participate in education and health, mainly in the organization of self-help efforts (which with the present security situation have faded to nothing). In Equatoria the rural councils are more fully responsible for primary education and health, having the appropriate staff on their establishment. In Kordofan the situation is uneven. In the case of Dilling Area Council it would appear that full responsibility for primary education and health has been passed over whereas in Bara very little has been delegated to the rural councils. It is reported that in some instances the rural councils are perceived as being more important than the area council, having more staff and operating a full range of services. From a technical, rather than political or participatory viewpoint a high level of duplication is evident between the two levels of local government.

The relationship between the Region and local councils also varies. In Equatoria, where the structure, if not the present form, of regional government has been in existence the longest the level of technical support offered to area councils has been most developed. Area councils are invited to participate in the preparation of the annual development budget, planning staff have been posted to the provincial level in an attempt to make expertise available and the training institutions based in Juba have benefitted most those councils located within the region. The

other two regions, more recently established, have not been in a position to provide support to local councils as priority has been given to building up the regions' own planning capacity. The apparent dependency of all area councils upon their regional government is a factor that will feature throughout this paper and will not be elaborated upon at this stage.

#### Management

The Chief Executive Officer (Bahr Al Ghazal and Equatoria) or the First Executive Officer (Kordofan) is both the secretary to the Council and the head of the local civil service. The position should be filled by a graduate with a post-graduate diploma in Public Administration. In practice many do not possess these qualifications. In the southern region some 50 percent are not graduates and have had no formal training in administration. Working to the Executive Officer is an administrative cadre which includes an Accounts department. Senior staff of this cadre are seconded from the Regional Ministry of Regional Affairs. Technical departments are headed by technical officers responsible in the first instance to the Executive Officer but who have strong links with the appropriate technical Regional Ministry. The qualifications of technical heads are varied but only a minority are graduates.

Policy is decided by either the full Council, the Delegated Committees or by a Council Committee responsible for individual sectors. At present there are no elected Councils in Equatoria or Bahr Al Ghazal (?) and in these cases the council administration is wholly responsible for all decisions. The number of Committees varies between councils. All councils spoken to have a Finance and Development committee responsible for drawing up the councils annual budget. Each 'technical' committee is advised by a technical officer who is an ex-officio member of the committee, this technical advisor is the senior officer in the location and may not be a member of the council's staff.

For example the Health committee may well be advised by the senior doctor of the local hospital which is run by the Regional Ministry, or, in the case of Kordofan the Agricultural committee will be advised by the senior agriculture field officer of the Regional Ministry of Agriculture. Where elected councils exist there were strong complaints made by administrative and technical staff of excessive interference in the day-to-day running of departments by these elected representatives.

The impression gained through interviews with senior council staff is that management is very weak. There is a poorly defined administrative structure, lines of authority and responsibility are not well articulated and there is little, if any, coordination between departments. Financial management is critically weak, leading to abuse, misallocation of funds; gross overspending on certain items and the illegal movement of funds from one budget to another. The dire financial straits of the councils distracts attention from all other matters and results in a management style that can only be described as one of crisis management, attempting to satisfy constant demands with very limited resources. The financial standing of councils is considered in the next section.

In Equatoria an attempt has been made to introduce better financial management and control through the posting of Budget and Finance Officers to each area council. These are young graduates of Juba University who were given a special degree course in public finance and administration. Although only posted late in 1983 they appear to have had a significant impact in that records of expenditure and revenue are now kept up-to-date and there is some hope that this year's budget submissions will be more realistic than in the past. However, these officers are junior and feel frustrated by the fact that they can do little to stem the financial mismanagement of senior staff. Nevertheless they represent the first attempt to introduce

financial management and planning to the councils, and if they were provided support, would have considerable potential for bringing some semblance of order to the present chaos. Unfortunately the original intention of training enough officers to provide for all councils in the south has had to be abandoned, a result of a lack of funds. If a further programme of support and training were ever to be introduced then certainly the success of this cadre should be evaluated and the possibility examined of expanding the concept nation-wide.

Overall it is contended that the lack of management structures and use of management tools is likely to be a very major constraint upon council capacities. If councils were ever to obtain access to development funds then the current absence of any planning capability will quickly become apparent. The existing structure of council administration is not well designed to undertake collaborative development efforts; it being a series of separate functional officers all of whom report only to the Executive Officer. This factor coupled with the past inability of functional departments to operate will critically weaken future performance. The lack of management all too often has resulted in a lack of direction and purpose which in turn is compounded by the scarcity of financial resources.

#### Financial Standing

Throughout this paper the constraints imposed by the poor financial standing of councils stands out as a major issue. Accurate figures of real income and expenditures are difficult to come by. Only in two instances were such figures available in any form. The following table provides an estimate based on available data of the possible real total income for five area councils. It must be stressed that the figures are based upon 'educated guesswork' where actual figures were not available.

Table 1: Estimated Actual Income of Area Councils 1983/84  
(All figures in LS millions)

Area Council	Local Rev.	Reg. Grant	Other	Total
Kordofan				
Bara	0.4	1.0	0.6	2.0
Dilling	1.0	1.1	0.2	2.3
Umm Rawaba	1.9	0.9	0.16	2.96
Equatoria				
Central	0.2	0.36	-	0.56
Yei	0.5	0.3	-	0.8

Notes:

1. Local revenue based, where available, on collection to date for 83/84 and on actual for 82/83. Bara and Yei no information so 50% estimated taken as figure.
2. Regional Grant based on amounts received up to end April and totals for 82/83 where available.
3. Other income in Kordofan is the 'self-help' funds raised by the council. No comparable funds raised in Equatoria and no information available on value of any villege level self-help efforts.

The disparity in financial resources available to councils in Kordofan and Equatoria is notable. However, the budget submissions of all councils for 83/84 show a large deficit of estimated total income over estimated expenditures. It would appear that all councils overestimate their expected expenditures as a bargaining ploy in the hope of receiving a larger regional grant. On the other hand in most instances there is an equal overestimation of the local revenue that will be collected. The one exception to this appears to be Umm Rawaba. The reasoning behind such poor estimation is difficult to understand, and in fact no satisfactory explanation was forthcoming from any council. All the officers spoken to recognized that their council would be unable to collect anywhere near the official estimates of local revenue, yet the practice continues and will

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be repeated in the submissions for 84/85. In the (then) Southern Region model budgets were prepared for 81/82 and accepted by all parties, however, the funds allocated in that year could not even match this lower commitment and from then on councils reverted to wild overestimation.

Revenue and grant-in-aid are expended almost entirely upon wages and salaries and allowances. Again actual expenditures as against estimates are hard to obtain but it is evident that some councils are unable to meet their total wages and salaries bill. The worst example encountered was Central Area Council in Equatoria where the total requirement is LS780,000 per annum but a shortfall of some LS260,000 is expected. Even today a significant number of employees had gone six months without pay. The situation is not much brighter elsewhere. Umm Rawaba Council is the 'richest' council encountered with a total income of about LS 3 million per annum, yet its expenditure on wages and salaries alone totals LS2.7 million each year having a total of just over 3,000 employees.

Apart from wages and salaries expenditures are also made on what are conceived as essential recurrent items. These will include fuel and vehicle maintenance and, reportedly, hospitality. No figures were obtained on vehicle ownership but in Kordofan each council apparently has a considerable fleet of vehicles and their running is a major expenditure. In the south vehicle ownership is not as widespread but still accountants admitted to significant overspending in these budget items; expenditures that reduce further funds available for wages. No funds are available to any council for expenditures under Chapter III (Development) budgets nor have been available in the past. In Equatoria the last known allocation to the (then) Rural Councils was made in 1975/76.

Local revenue collection is clearly inadequate to meet financial demands and at best represents 50 percent of total actual expenditure and a far lower figure of estimated required expenditure. The situation is particularly deperate in the south.

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In Bahr Al Ghazal it was reported that no local revenue collection was made this year in the rural areas, a reflection of the security situation and a lack of means of collection. In Equatoria the situation is better but again only a small portion of the potential is collected. Figures for this Region show that estimated local revenues made up less than 20 percent of the total estimated expenditure for the financial year 1980/81. There are no indications that the situation has improved in more recent years. In Kordofan, where the local revenue base is wider (Animal Head Tax, Ushur, Gibana and licenses) than in the south (Social Service Tax and local fees), collection is still reportedly hampered by a lack of staff, vehicles and fuel and up-to-date information, for example animal census.

The end-state of this situation is one wherein, at best, councils are unable to meet their statutory obligations, can barely pay their staff, have no finance available to maintain services and are unable to provide for any development activities from their regular budgets. Against this staff establishments appear to be bloated beyond reason and often rendered useless through lack of resources. The question that must be asked is "what do all these people do if there are no funds for school books, drugs and other supplies?", the answer that comes to mind is, for many, "very little other than collect their wages," if indeed there are wages to be had. Four of the councils have a total staff establishment of over one thousand, one nearly two thousand and one of three thousand.

There would seem to be little reason to speculate that the financial position of councils is likely to improve in the foreseeable future. The introduction of Zakat taxation later this year may result in the loss of all local revenues to councils and perhaps result in their being entirely dependent upon regional grants. There is little prospect of funding being available for adequate operating expenses. This, in turn, has significant implications for any attempts to make development

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funds available through channels other than the government budget. A much closer examination of area council finances is needed before any detailed understanding can be gained but the impression gained from these brief visits was that of large bureaucracies unable to provide or maintain the services that are expected from them. The purported desire to bring 'power to the people' is proving to be a cruel illusion.

#### Development Activities

As might be expected from the comments in the foregoing sections the level of development activity being undertaken by area councils is very low. In Kordofan the levying of local taxes upon sugar and wheat flour provides locally controlled finance for development initiatives. The sums of money involved are not very high, typically about LS 150,000 a year, although Bara Council reported almost LS 500,000 collected this year. Further self-help funds are collected by the rural and town councils. The funds collected are expended upon locally decided priorities, usually social service infrastructure and potable water. In the south there is no comparable levy and any self-help activities are carried on at the initiative of villages and local communities and the councils are not in a position to offer support.

Some development activities do take place within the geographic area of councils funded and implemented by the Region or outside donors. However, there is seldom any consultation with the area council concerned about these developments and certainly the local body has no part in the decision whether or not to go ahead with a certain project. However, opportunities are emerging that will give area councils access to development funds. In Kordofan both the EEC and UNICEF have introduced 'Small Project Funds' intended for use by area councils. In Bahr Al Ghazal the Regional Finance and Planning Project (USAID) is setting up a 'self-help' fund that although controlled by the

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region is intended for area council projects. In Equatoria the Norwegian Church has a large development project within one area council and which is implemented in close cooperation with the local councils. USAID is discussing the possibility of establishing a nation-wide fund upon which area councils will be able to draw. It is not unreasonable to predict that as frustration grows with the inability of regional governments to fulfill development programmes that more donors will consider whether area councils are a more effective vehicle for mounting development efforts.

However, the indications are that area councils have only a very limited capacity to undertake development both in terms of planning and implementation. The major constraints acting on councils include:

- a lack of a planning system that would enable councils to identify priorities and a lack of information upon which to base rational decisions.
- a lack of planning and technical expertise that would allow the preparation of realistic project proposals likely to satisfy an outside agency.
- a general lack of experience of managing development projects.
- an inability to provide for inevitable recurrent funding demands resulting from development.
- little or no facilities to physically undertake development, area councils possess no, or very small, works departments.
- all the above mentioned constraints will be even more critical if it is intended to introduce productive projects rather than those of social service infrastructure.

- a lack of financial control, and possibly responsibilities, with the danger of mismanagement and misuse of funds.

Such a list of constraints may be a pessimistic assessment of area council capacities but these bodies are not in a position to take over any extensive development efforts without considerable support and assistance. Expertise, organization and experience are critically short in all the councils visited. Historically area councils have had to rely upon regional expertise to design and implement any but the most basic construction projects, even where the local council is the source of funding.

Local council staff expressed their frustration at their inability to fulfill their development responsibilities and were able to identify their conceptions of priorities for development. Such perceptions reflected the different situation of each area council. In Kordofan high priority was given to potable water and the extension of social service provision with the provision of animal watering facilities as the only productive element mentioned more than once. The apparent exception to this was Bara council which wished to take up two productive projects initially identified by the region, namely salt production and an onion production project. In the south recognition was given to similar social projects but equally to road and transport development and productive projects. In the latter case, almost invariably, these were seen as projects that would provide income for the council, for example, vegetable gardens, fish production, the construction and leasing of shop units and so on. Discussions on these project ideas revealed a critical lack of technical or managerial expertise needed to make a success of such proposals.

A final point on the potential of area councils to undertake development concerns the competition for any funds that might be made available. Discussions with all regions revealed

an attitude that the region had a 'right' to funds in preference to area councils. The reasoning behind this outlook includes an assumed higher level of expertise and capacity to implement projects and a presumption of 'seniority' of the region over local interests. If such an attitude persists then area councils will only receive the 'left-overs' of development unless, through outside intervention, means can be found to by-pass the region, a move that the regions will strenuously resist.

The allocation of funds through a system of political bargaining is deeply entrenched at all levels of government and is one that mitigates directly against the concept of 'planning.' As long as the allocation, and often even the actual release of funds, depends upon the political strength of local leaders then little forward planning can be effective and any attempts to manage budgets and programmes will be frustrated. The system, such as it is, encourages ad hoc decision making. The chronic uncertainty over the availability of funds leads to the allocation of whatever money is available to the need that is deemed most critical at a particular moment in time. In such a situation there is very little incentive to undertake careful planning or project preparation as the effort involved is unlikely to be rewarded.

#### SUPPORT REQUIREMENTS OF AREA COUNCILS

The previous section has identified numerous problems and constraints facing area councils in the performance of their functions and obligations. Area councils are relatively recent institutions and some of the problems will be eased as experience is gained and confusions are sorted out. However, many constraints are repetitions of those facing government at all levels. Most notable are the ramifications of the present manner in which resources of all kinds are allocated to the various levels of government and geographic areas of the country. As long as such allocations result from the uncertainties of political bargaining

then any base of management or planning that might be established will be undermined. Without a recognized 'rational' system that engenders some confidence in future allocations and releases any attempt to build the capacities of local governments will not achieve their potential to improve performances. Area councils do not operate in isolation but are part of a wider system that extends to the highest authority in the country.

With this critical caveat in mind it is possible to review those areas of support and training that would assist councils to upgrade their capacity and improve performance. Whilst the focus remains upon the development functions these cannot be isolated from more general considerations pertaining to all aspects of council activities. Nor should it be assumed that universal actions and solutions can be identified for all area councils in the country, rather the individual circumstances of different regions and councils must be recognized and accounted for. Briefly the major elements of support and assistance can be identified as being:

- A clearer definition of roles and responsibilities between the regional government, area councils and rural/town councils. Although the leadership of individual regions and councils may appreciate the de facto division of functions it is apparent that many officers do not. The relationship of technical departments at the various levels particularly requires clarification and formalizing.
- Further definition of the relationship between the area council, an autonomous body according to the 81 Act, and the region is needed. In practice the area council is almost entirely subservient to the region and has little power to make its own decisions or control its own affairs. This may be understandable given the parlous state of finance but it does also mean that an area council cannot control, for example, its staffing levels.

- In light of the outcome of the two elements mentioned above a suitable management structure should be designed, or at least a model structure that could be adapted to individual requirements introduced. Eventually such an initiative would include the definition of individual job responsibilities, lines of authority, the introduction of management tools and cross-sectoral integration. One outcome of this exercise would be a rationalization of the staff establishment of each council.
- An assessment of staffing requirements and training needs could then be made and long-term programmes of training and upgrading commenced.
- Financial management, control and record-keeping must be improved dramatically if the overall performance of councils is to be upgraded. Until financial mismanagement is curtailed it will negate any progress made in other areas of activity. This has been recognized and steps are in hand, in certain regions at least, to provide training in accountancy and basic book-keeping. Also included might be assistance to councils to improve their local revenue collection systems.
- A planning system that allows priorities to be set, programmes and projects to be identified and designed and managed needs to be created. To enable a system to operate there will need to be access to information and data and the means to move proposals from their point of origin through an approval, funding and implementation process. The system must be tied in with sources of funding, financial requirements and procedures and have links through to the region and other development institutions. One element within this system would be the provision of advice or guidelines on project proposal preparation and implementation. At present there is no officer within the council responsible for

planning or coordinating development activities. A small planning unit will need to be established and trained.

These elements, if put into practice over time, would provide much needed support that should enable local councils to undertake and manage their affairs more successfully. It is an ambitious programme and its chances of implementation are not good, unless a foreign donor can be interested in providing funds and probably technical assistance. Nor, as stated earlier, is it likely to be effective until national and regional resource allocations are systematized.

An alternative is to attempt to provide inputs and assistance in response to individual elements and requirements. This is being done for basic accountancy and book-keeping where local training courses are being introduced. In the south a more ambitious training programme in financial management has been undertaken over the last several years. The problem with this is the absence of a system within which those that have been trained can apply their skills on their return to post. In this situation skills are not put into practice and frustrations and dissatisfaction tend to grow. The second major drawback of a partial approach is the danger that the parts will not fit together to make a rational and workable whole. Nevertheless, with the likelihood of a comprehensive support and training programme remote, it can be argued that the only way progress can be made is taking the incremental approach.

The element of project proposal design and implementation has been identified as being one in which area councils would benefit from immediate assistance. The Regional Finance and Planning Project has committed to undertake the preparation and introduction of guidance on this topic. The remainder of this paper will consider the content and approach of such guidance and provide an outline of proposed content. It should be repeated, however, that such action will not, on its own

and without further support, significantly ameliorate the capability of area councils, and expectations must be tailored to this reality.

## PROJECT PLANNING GUIDELINES

### Purpose of Guidance

The major objective of this exercise is to provide assistance to those with responsibility for instigating and managing local development activities to better utilize the very limited funding likely to be available. In order to provide assistance on a national scale suitable written guidelines will be produced and distributed. It is unlikely that a national training programme will be mounted to introduce the written guidance and so the material distributed must be self-contained and self-explanatory. However, if the opportunity does arise to run training programmes, either in individual regions or nationally, then the guidelines would be available as a teaching resource.

### Target Group

Technical and administrative officers of area councils and rural and town councils with development functions are the prime target group. A narrower focus cannot be defined, as at the local council level no officer or unit has been established with responsibility for planning and coordination. It is also hoped that the materials will reach and be useful to local councillors in their decision-making roles.

Although not primarily designed for use at the region, the guidelines should be made available to technical staff at this level, both for use in their own project preparation and to enable them to provide pertinent advice to the local level.

### Overall Approach

The guidelines must be carefully designed to reflect the existing circumstances and capabilities of local councils. It

is suggested that the following considerations should dictate the content, style and conceptual level of the written material:

- The absence of established systems and procedures for project planning, approval and funding precludes the introduction of a 'manual' that links project preparation to accepted procedures. Further it is apparent that any systems that do evolve in the future are likely to vary from region to region. Thus the written material must take the form of 'guidelines of principle', something approaching a text-book, that is flexible enough to remain relevant in a variety of situations and changing circumstances. However, the guidelines must closely identify with the Sudanese environment and the day-to-day activities of its target group. Through the use of local examples and so on, general principles must be grafted to local circumstances to enable the target group to readily identify with its content.
- Many of the guideline recipients will, at best, have only very limited experience in initiating and managing development projects. Further some of them will have preconceptions that planning is unnecessary at the level at which they operate. Indeed to date there has been no incentive to plan and no reward for attempting to adequately prepare project proposals. The guidelines must take these factors into account and 'start from square one' and provide step by step actions and explanations of the project planning cycle.
- The capacity of local councils to undertake development activities is limited and is likely to remain so in the foreseeable future. The types of projects that will be implemented are comparatively simple ones of social service infrastructure, feeder roads and small scale production. Such projects will not require sophisticated

appraisal techniques nor call for complex analytical methodologies.

- In the immediate future the only significant source of funding for development is likely to be that of outside donors and which may well be obtained outside regular government channels. Care must be taken not to distort the guidelines to satisfy individual donor requirements.
- At least some regions have introduced their own project proposal pro-forma for use when project proposals are submitted for inclusion in the annual budget. The guidelines should in no way contradict these forms and as far as possible should assist in their completion.
- Attention must be given to the long-term implications of carrying out development projects. The need for careful post-implementation management and the inevitable requirements for operating and maintenance funds should be emphasized, even to the point of discouraging development where it cannot be sustained.

The premise is that the guidelines should provide simple but comprehensive advice, that is operationally orientated, upon the project planning cycle. It should be based in the reality of local council activity and present day circumstances but encourage a more systematic approach to the use of available resources. The major emphasis will be upon single project inception, design and implementation. Links and references will be made, as far as possible, to existing administrative procedures such as the annual budget cycle. The wider context of development strategies and policies, needs assessment and programme planning will also be considered.

#### AN OUTLINE OF CONTENT

This section provides a skeletal description of the proposed content of the written guidelines. The major elements that will be included are given and within each an indicative listing

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of the points that will be included. The outline includes jargon and technical 'shorthand' which will not appear in the guidelines, where the style will be as straightforward and untechnical as is possible.

1. WHY PLAN?

- to provide for technical and political decision-making
- to maximize the use of the limited resources of finance, people, materials and time
- ensure priorities are considered
- to produce a common understanding of what is required, of responsibilities and timing
- to check on the feasibility of proposals
- to obtain funds

2. WHO PLANS?

- politicians
- technicians
- people, to gain popular inputs and preferences
- need to obtain wide base of support and understanding if planning is to lead to successful projects

3. IDENTIFICATION OF PROBLEMS AND NEEDS:

- concept of needs assessment and problems definition
- information requirements, objective/subjective and political judgments
- identification of causes and problems
- identification of opportunities and potentials
- elimination of those problems councils cannot or should not address
- for those problems and opportunities councils can address:

define priorities

define possible projects

choose between possible projects  
(effectiveness, capacity, etc.)

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4. PROJECT PROPOSAL FORMULATION

- basically, what, where, how, how much, who and when
- definition of objectives
- definition of targets (groups, activities, end-state)
- locations
- what will project achieve and how will it do this
- required inputs, materials, equipment, labour, etc.
- project costing
  - capital costs
  - start-up/working capital
  - operating/recurrent requirements
- source of funding
- expected project outputs
- costs and benefits assessment, project effectiveness
- implementation plan and timescale
- allocation of tasks and responsibilities
- management of completed project

5. PROJECT COSTING AND FINANCIAL ANALYSIS

- a more detailed consideration of financial elements of projects. What is included in 'capital costs' (including capitalized recurrent costs?), the concept of working capital and the provision of recurrent and operating expenses
- difference between productive projects and those for infrastructure and social service provision. Including some simple consideration of rates of return and feasibility for productive projects
- simple costs and benefits analysis for projects as a measure of effectiveness and feasibility.

6. MANAGING PROJECT IMPLEMENTATION

- task allocation and responsibility charts
- physical implementation plan against time
- outside inputs required
- monitoring implementation

7. MANAGING AN ON-GOING PROJECT

- needs for post-implementation management, finances, materials, maintenance, etc.
- monitoring and evaluation

8. PROJECT PLANNING AND ADMINISTRATIVE SYSTEMS

- annual budget cycle, Chaps I, II, and III
- accounting systems
- reporting
- links between project activity and wider administrative concerns and obligations
- regional requirements for project funding

9. PROJECT PLANNING AND LONGER TERM STRATEGIES

- individual projects always part of a larger whole
- advantages that can be gained from 'complementary' projects
- incremental approach to problems, phasing and inability to do everything at once
- possibility of taking advantage of projects being undertaken by other bodies

Additions and alterations to this outline will be made as a result of discussions and testing initial material production. It is hoped that the outline provides sufficient information to allow agreement to be reached at this point over the direction and general approach that should be followed.

CONCLUSION

This paper has provided an assessment of the capacity of area councils to fulfill their development functions. The only realistic conclusion that can be reached is that these local councils are unable to satisfactorily undertake their responsibilities. Arguably the most significant constraint acting upon councils is that of the acute shortage of financial resources and further that the resolution of this constraint

lies outside the councils themselves. However, the capacities of councils is equally constrained by poor organization and management, a lack of expertise and implementation capacity. Thus the absorptive capacity of councils to utilize funds, even if they were available, remains low.

Activities that would make a major contribution to the amelioration of this situation were identified but it was concluded that a coordinated programme of support and training was unlikely. The only realistic alternative is to attempt to provide assistance incrementally and partially despite the severe drawbacks of such an approach. One element of assistance that has been identified is the provision of advice to enable councils make better use of those development funds that might become available. In response a guideline on project planning and management was outlined that is considered suitable for the level of expertise and capacity available to councils. It is hoped that such guidance will make a useful contribution to the performance of local councils. However, it must be concluded that, without continuing back-up and attention to other problems confronting these bodies, the distribution of written guidelines alone cannot have a major impact upon the effectiveness of councils.

J. Wheeler

Regional Finance and Planning Project  
May 1984

SELF-ADMINISTRATION IN KORDOFAN REGION:  
WILL THE "HELPERS" HELP DEVELOPMENT PLANNING?  
Research/Studies Paper #5

Project Title: Sudan Regional Finance and Planning Project  
Project Number: 650-0012

SELF-ADMINISTRATION IN KORDOFAN REGION:

WILL THE "HELPERS" HELP DEVELOPMENT PLANNING?

With encouragement from Khartoum, the Governor of Kordofan Region in May 1984 officially reinstalled traditional tribal leaders as part of a program of self-administration. The appointment of the 28 or so nazirs, or tribal chiefs, to the newly created post of director assistant, only recognized the power and influence still held by these men, albeit informally, since the reforms of the 1971 People's Local Government Act. Their newly redefined role in the region's system of local government begins a new chapter in Sudan's history of native administration.

Security has been the motivating force behind the recently initiated self-administration program. This is based upon the perception that lawlessness and conflict in the rural areas have been rapidly increasing and have gotten beyond the control of the present government machinery. However, self-administration will have an influence beyond just maintenance of law and order. The young and malleable process of development planning that has recently been established will also be affected. The impact on the development process and suggestions for operating in this changed administrative environment are discussed below.

Program Description. The program of self-administration is detailed in a document drafted by the Governor's Office, Kordofan Region. Proposed is the appointment of tribal chiefs, or nazirs, to the newly created post of director assistant

and appointment of sub-chiefs as their deputies. Two sets of functions are delegated to the chiefs: administrative responsibilities by authority of the governor, and judicial functions according to the Judiciary Law of 1983.

The newly delegated administrative powers are limited to the following:

- Security within the tribe.
- Maintenance of good relations with neighboring tribes and avoiding conflict.
- Collection of dia, the traditional system of compensation for death and consequences of other acts within the tribe.
- Control of tribal seasonal movement.
- Implementation of tribal laws and conventions.
- Proper utilization of natural resources including control of overgrazing, wood cutting, and use of water resources.
- Coordination of activities of animal owners and farmers to avoid conflict.
- Execution of the decisions of the District Council and advice on resource use and control measures.
- Observation of fire lines.
- Other tasks assigned by the governor or Local People's Government Organizations.

The omdas, or chiefs of sub-tribes, are empowered to collect taxes, fees and other money from their people under the supervision of the tribal chiefs.

The administrative powers enumerated are vague and this results from two factors. First, the conditions in the region vary widely, with some rural councils, district councils, or regional ministries already performing some administrative functions reasonably well in different places. The precise role of the director assistant within the tribe will vary as well, depending upon the current level of activity of these government units and their willingness to redistribute the work load to include the tribal chiefs.

At the same time, the legal basis for exercising many administrative functions is undergoing revision. It is not possible to specify, for example, the taxes to be collected with the nation's financial system undergoing Islamization. Among the most likely taxes that will be collected on a tribal basis will be the animal tax and perhaps crop taxes. User fees for supporting local services, contributions for local projects and collection of loans extended by governmental organizations will also be likely activities attended to by the tribal leaders. However, it is unclear which taxes will remain in effect assuming that major changes in Sudan's financial system are implemented.

Even less detailed are the judicial powers that are to be simultaneously handed over to the tribal chiefs. Only the word "suitable" is used to describe these powers that the chiefs and sub-chiefs are to be delegated. Here the lack of specificity stems from the fact that the chief justice in Khartoum has yet to approve transfer of judicial powers to Kordofan's new native administrators. As with the administrative powers, the bases of the country's laws continue to undergo changes, the application of which still has not been sorted out by the already empowered judicial officials.

To date, twenty men have been appointed to the position of tribal chief. Elected by their tribe and screened by the Regional Security Committee, these men must possess at least the following minimum qualifications:

- Completion of primary education
- A good reputation and influence among his family and society
- Sincerity and good behavior
- Ability to handle money in a responsible manner
- Never accused of committing any criminal offense

In reality, most of the men selected for the post of tribal chief far exceed these basic minimum qualifications.

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In the area of education, for example, many hold secondary school certificates, university degrees, and a few have completed post graduate work at the university level. Many have held responsible positions both inside and outside of government working as administrators and businessmen.

Surprisingly the group selected so far tend to be rather young with only three of the twenty formerly holding the title of nazir or tribal chief. Many, however, are the sons or close relatives of former chiefs.

#### KORDOFAN REGION

##### Names and Tribal Affiliation of Newly Appointed Nazirs or Director Assistants

Name	Tribe/Area
1. El Tom Hassan Ali el Tom	Kababish
2. Adam Hassan Nimir	Hawaweer
3. El Amein Ali Easa	El Agang & El Kawalil
4. Adress Abdalla	El Leri/Rashad
5. El Tahier El Nur Hanow	Hawazma & El Halfa/Rashad
6. Hamad Mohamed Dafa Alla	Messiria & Zorag
7. Kuwal Deng Majouk	Dinka & Najok/Abyai
8. Kambal Abd El Raheim	Awlad & Hammid/Rashad
9. Mohamed Hammad Assosa	Hawazma/Dilling
10. Mansor Monaim Mansor	Hammar
11. Mohamed Rahma Lashu	Northern Nuba/Kadugli
12. Mohamed Adam Hassab El Nabi	Kawahla, Logan, Dar Ali, Sakarnja/Rashad
13. Mohamed El Zaki El Fakei	Southern Nuba/Kadugli
14. Mohamed El Abed El Amein Akam	Shanabla
15. Mohamed Fadl Alla El Eaesr	Kawahla/Sodari
16. Ali El Taheir Jeli	Taggali/Rashad
17. Ali Nimir Ali El Jula	Majaaira/Abyai
18. Ejeil Judat Alla	Flayta/Fula
19. Abd El Jabar Haissain Zaki el Dein	Biederia/el Obeid
20. Ramadan Tyara	Nmanig/Dilling

Program Execution. Despite all of the uncertainty concerning what self-administration will really amount to, there are several indicators regarding the seriousness of the program and just how much thought has been put into its design and implementation.

1. The past debate concerning proposed separation of judicial from administrative powers of native administrators following the October 1964 Revolution has influenced present thinking. The debate had focused on the necessity of judicial sanctions for native administrators to be able to resort to in carrying out their functions. Under the new program the need to combine the two functions is recognized, particularly with the erosion of authority of tribal leaders which appears to have taken place in the past decade.

2. The program has been organized as a response to a very practical concern, namely insecurity and the ineffectiveness of modern administrative machinery to deal with this problem. The importance of security, however, is not being allowed to overshadow completely the participatory and ostensibly developmentally oriented People's Councils which were the cornerstones of Nimeri's May Revolution and have been vested with the authority in the 1971 and the more recent 1981 Local Government Acts. These councils were intended to break the conservative influence of the traditional elite in the rural areas, who, it was argued were against change and development. Instead, the program of self-administration has been placed under the jurisdiction at the district level of the first executive officer and the commissioner at the level of the provinces. The tribal chiefs are regarded as "helpers" to the administrative officers and field staff of the regional ministries in implementing decrees of the district councils.

3. The customary approach of designing programs without great concern over details such as training of manpower, resources, supervision, and other aspects related to implementation is not evident. There has been a great deal of attention to the orientation of the new tribal chiefs for which a week long program was conducted. Following this, sessions at the provincial level were conducted, to be followed by meetings at the district levels to work out the details of the program, includ-

ing the need for supporting staff, logistics of transportation and communication, lines of authority, division of responsibility and accountability.

The week long orientation held in el Obeid was intended to accomplish the following:

- Stress the fact that self-administration is not to be regarded as a substitute for the area councils, but rather as an integral part of the councils' administrative machinery.
- Lay out the detailed powers and responsibilities of the director assistants and their deputies.
- Explain the contents of local native administration law and regional administrative law to the tribal leaders.
- Emphasize responsibilities in the areas of natural resource protection and management as well as regional and local development.

Accordingly, the orientation program was organized around nine topics with each session led by a government officer familiar with the subject. Discussed in the course of the week were the following topics:

- Changes in rural society since abolition of native administration in 1971.
- The Regional Government Act of 1980.
- The relationship between the area councils and the native administrators.
- The role of political organizations in local administration.
- Judicial powers proposed for delegation and their implementation in rural areas.
- Tribal security.
- Production relations between farmers and pastoralists and the role of the director assistant in natural resource protection.
- Implementation of regional and local development planning.
- General Services Program of 1976 concerning government civil service.

The fact that the program of self-administration will require resources which are already in scarce supply has not

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been overlooked. The salary of the tribal chiefs which has been set at LS 175 per month will in itself not impose much of a hardship on the already bloated personnel (Chapter I) budget of the region. Provision of supporting staff, especially tribal police, and clerks to attend to judicial and administrative matters, depending upon how many can be assigned from the swollen ranks of the district councils and regional ministries, may have a more significant effect. Inevitably the question of transportation comes up and the need for cars, a favorite topic of conversation, becomes a central concern. Some of the tribal chiefs do not want vehicles, or feel that those already in the districts will suffice. It appears that the regional government will make soft loans available to tribal chiefs who wish to purchase vehicles, with the running costs and maintenance the responsibility of the individual.

4. The governor told the newly appointed self-administrators that they must succeed in raising the contributions of their people toward provision of services and other development activities. Recognizing that the government could not shoulder the capital and recurrent costs of services and development programs, collections from the animal tax and self-help contributions would have to play an increasingly important role in financing. Unlike past administrative reform measures where efforts at promoting local participation through formation of rural councils have resulted simply in more demands on government resources and a loss in control over planning, participation in 1984 would have to emphasize self-reliance and a willingness to take responsibility for a greater share of the capital and recurrent costs associated with the provision of basic services.

Estimates of improved yields from the animal tax appear very optimistic. The rates are set by the regional government and assessment done by a committee consisting of the

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village sheikh, tribal chiefs, chiefs of sub-tribes, and government officers from the district council. Using the knowledge of the tribal leaders regarding size of herds and motivated by a commission whereby 10 percent of the tax collected is paid to the sheikh and 10 percent to the chiefs of sub-tribes, a significantly enlarged base with stricter enforcement is expected to produce large revenue increases. Even the implementation of the Islamic tax or zakat, which is expected to result in a lower rate, should result in improved revenues due to expansion of the tax base itself to reflect the real number of animals in the region. It is estimated that less than one-third of the animal wealth of the region is currently included in the tax base based upon the assessment formula: one-third for the owner, one-third for insurance in the event of disease or drought, and one-third subject to taxation by the government.

Self-help contributions on either a voluntary or mandatory basis (such as a levy on sugar or flour) have a history of success and there is every reason to believe that beneficiaries organized on a tribal basis will be willing to contribute to the financing of services that they desire. Here the tribal leaders may in fact be a significant organizing force as the governor expects. Furthermore as guarantors on loans made to tribal members for agricultural activities, it is likely that lenders will be less reluctant to extend credit, given assurances of repayment on the part of the tribal chief.

Prospects and Recommendations. It is important to remember that concerns over deteriorating security in the rural areas of the region are the principal reason why self-administration is being revived. Insofar as development is concerned, there is a direct connection between security problems, those of conflict over access to natural resources, banditry, and the breakdown in law and order, with the implementation

of development projects and activities. This is certainly evident in the southern part of Sudan today where resources earmarked for development projects have been entirely consumed by the police and army, projects redirected to address security rather than developmental objectives, and expert assistance forced to flee or discouraged from coming.

The situation in Kordofan, however, is different than in the south. The underlying causes are less discontent and a feeling of alienation from a distant and seemingly insensitive government in Khartoum, than an imbalance between people, their animals and their surroundings which is compounded by traditional lack of self-discipline and a tendency to resort to individual action when tempers are lost. Disputes over pasture and water have apparently intensified and what is needed is a mechanism to resolve such conflicting claims to the region's resources without reverting to violence.

However, with the continued degradation of the region's resources due to overpopulation, mismanagement and climatic changes, even the most dedicated and skillful arbitrators will shortly be overwhelmed. Unless someone is willing and able to impose the discipline that is lacking in terms of the use of the region's resources, the hopes placed upon the newly appointed self-administrators to maintain security will never be realized. Development, and perhaps even more important, survival itself, may depend upon reinstatement of the old system of land rotation, transformation of the existing pattern of land use and introduction of modern techniques for raising productivity of land and labor. The rural councils since 1971 have not shown the willingness to engage in such "unpopular" activities, instead preferring to concentrate on the provision of much demanded services. Perhaps a new generation of educated and experienced tribal chiefs, who have the respect of their people and the backing and support of the government, will be a more effective

agent for introducing the ideas, programs and regulations needed to address the region's fundamental problems.

The fact that the government is compelled to go back to a system of administration based upon tribal affiliations suggests that there has been a failure in the hoped for social development of the rural area. Tribalism, while perhaps not as strong a force as it was in the past, is still a significant fact of life in Sudan. It can be viewed either as a problem or an opportunity insofar as development is concerned. Since there are so many other obstacles it makes sense to view the phenomenon as an opportunity and try to make it work for, rather than against, development in other spheres of life within the country. What then can be done to support and make more effective the self-administrators as they work with their people in the region?

1. The tribal chiefs should be considered as extension agents, capable of disseminating the results of research and solutions to problems of environment, agriculture, and health to their tribes. Their knowledge of local conditions and their own people, combined with technical information, will help ensure that the right solutions to the most pressing, properly identified problems are applied. What would be required is periodic workshops with researchers in the region where advice could be exchanged: the tribal leader gaining technical understanding and the researcher a better picture of local conditions and guidance concerning priorities to better focus research efforts.

2. The tribal chiefs should work closely with the newly appointed district development officers. Knowledge of planning processes and administrative procedures combined with the familiarity of local conditions, attitudes, and preferences would direct development in a way that tribal and district objectives could be reconciled and feasible and effective projects carried out.

3. A system of incentives must be devised so as to maximize the revenue generating capability of the tribal chiefs. Aside from personal rewards or commissions paid to the sub- and village chiefs, there must be guarantees that locally raised revenues will remain in the area and that improved collections will be rewarded or at least not penalized by reduced grants in aid from the regional level. Tribal chiefs should be encouraged not only to raise revenues for particular development projects from those who stand to benefit, but also to see to it that value in terms of materials, services, or equipment purchased is received for the money.

4. While not entirely suitable as a planning unit, tribes can and should be considered in project design and implementation. The manner in which the project cycle is run through should at some point give attention to this social and economic grouping to see how it can be used to maximum advantage. The tribal chief can be a convenient and knowledgeable contact when it comes to considering tribal aspects of development projects that originate above the local level.

As the region's development planning process becomes better defined and begins operating along more formal lines, it is hoped that the self-administrator's role can be made more explicit and itself become an integral part of the planning system. One of the more apparent weaknesses with planning in Kordofan is the shaky overextended administrative base upon which it must depend. The addition of tribal self-administration should strengthen that base and in so doing expand the possible impact that planning may have in directing the development of the region.

Miles Toder  
Kordofan Advisor

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THE MACROECONOMIC ENVIRONMENT OF DECENTRALIZATION

Research/Studies Paper #6

Project Title: Sudan Regional Finance and Planning Project

Project Number: 650-0012

## THE MACROECONOMIC ENVIRONMENT OF DECENTRALIZATION

There are several obvious constraints that inhibit the implementation of decentralized government in the Sudan. Among the more important are the lack of clarity in the law defining the responsibilities and prerogatives of the different levels of government, the imbalance between assumed responsibilities and the financial resources needed to meet them, the scarcity of trained personnel at the lower levels of government, the bureaucratic resistance to genuine devolution of power, and the lack of an effective institutional framework for decentralized government. Of these, the lack of clarity in the law is the most easily corrected. The others are derived in one way or another from a serious resource imbalance that constrains economic development and real output growth in the Sudan.

Sudan is well endowed with natural resources, but it suffers from human resource deficiencies. According to recent World Bank estimates, 80 percent of the adult population are illiterate (in the south the rate is at least 90 percent). High level manpower (managers, professionals and technicians) account for less than three percent of the labor force. Nearly 70 percent of the labor force are employed in agriculture, which is characterized in most regions by traditional practices. The traditional sector still accounts for about a third of GDP.

The Sudanese population is very young, 47 percent are under 15 years of age, but access to education is still quite limited. Primary school enrollment as a percent of the 7 to 12 years age group (the enrollment ratio) is 52.3 for boys and 39.5 for girls. Enrollment ratios are 29.6 for boys and 22.9 for girls at the intermediate level, and only 17.1 and 10.6 respectively, at the secondary level.<sup>1/</sup> These low ratios notwithstanding, government

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<sup>1/</sup> Ministry of Education and Guidance, Education Statistics, 1982/83, pp. 14-15.

spending for education represents a declining share of total actual government spending. In 1980 education accounted for only one percent of total spending, whereas in 1970 it represented six percent. Between 1970 and 1980 spending for education remained fairly constant while total spending rose at a compound rate of 23 percent a year. These trends obtain even though the brain drain is continuously eroding the stock of skills inherited from the past.

The scarcity of modern skills is reflected in managerial problems and low productivity. These in turn lead to the lack of economic opportunity, the tendency for existing skills to migrate in response to foreign wage incentives, a low savings ratio and local capital shortage. Sudan's skill deficiencies can only be redressed by widening educational opportunities for all social classes and regions. Building the human resource base is a long term proposition, however, so that for the foreseeable future a serious problem of resource imbalance is inevitable.

The purpose of this present paper is, first, to measure recent trends in real output and labor productivity that are at least partially attributable to resource imbalance and, second, to assess their impact on the present effort to decentralize government in the Sudan. A second companion paper will examine the long run trend in the financial cost of decentralization and its relation to real output, government spending, and inflation.

#### Real Output Growth

Table 1 provides estimates of value added in constant 1981/82 prices by each of the main sectors of the economy for the years 1972/73 - 1982/83. The sum of these values added equals real Gross Domestic Product (GDP) at factor cost, a standard measure of the aggregate output of resident production units. Also included in Table 1 is nominal GDP, a measure of

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TABLE 1. REAL AND NOMINAL GDP (IS MILLIONS)

SECTOR	SECTORAL VALUES ADDED (in 1981/82 prices)										
	1972/73	1973/74	1974/75	1975/76	1976/77	1977/78	1978/79	1979/80	1980/81	1981/82	1982/83
AGRICULTURE A	1600	1898	1904	1832	2038	2224	2095	2028	2133	2265	2095
INDUSTRY I	838	894	964	1301	1305	1314	1370	1335	1414	1514	1485
Mining & Manufacturing	331	339	404	412	412	394	395	438	456	470	482
Public Utilities	80	67	67	82	83	80	86	105	111	117	123
Construction	127	198	187	229	229	225	237	245	260	280	300
Transport & Communications	300	290	306	578	581	615	652	547	587	647	580
SERVICES S	1306	1415	1638	1761	1993	2107	2104	2364	2443	2487	2515
Trade & Finance	796	951	1158	1208	1464	1564	1422	1570	1679	1729	1745
Services (Government & Private)	510	464	480	553	529	543	682	794	764	758	770
REAL GDP (at factor cost)	3744	4207	4506	4894	5336	5645	5569	5727	5990	6266	6095
IMPLICIT GDP DEFLATOR (1981/82=100)	21	27	30	33	39	46	52	65	83	100	130
NOMINAL GDP (at current factor cost)	787	1116	1342	1622	2084	2577	2896	3723	4972	6266	7924

SOURCES: Values for 1978/79 - 1982/83 are from Democratic Republic of the Sudan, Ministry of Finance and Economic Planning, Planning, Prospects, Programmes and Policies for Economic Development - II, 1983/84 - 1985/86 (October 1983), p. 30.

The data for 1972/73 - 1977/78 are from World Bank, Sudan: Investing for Economic Stabilization and Structural Change (Statistical Annex, Part 2). So that the two series could be linked, the base year price level of this earlier series was shifted from 1977/78 to 1981/82.

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the current incomes paid by resident producers to the owners of the factors of production needed to produce the annual gross output of goods and services.<sup>2/</sup>

Fluctuations in nominal GDP usually reflect a combination of price and volume changes. GDP at constant factor cost isolates volume changes by holding factor prices constant; changes in the GDP measured in this way represent volume or real changes. In contrast, nominal GDP with prices free to fluctuate measures the aggregate current expenditure of producers. Thus the difference between the two may be attributed to factor cost inflation. The implicit GDP deflator, also included in Table 1, is an index that measures this difference. It is found by dividing nominal GDP by real GDP and multiplying by 100.

The three series are plotted on ratio (log) scale in Chart 1. On this scale, variations in the slope of the graph indicate variations in rates of change. Looking at the volume of production, it is apparent that real GDP rose rapidly from 1972/73 through 1977/78, declined in 1978/79, expanded again in 1979/80 through 1981/82, and declined again in 1982/83.

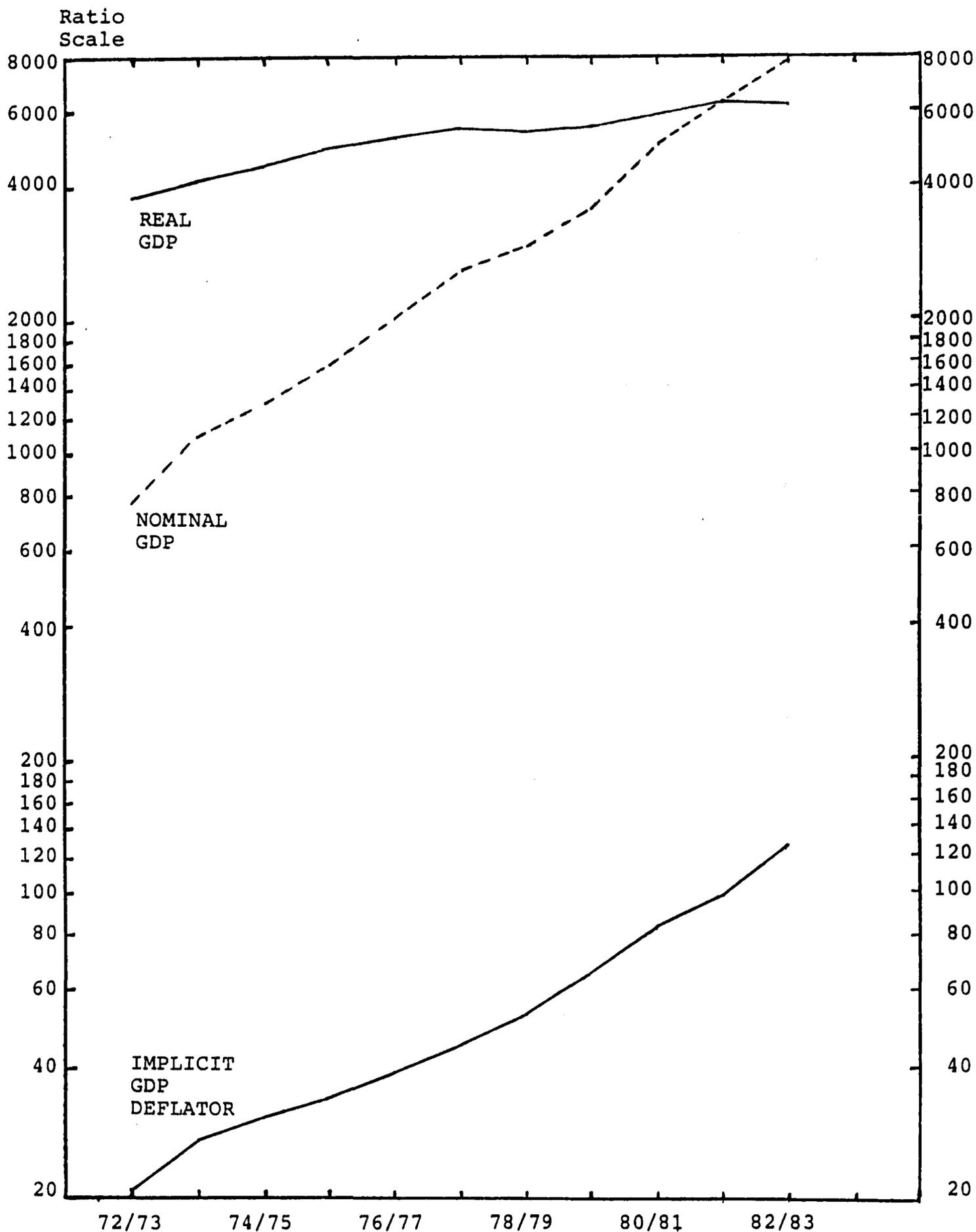
In general, growth has been far less buoyant since 1978 than it was in the earlier years. From 1972/73 through 1977/78 real output rose at an average compound rate of 8.6 percent a year, whereas in the later years average compound annual growth was only 1.5 percent. Although nominal GDP averaged approximately 26 percent a year throughout the decade, much of this growth is attributable to inflation. This is especially true in the last half decade. Between 1977/78 and 1982/83 the general level of prices rose 23 percent a year, while in the earlier years the average rate of increase was about 17 percent.

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<sup>2/</sup> GDP minus incomes paid to foreign factor owners equals GNP at factor cost.

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CHART I. GROSS EXPENDITURES, PRODUCTION AND INFLATION



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The data make it clear that 1977/78 was a pivotal year, making the transition from a period of rapid growth with inflation to one characterized by accelerating inflation with relatively low and uneven rates of output growth. This worsening aggregate performance coincides with declining productivity per worker and some adverse changes in the structure of the economy.

#### Trends in Employment and Labor Productivity

Levels of employment are listed by sector for three time periods in Table 2. According to these estimates, employment rose from 4.3 million in 1972/73 to approximately 6 million in 1982/83, for an annual compound rate of growth of 3.2 percent. The most rapid expansion of employment occurred in various branches of the industrial sector (I), which as a group grew an average of 6.1 percent per annum during the decade. Employment growth was especially rapid during the 1975/77 - 1982/83 period in mining and manufacturing, public utilities and construction, which grew at annual compound rates of 6.4, 9.0 and 7.6 respectively. In contrast, expansion of employment in agriculture (A) and the services (S) was less dynamic. Employment in the S sector grew only at an average rate of 1.0 percent a year in the period 1972/73 - 1976/77, but then accelerated to 3.4 in the latter period for an overall average rate of 2.4 percent per annum during the decade. The A sector, on the other hand, expanded employment 4.4 percent a year in the earlier period, and then slowed its expansion to 2.1 percent a year after 1976/77. The overall average rate of employment growth in the A sector was 3 percent per annum. But even though it lacks dynamism, the A sector remains the main generator of Sudanese employment. Over the decade, the A sector provided employment for 1,009,000 extra workers, whereas incremental employment was 324,000 in the I sector and 283,000 in the S sector.

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TABLE 2. EMPLOYED LABOR FORCE

SECTOR OF EMPLOYMENT		NUMBER EMPLOYED (000)		
		<u>1972/73</u>	<u>1976/78</u>	<u>1982/83</u>
AGRICULTURE	A	2888	3435	3897
INDUSTRY	I	402	492	726
Mining & Manufacturing		144	185	268
Public Utilities		39	46	77
Construction		77	92	143
Transport & Communication		142	169	238
SERVICES	S	1044	1088	1327
Trade & Finance		204	246	298
Public & Private Services (Includes Undistributed Labor)		840	842	1029
TOTAL		4334	5015	5950

Source: Mohamed Ali El Shinawi, A Report on Education, Training and Manpower (IBRD/UNDP Planning Assistance and Training Project, February 1984), p. 6.

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Unfortunately real output after 1977 failed to keep pace with employment in the A and I sectors. The resulting decline in worker productivity can be seen in Table 3. Output per worker rose between 1972/73 and 1976/77 in all three of the main sectors, and, with the exception of public utilities and manufacturing, in the subsectors as well. Productivity growth in this early period was especially strong in the construction, transport and communications, and trade and finance sectors. In contrast, in the 1976/77 - 1982/83 period, productivity in most branches of the economy declined sharply, with reductions being most pronounced in the subsectors of industry. It is important to note that inspite of the priority given them, productivity in manufacturing and public utilities declined in all measured periods over the decade.

#### Changes in Economic Structure and Relative Productivity

Underlying these variations in real output per worker are some significant shifts in the structure of production and the labor force. (Table 4). Spurred by growth in trade and finance value added, the S sector's share in production has been rising, whereas the share of the I sector in real output has remained fairly constant and the A sector's share has been falling. Concerning shares in the labor force, the I sector's share rose in each measured period, while the A and S sectors behaved as mirror images. When the labor share of the A sector rose, the S sector's share fell, and when the A sector's share fell the S sector's share rose.<sup>3/</sup>

A given sector's share in product divided by its share in the employed labor force provides that sector's output per worker

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<sup>3/</sup> The proposition that low level service jobs are a substitute for agricultural jobs deserves investigation.

TABLE 3. REAL VALUE ADDED PER WORKER (LS, 1981/82 PRICES)

SECTOR		1972/73	1976/77	1982/83
AGRICULTURE	A	554.0	593.3	537.6
INDUSTRY	I	2084.6	2652.4	2045.5
	Mining & Manufacturing	2298.6	2227.0	1798.5
	Public Utilities	2051.3	1804.3	1597.4
	Construction	1649.4	2489.1	2097.9
	Transport & Communication	2112.7	3437.9	2437.0
SERVICES	S	1251.0	1831.8	1895.3
	Trade & Finance	3902.0	5951.2	5855.7
	Public & Private Services	607.1	628.3	748.3
ALL SECTOR AVERAGE		863.9	1064.0	1024.4

Source: Tables 1 and 2.

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TABLE 4. SECTORAL SHARES IN PRODUCT AND LABOR FORCE

SECTOR	REAL GDP (%)			LABOR FORCE (%)		
	1972/73	1976/77	1982/83	1972/73	1976/77	1982/83
AGRICULTURE      A	42.7	38.2	34.4	66.6	68.5	65.5
INDUSTRY          I	22.4	24.4	24.3	9.3	9.8	12.2
Mining & Manufac.	8.9	7.7	7.9	3.3	3.7	4.5
Public Utilities	2.1	1.5	2.0	0.9	0.9	1.3
Construction	3.4	4.3	4.9	1.8	1.8	2.4
Transp. & Comm.	8.0	10.9	9.5	3.3	3.4	4.0
SERVICES          S	34.9	37.4	41.3	24.1	21.7	22.3
Trade & Finance	21.3	27.4	28.6	4.7	4.9	5.0
Public & Private Services	13.6	10.0	12.7	19.4	16.8	17.3
TOTAL	100.0	100.0	100.0	100.0	100.0	100.0

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relative to the economy-wide average product of labor.<sup>4/</sup> Using the shares listed in Table 4, the resulting relative per worker productivities are listed in Table 5, where for example the ratio 0.641 shown for the A sector in 1972/73 means that average agricultural productivity per worker then was 64 percent of the economy-wide average productivity of labor.

The indicators for the three measured periods suggest that agricultural productivity has been falling in relation to the economy-wide average, while productivity in the S sector has been rising. The relative productivity of the I sector has varied, showing a rise in 1976/77 followed by a sharp decline by 1982/83. Closer scrutiny of the subsectors of industry and the services reveals some interesting relationships. While productivity in all branches of the I sector is considerably higher than the economy-wide average, none compare with returns to effort in the trade and finance area. Here productivity is nearly six times the general average. Since public and private services are well below the average, it is the extraordinarily

<sup>4/</sup> If  $Y_i$  = output of the i sector  
 $Y_t$  = economy-wide output  
 $L_i$  = employment in the i sector and  
 $L_t$  = economy-wide employment

Then  $Y_i/Y_t \div L_i/L_t =$   
 $Y_i/Y_t \times L_t/L_i =$   
 $Y_i/L_i \times L_t/Y_t =$   
 $Y_i/L_i \div Y_t/L_t$ , i.e. the i sector's share in

output divided by its share in employed labor is equal to the average product of labor in the i sector divided by the economy-wide average product of labor.

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TABLE 5. RELATIVE PRODUCTIVITY AND INTERSECTORAL INEQUALITY

THREE MAJOR SECTORS		1972/73	1976/77	1982/83
AGRICULTURE	A	0.641	0.558	0.525
INDUSTRY	I	2.409	2.490	1.992
SERVICES	S	1.448	1.724	1.852
INDUSTRY + SERVICES	I+S	1.716	1.962	1.901
SUB SECTORS OF INDUSTRY				
Mining & Manufacturing		2.697	2.081	1.756
Public Utilities		2.333	1.667	1.538
Construction		1.889	2.389	2.042
Transport & Communication		2.424	3.206	2.375
SUB SECTORS OF SERVICES				
Trade & Finance		4.532	5.592	5.720
Public & Private Services		0.701	0.595	0.734
INTERSECTORAL RATIOS				
I/A		3.758	4.462	3.794
S/A		2.259	3.090	3.528
I+S/A		2.677	3.516	3.621
INEQUALITY IN SECTORAL PRODUCT PER WORKER				
		47.8	60.6	62.2

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high returns to effort in trade and finance that account for the relatively high average returns in the broadly defined S sector. In all subsectors of the I sector there is evidence of relative decline since 1976/77. This decline is especially pronounced in manufacturing, transport and communications. As for the A sector, returns to effort there have periodically worsened, until by 1982/83 they were little more than half the economy-wide average. The intersectoral ratios listed in Table 5 show that the I and S sector productivities, individually and combined, are about three and a half times larger than those of the A sector. The evidence at hand shows that returns to effort in agriculture are very low in relation to alternative lines of production and employment.

One widely observed attribute of economic growth and development is the tendency for intersectoral productivity differences to narrow as a country advances toward economic maturity. In the case of the Sudan, however, productivity differences seem to be widening. Inequality in sector product per worker is tending to increase, rather than decline. The rise in the index of inequality shown in Table 5 rose from 47.3 in 1972/73 to 62.2 in 1982/83.<sup>5/</sup>

#### Interpretation and Implications

This paper adds to a growing body of evidence of economic retrogression in the Sudan. Since 1977/78 growth in real output has slowed and inflation has accelerated. There is also evidence of absolute decline in output per worker in agriculture and

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<sup>5/</sup> This index, attributable to Kuznets, is the sum of the differences between the shares in product and labor for the three major sectors, signs disregarded. By this measure perfect intersectoral equality in productivity would be zero.

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industry, as well as a decline in productivity of these workers in relation to the economy-wide average. In the services sector, productivity is far above average in trade and finance, but far below average in public and private services. The apparent stagnation in productivity growth points to a static or declining average standard of living, and increasing intersectoral inequality in output per worker implies a growing incentive for rural population to migrate to urban centers in search of better opportunities.

At the beginning of this paper it was proposed that resource imbalance lay at the heart of Sudan's development problem. Natural resource advantages exist and foreign capital is available, but indigenous, modern skills are lacking. These skill shortages are hard to eliminate. The existing educational system is not meeting the challenge, the brain drain is eroding the accumulated stock of skilled manpower and compensatory importation of skills from abroad is not a practical solution.

The importance of human resource investment in the development process can hardly be exaggerated. Modern development requires a skilled and disciplined work force. The effective use of equipment depends on complementary human skills, so that underinvestment in human resources reduces the rate at which additional capital can be absorbed. Without adequate human investment, the capacity to absorb physical capital will be low. Imbalanced investment leads to wasted opportunities.

Recent Sudanese experience confirms these assumptions. In the period of the 1970/71 - 1974/75 five year plan, actual public sector capital investment amounted to approximately LS 250 million, or US\$ 718 million at the exchange rate of that time. In context, this represents a substantial injection of capital, an application of a "big push" development strategy. The goals sought were the achievement of accelerated and balanced growth, a reduction in regional and individual income disparities, the attainment of self sufficiency in selected basic commodities,

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and improvement and expansion of the transport system. In actual implementation, the I sector received 53.8 percent of total investment, with the A and S sectors receiving 26.5 and 19.7 percent respectively. Within the I sector, mining and manufacturing received 29.2 percent and transport, communications and power received 24.6 percent of the total. As the record shows, the results of this planned development push were essentially the opposite of the goals sought. Concerning this development push of the 1970s, the IMF's assessment is instructive:

" . . . serious structural problems began to emerge throughout the economy by the mid-1970s. These problems stemmed partly from the sheer physical difficulties of implementing investments involving the movement and setting up of imported capital equipment in a large country which possessed only a rudimentary transport and communications system. The completion of many projects fell behind schedule, thereby delaying their contribution to the economy, and the situation was aggravated after 1973 by the emigration of skilled Sudanese workers. . . ." <sup>6/</sup>

The lesson to be drawn is that without complementary human resources and a supporting infrastructure capital injections will not likely succeed in accelerating growth.

Given the prevailing economic background it is clear that the redesign of the structure of subnational government in 1971 and again in 1980-81, with continuing effort to decentralize government, have come at an inauspicious time. The pyramidal structure, which now includes five levels of administration, adds to the demand for already over-stretched resources. In

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<sup>6/</sup> International Monetary Fund, Sudan-Recent Economic Developments (August 30, 1982), p.1.

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the present framework, administrative functions and facilities have to be replicated at level after level. Coming at a time of increasing resource scarcity the simple fact is that the resource requirements of decentralized government in its present form are not likely to be met in the foreseeable future. If they were to be met the opportunity cost in terms of foregone value products elsewhere in the economy would likely be very large indeed. This is especially true in the case of higher level technical and administrative manpower.

Even so, there is a strong case to be made for decentralized government in a country as large and culturally diverse as Sudan. If broadly based progress in decentralization is to be achieved in the foreseeable future foreign assistance will be absolutely necessary. Although an extensive training program is an essential requirement, the first step should be an analysis and consensus on the governmental functions needed for effective devolution of power and responsibility, followed by the design of a simpler, less pyramidal administrative structure to perform the needed functions. The goal should be to economize on scarce manpower while providing the essential services required of government.

In the final paper of this series the trend in the financial cost of decentralization will be examined and the points above elaborated in more detail.

David G. Edens  
Chief of Party

SUBSIDY COST AND THE STRUCTURE OF LOCAL GOVERNMENT

Research/Studies Paper #7

Project Title: Sudan Regional Finance and Planning Project

Project Number: 650-0012

## SUBSIDY COST AND THE STRUCTURE OF LOCAL GOVERNMENT

The previous paper in this series, "The Macroeconomic Environment of Decentralization," provides evidence of economic retrogression in the Sudan. Since about 1977, output per worker in agriculture and industry has declined, and intersectoral inequalities in output per worker have increased. These findings suggest that the average living standard has fallen and that income inequalities have increased.

In the earlier paper, it was proposed that resource imbalance lies at the heart of Sudan's development problem. The country is endowed with underutilized natural resources, and foreign capital is available, but indigenous, modern skills are lacking. This imbalance is continuously being exacerbated by the brain drain. A vicious cycle is likely in play. The worse economic conditions become the greater the outflow of skills and the greater the outflow of skills the worse become the economic conditions.

The present paper continues this investigation by considering the role decentralization has played, through its budgetary impact, in reaching the current impasse.

It concludes by offering some reform proposals to reduce the cost of decentralized government, and some observations on the role of foreign assistance donors in this connection.

### The History of Central Grants

From the perspective of central government, the history of the decentralization movement is characterized by relentlessly increasing cost. Gauged in terms of either nominal or real grants to local government the increase in cost has been prodigious.

The first step in the postwar development of decentralized government was taken with the Local Government Ordinance of 1951, but prior to this innovation, the British policy of indirect rule had fostered the growth of native administration. In rural areas, administration was largely in the hands of tribal authorities: shaikhs, omdas and nazirs. Although under the guidance of district commissioners, and within the confines of Condominium administration, traditional leaders and customary relationships were important elements in local government. Only in a few of the major towns, where an educated elite had emerged, was this not the case.

The principal author of the 1951 Local Government Ordinance was Dr. A. H. Marshall, Borough Treasurer of Coventry and a distinguished authority on local government. Marshall was a man of strongly held views, some of which are worth noting here. Among other things, Marshall proposed that local government should be composed of largely autonomous units, devoted to the provision of services and free from the vicissitudes of national politics. He saw local government as being parallel to national government, rather than being under national government. He stressed the need for adequate provision of local sources of finance and the need for capable manpower to be employed at the local level. In fact he suggested that "unless local government can be given, during the transition period, a high priority in manpower, no further development should be undertaken."<sup>1/</sup> Even so, he recognized the value of tribal leadership and cautioned against any attempt to disrupt its functions in the justice system and in tax collection. In sum, Marshall

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<sup>1/</sup> Report on Local Government in the Sudan (MacCorquadale: Khartoum, 1949), as cited in Malcolm Norris, "Sudan: Administrative versus Political Priorities", Local Government in the Third World (Philip Mamhoud ed. Chichester: John Wiley, 1983) p. 53.

The review of the evolution of local government institutions provided in this paper is based largely on Norris.

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argued in favor of multipurpose administrative units, large enough to justify a competent staff of managers, technicians and accountants, with a clear agenda of responsibility and sufficiently financed to perform its tasks.

The 1951 Local Government Ordinance substantially embodied Marshall's prescriptions. A variety of functions were transferred to local responsibility, including primary education, basic health care and local roads. Revenues made available to local government included Ushur, irrigated land taxes, poll taxes and real estate taxes. In 1956 an entertainment tax was added. Furthermore, a fund was established under the Ministry of Local Government for the purpose of making specific development grants for roads, health, education and selected administrative staff salaries.

During its brief testing, 1951-60, Marshall's framework proved to be sound in structure and organization, although insufficient progress was made in recruiting qualified management staff. In retrospect, however, the evidence of the intervening years shows that Marshall's vision was essentially correct and well founded.

With the Provincial Government Act of 1960, the Abboud regime gained political control of local government, through the creation of Province Councils and Provincial Authorities. The Provincial Council was a policy making and legislative body, the chairman of which was a national government appointee. Council members included the chief officers of the local government units of the province and other appointed members. The Provincial Authority was an executive organ, responsible for preparing the budget of the Council and supervising the budgets of the local authorities. New revenue sources provided the Provincial Councils included a profits tax on beer, profits on sugar sales, license fees, and most significantly, a general grant on a per capita basis, and a percentage grant on health and education expenditures. With the insertion of this new tier of authority, parallel government ended and pyramidal construction began. The Provincial Government Act of 1960 also ushered in a new era of runaway inflation in the cost of local government.

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Table 1 provides a record of the cost of subnational government in terms of central government grants, from the initiation of the 1951 Ordinance down to the present time. These grants are plotted on log scale in Chart 1. The data clearly reveal the explosive effect the beginning of pyramidal government had on cost. Under the Ordinance, the cost of grants rose rapidly from 1954/55 to 1957/58, but then stabilized. Thereafter the rise in grants was slow until 1960/61, after which they rose in 1961/62 and then shot up explosively in 1962/63, as provincial government came into its own. Because there was very little inflation at the time, the real cost of decentralization moved in tandem with nominal cost. Throughout the sixties and seventies both real and nominal cost continued to rise.

The Local Government Act of 1971 was meant to bring socialism to local government. Power was to be devolved from the national level to the lower levels of government by the elimination of native administration, the awakening of the people and their active involvement in public affairs.

The Act, in essence, was designed to extend the May Revolution from the national level of government to the local level. To achieve these aims, the structure of government was greatly lengthened and widened to include, under provincial government, 61 area councils, 331 rural and town councils, and more than 4000 village and nomad councils. At the top of this structure were provincial People's Executive councils of as many as 120 members. The chairman of the council, nominated by the President, was commissioner of the province, with responsibility for political enlightenment, people's mobilization, and economic and social development.

During the 1970s a substantial number of functions were transferred to the provinces. The scope of responsibility for social affairs, youth and sports, religious affairs, security forces, education, public health, agriculture, and

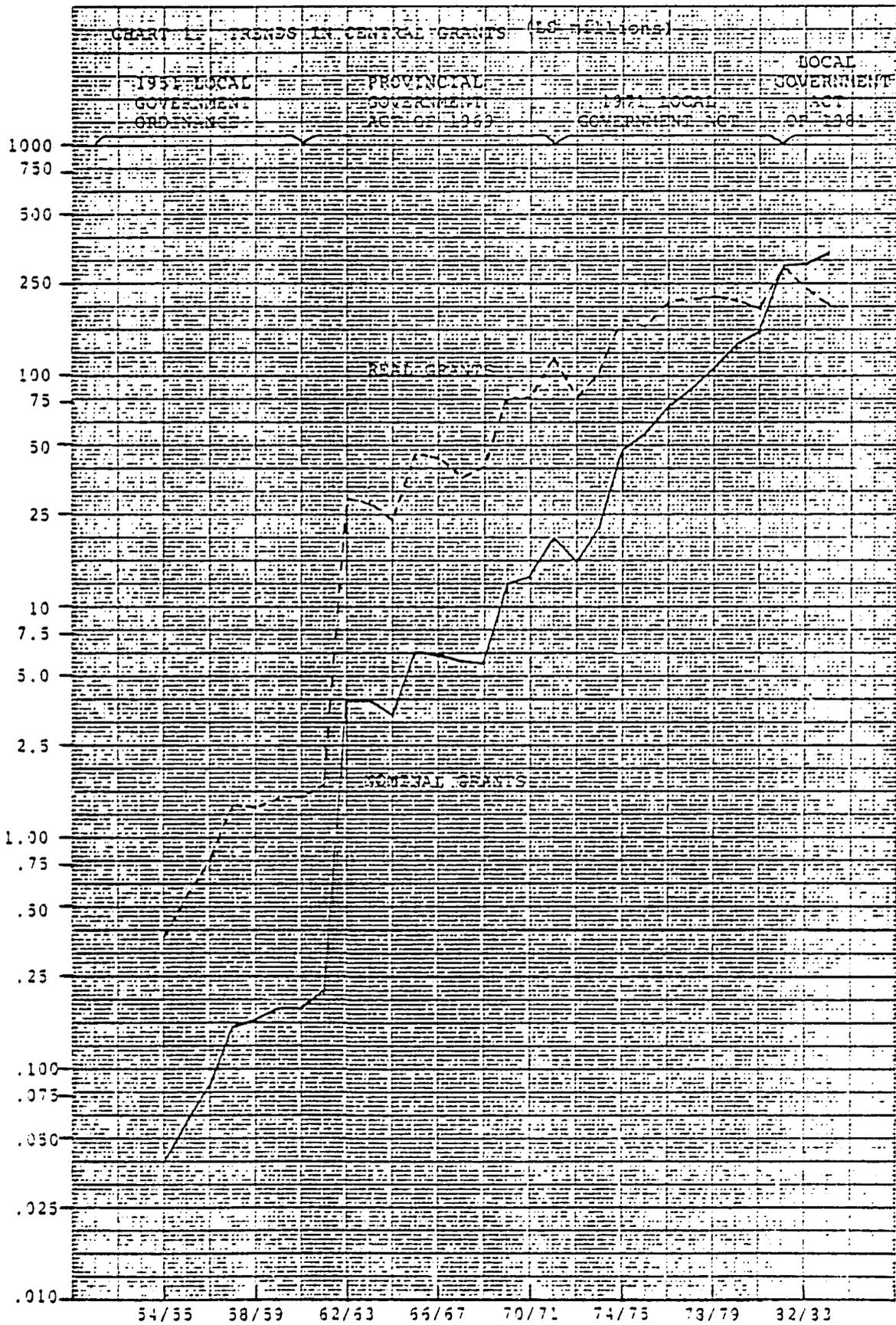
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TABLE 1. REAL AND NOMINAL CENTRAL GRANTS TO  
SUBNATIONAL GOVERNMENT

<u>NOMINAL GRANTS</u> (YEAR) (LS 000)		<u>CONSUMER PRICE INDEX</u> (YEAR) (1981=100)		<u>REAL GRANTS</u> (YEAR) (LS 000-IN 1981 PRICES)	
1954/55	41	1954	11.0	1954/55	372.7
1955/56	59	1955	11.3	1955/56	522.1
1956/57	87	1956	10.9	1956/57	798.2
1957/58	150	1957	11.0	1957/58	1,363.6
1958/59	163	1958	11.9	1958/59	1,369.7
1959/60	182	1959	11.9	1959/60	1,529.4
1960/61	182	1960	12.0	1960/61	1,516.7
1961/62	221	1961	13.0	1961/62	1,700.0
1962/63	3,914	1962	13.2	1962/63	29,651.5
1963/64	3,913	1963	13.8	1963/64	28,355.1
1964/65	3,384	1964	14.4	1964/65	23,500.0
1965/66	6,384	1965	14.0	1965/66	45,600.0
1966/67	6,189	1966	14.2	1966/67	43,584.5
1967/68	5,707	1967	15.8	1967/68	36,120.3
1968/69	5,691	1968	14.2	1968/69	40,077.5
1969/70	12,500	1969	16.0	1969/70	78,125.0
1970/71	13,500	1970	16.6	1970/71	81,325.3
1971/72	19,636	1971	16.8	1971/72	116,880.9
1972/73	15,600	1972	19.1	1972/73	81,675.4
1973/74	22,607	1973	22.0	1973/74	102,759.1
1974/75	48,000	1974	27.8	1974/75	172,661.9
1975/76	56,000	1975	34.4	1975/76	162,790.7
1976/77	72,582	1976	35.0	1976/77	207,377.1
1977/78	86,324	1977	40.8	1977/78	211,578.4
1978/79	107,534	1978	49.0	1978/79	219,457.1
1979/80	138,085	1979	64.0	1979/80	215,757.8
1980/81	157,423	1980	80.3	1980/81	196,043.6
1981/82	297,800	1981	100.0	1981/82	297,800.0
1982/83	299,000	1982	125.7	1982/83	237,867.9
1983/84	335,700	1983	164.1	1983/84	204,570.4

- Sources:
1. Grant information was provided by the staff of the Directorate of Regional and Local Development, MFEP
  2. Consumer price indices are from various issues of IMF, International Finance Statistics.

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public works were reduced at the national level and enlarged at the province level. But the transfer of responsibility was not matched by financial autonomy. There was little or no change in the tax base available to provincial government, although the Council of Ministers was obliged to provide block grants to enable the Executive Councils to fulfill their obligations.

On balance, the 1971 Act failed as an instrument of devolution. Progress in effectively devolving power from the central level did not match its success in decentralizing responsibility. Financial dependence on the center, the loss of traditional leadership, the lack of trained personnel, poor management, and difficulty in communications imposed by the complicated administrative structure, meant that effective power remained centralized. Transfer of responsibility without an accompanying transfer of power implies a fall in the level of services delivered to the public.

Dissatisfaction with the workings of this system led to the Local Government Act of 1981, which abolished the People's Executive Councils and transferred their resources and responsibilities to the Regional Executive Authority. These had been established the preceding year by the Regional Government Act of 1980.

The Local Government Act of 1981 and the Regional Government Act of 1980, taken together, provide scope for variable interpretation. There is, in fact, a great deal of ambiguity as to where responsibility and authority lie. The 1981 Act provides for the creation of area councils, with responsibility for primary and intermediate schools, public health, economic development, public works, agriculture, general culture, social affairs, the regulation of labor, trade licensing, price control and the maintenance of public order. But, even so, the 1980 Act gives regional government authority to provide, manage, or preside over much the same functions. The area councils, under the 1981 Act, are to be corporate bodies with independent

budgets, yet regional governments are responsible, in practice, for regional public finance.

In reality, the whole complex structure remains dependent on the central government for 70 to 80 percent of its finance. Over time, the demand for subsidization has grown with the complexity of the structure. Referring back to the data, reductions in the cost of local government have been short lived and long term rates of growth have been rapid.

Growth in both real and nominal grants is summarized in Table 2. In spite of the often heard view that subsidy cost escalation occurred under the 1971 Act, costs grew more rapidly under the Provincial Government Act of 1960 than at any other time. This remains true when adjustment is made for inflation.<sup>2/</sup> Rates of growth in both real and nominal grants accelerated under the 1960 Act and have tended to decline since. While the trend in nominal grants continues upward, the growth in real (inflation adjusted) grants appears to have reached a plateau in 1976/77. This conforms with the evidence developed in the preceding paper that per worker productivity has grown little since about the same time. Resource stringency has forced real grant restraint. Assuming that the uptick in real grants in 1981/82 was an aberration caused by passing enthusiasm for the Regional Government Act of 1980, the central government could well be entering an era of stationary or even declining real resource commitment to local government.

#### Inflation and the Cost of Local Government

The fact that central government transfers are actually spent at lower levels of government does not reduce their role in the Sudanese progress of inflation. Central government

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<sup>2/</sup> As it is the only index available for the 1950s and 60s, the Consumer Price Index (1981 = 100) is used to make adjustment for inflation.

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TABLE 2. GROWTH IN CENTRAL GRANTS TO LOCAL GOVERNMENT

	<u>COMPOUND ANNUAL RATES (%)</u>	
	<u>NOMINAL GRANTS</u>	<u>REAL GRANTS</u>
<u>Dispensation</u>		
1951 Local Government Ordinance (1954/55-1960/61)	28.2	26.4
PROVINCIAL GOVERNMENT ACT OF 1960 (1960/61-1971/72)	53.0	48.4
1971 LOCAL GOVERNMENT ACT (1971/72-1981/82)	31.2	9.8
LOCAL GOVERNMENT ACT OF 1981 (1981/82-1983/84)	6.2	-17.1

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grants to local government represent an opportunity cost, because if these resources were not transferred they could be used for other central government purposes.

Although data for the earlier years is not available, Table 3 shows that grants tended to rise in relation to central government spending during the 1970s and early 1980s. From representing 8.6 percent of total expenditures in 1970/71, the ratio of grants to total expenditures of central government rose to nearly 25 percent by 1981/82. At the same time, the overall budget balance changed from a small surplus in 1970/71 to an estimated deficit of LS 461 million in 1982/83. Without this drain of resources to local government, the deficit would have been smaller, and, other things being equal, the rate of inflation would have been less. To demonstrate this it is necessary to examine the relation between deficits, monetary growth and inflation.

In the Sudan, as in other Third World countries, virtually the only financial asset available to the populace is money. Money is desired for the services it renders the user, especially as a medium of exchange for goods and services. There is, therefore, a demand for money in the Sudan that depends largely on the volume of production to be traded. If the supply of money is allowed to grow much faster than the growth in real output, excess demands for goods and services will be generated and prices will rise. The relation between monetary growth and inflation is neither perfect nor instantaneous, but the more rapidly the quantity of money increases for an extended period of time, the higher will be the rate of inflation. This relationship between money, output and prices is demonstrated graphically in Chart 2 by employing the output, money and price data contained in Table 3.

In Chart 2, the index of M2 money relative to real GDP rose thirteenfold during the 12 years for which data are available.<sup>3/</sup>

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<sup>3/</sup> M2 money includes currency in circulation plus the public's demand and time deposits at domestic banks.

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TABLE 3. REAL AND FINANCIAL VARIABLES (LS MILLIONS)

<u>YEAR</u>	<u>GRANTS RATIO</u> (%)	<u>REAL GDP</u>	<u>M2 MONEY SUPPLY</u>	<u>GDP DEFLATOR</u>	<u>CENTRAL GOVERNMENT TOTAL EXPENDITURES</u>	<u>OVERALL BUDGET BALANCE</u>	<u>CHANGE IN M2</u>
1970/71	8.6	4,150	126.9	16	157.7	6.8	-
1971/72	11.8	4,031	150.3	18	166.6	- 2.9	23.4
1972/73	8.4	3,744	189.9	21	185.9	- 10.0	39.6
1973/74	10.3	4,207	245.6	27	219.9	- 14.4	55.7
1974/75	13.7	4,506	292.5	30	351.5	- 67.4	46.9
1975/76	14.1	4,894	369.6	33	396.5	- 74.0	77.1
1976/77	14.9	5,336	530.0	39	487.8	-104.0	160.4
1977/78	14.2	5,645	669.1	46	609.0	-150.2	139.1
1978/79	15.7	5,569	877.0	52	749.0	-255.0	207.9
1979/80	16.5	5,727	1,047.4	65	896.0	-314.0	170.4
1980/81	15.3	5,990	1,488.9	83	1,084.0	-349.0	441.5
1981/82	24.9	6,266	1,832.5	100	1,285.0	-418.0	343.6
1982/83	17.9	6,095	2,449.1	130	1,811.0	-461.0	616.6

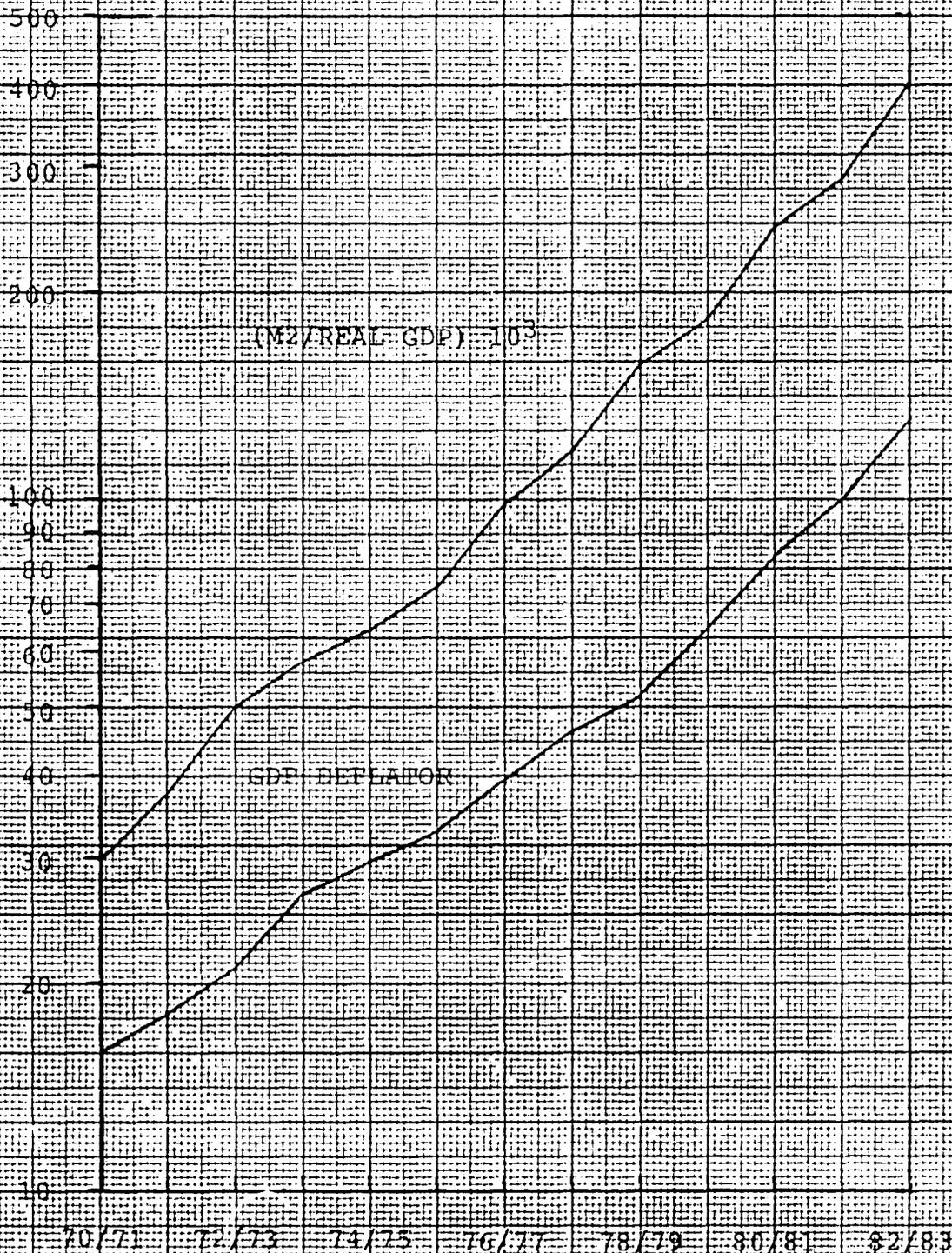
Sources: 1. Estimates of GDP (at factor cost in 1981/82 prices) and the GDP deflator are from the Democratic Republic of the Sudan, Ministry of Finance and Economic Planning (Planning), Prospects, Programmes and Policies for Economic Development - II, 1983/84 - 1985/86 (October 1983) p. 30, and World Bank, Sudan: Investing for Economic Stabilization and Structural Change (Statistical Annex, Part III).

2. M2 money supply figures are from World Bank, op. cit. (Statistical Annex, Part III) and IMF, International Financial Statistics (various issues).

3. Central government financial estimates are from the sources listed in 1. above.

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CHART 2. MONEY AND INFLATION



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This growth in money in relation to output was closely paralleled by the rise in the general level of prices, as measured by the implicit GDP deflator. This clearly suggests that inflation is a monetary phenomenon in the Sudan, as elsewhere, and that to control inflation the growth in money will have to be brought down to a rate much closer to the rate of real output growth.

The relation between money (M2) and the GDP deflator (P) can be measured more rigorously by regression. This being done, the following expression is found:

$$P = 13.164 + 0.048 M2 \quad R^2 = 0.99$$

(14.8)      (59.5)

where the numbers beneath the parameter estimates are t ratios. The coefficient of determination is remarkably high and the large t values mean that the null hypothesis, that money has no power to explain prices, can be rejected.<sup>4/</sup> The empirical evidence supports the premise that to bring down the inflation rate in Sudan, the money supply must be more tightly controlled.

During the recent past, a prime factor in monetary expansion was the growth in central government deficits, financed by borrowing from the Bank of Sudan or abroad. When government borrows from these sources and spends the proceeds, the effect is an increase in the money supply. Using the data in Table 3, the relation between the size of the deficit (D) and incremental change in the money supply ( $\Delta M2$ ) is measured by regression and the following expression found:

$$\Delta M2 = 7.989 + 1.003 D \quad R^2 = 0.82$$

(0.2)      (6.8)

where, as before, the bracketed numbers are t ratios. This result is less impressive than the previous one. The t ratios are much lower, in fact the constant term is not significantly different from zero at a 95 percent confidence level. Even so,

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<sup>4/</sup> As a rule of thumb, when the ratio of the parameter estimate to the estimate of its standard error (the t ratio) is larger than 3, it may be inferred that the parameter estimate is significantly different from zero.

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the t ratio for the slope suggests that government deficits are a significant factor in monetary increase.

These findings may now be used to link the escalation in the cost of subnational government to inflation. The rise in the local government subsidy from 8 to nearly 25 percent of total expenditures drained resources from other central government activities and stimulated the deficit. With the deficit being financed largely by money creation, inflation was the result. From 1971/72 through 1982/83, nominal grants surged ahead at a compound annual rate of 28 percent, while government spending grew 24 percent and the deficit grew 35 percent a year. At the same time, M2 grew 29 percent a year, and, with real GDP growing less than 4 percent a year, inflation became inevitable.

#### Some Observations

This paper has traced the course of decentralization efforts in the Sudan from the early 1950s down to the present time. In this review it has become apparent that the structure of subnational government has evolved from simple to complex and from small to large. At the same time, the management skills needed to make subnational government a success have not expanded with institutional scale and complexity, nor have the real resources available to government been expanding fast enough to meet demand for them. Consequently, attempts to bid resources into the public sector have contributed to severe macroeconomic imbalances, as indicated by price inflation, balance of payments deficits, and currency depreciation, as well as distortions in the allocation of resources among the different levels of government. Skills and finance tend to collect at the national level. Functional responsibility has been shifted to the lower levels of government, without the requisite means of meeting these responsibilities. The struggle for increasingly scarce resources has led to a tremendous increase in the cost of decentralized government, without comparable increase in the

services rendered by government. It is probably true that the performance of local government was higher in the 1950s than in the 1980s. The growth of government has added greatly to social cost without adding much to social benefit.

In the troubled 1980s, the high subsidy cost to central government will not likely continue. One way or another, the central government will dispose of a substantial part of this burden. Increasing real resource scarcity makes this outcome all but inevitable. Even so, given the strong case for decentralized government in the Sudan, it is better that this burden shedding be done in constructive rather than destructive ways.

The best course of action for dealing with this situation is surely a policy of deliberate movement back from the complex to the simple, and from the large to the small. Marshall was surely more right than wrong in his prescription for local government. A highly politicized and complex pyramidal structure of subnational government has not served Sudan well, and a return to a form closer to Marshall's parallel and simple structure seems a necessary if not sufficient step in ameliorating Sudan's current crisis.

Without further research the optimal size of a unit of subnational government cannot be defined precisely, but it is probably on the order of today's area council. At the present time there are 97 area councils in the country, with an average constituency of approximately 218,000 persons. There is, however, a considerable variation in council size. In Red Sea Province, for example, the average council constituency is about 90,000, whereas in Khartoum Region it is 465,000. Also, reflecting the great differences in urban and rural life, there are differences in the services to be expected as outputs from different councils. Thus there can be no strict and rigid limit on the size of staff or the agenda of diverse governmental units. Larger constituencies will require larger staffs and the outputs mix of the councils will be expected to vary

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with their various social conditions. There are, however, certain general principles that should be followed:

- Executive staffs should be kept small, e.g. five or six well trained specialists under the direction of a responsible chief executive officer. Total council employment, including clerks, teachers, health workers, etc. should vary with constituency size.
- The chief executive officer should be responsible to an elected council chairman, who in turn is responsible to the constituency at large.
- Area councils should be corporate bodies with absolute fiscal sovereignty. Elected committee members should decide the mix of outputs to be provided their constituents, with the chief executive officer being responsible for producing these outputs. Since local resources would be used in producing these outputs, the constituency population would have a natural interest in the ways these resources are used for public purposes. If constituencies are dissatisfied with council performance, they may elect new committee representatives.
- The agendas of councils should be kept as simple as possible. Limiting the agenda to area roads, water supply, primary and intermediate education, and basic health services would fully challenge the capacities of the average council technical staff.
- Although central government subsidies to poorer councils would still be necessary to assure a minimum standard of resources per capita, grants should be reduced to an absolute minimum. These are viewed as free resources by subnational government and this leads to waste and inefficiency. The energy and thought that now go into bargaining and strategic maneuvering could better be used in capacity building

at the local level. Real devolution of power and responsibility will never be achieved unless an adequate local tax base is restored to local authorities.

If another level of government between the area councils and the national government proves to be administratively necessary, and it probably will, the present regional divisions should be retained. If this is done, however, the size and agenda of regional government should be greatly reduced. The work of this level of government should be strictly limited to the provision of regional security, major roads, secondary education, and regional health services. This level of government should have no financial control over area councils, however, it should have some administrative authority, as for example in certifying schools and infirmaries, enforcing uniform construction standards, and the like. Regional government should have its own tax base, which should be tailored to fit its reduced agenda.

If these steps were taken, the transfer cost to central government could be reduced to about a quarter of its present size and the scale of subnational government reduced by at least half. Some of those released from regional government would find employment in area councils, however, most would have to find work in the private sector. For this reason, it is important that administrative reform should be linked to policies designed to stimulate the growth of the private sector. This is necessary if long run development is to be achieved in the Sudan. The net effect of the reforms outlined above would be to reduce chapter one cost of subnational government, to increase efficiency in government by making local government officials responsible to local tax payers, and to free 20 to 25 percent of central government resources for more productive uses than subsidizing regional government employment.

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How Foreign Assistance Donors Might Help

The nature of a country's governmental framework is an integral part of its sovereignty. Thus the structure of Sudanese government is a Sudanese problem to be resolved by Sudanese methods. Even so, judiciously provided external resources could be invaluable in resolving the present difficulties. Forms of external assistance that should be useful include:

- Systems analysis to help the responsible authorities in determining the optimal structure of local government in relation to the services it is expected to produce.
- Legal advisory services in preparing the law and regulations needed to reestablish an efficient parallel system of local government.
- Technical assistance in preparing job descriptions and an incentive wage structure for local government employees.
- Training programs to develop the finance, planning and management capabilities needed to make local government a functioning reality. Marshall's admonition is as valid today as it was in 1949. Priority should be placed on manpower development in tax administration, budgeting, and project preparation and administration.
- Review, redefinition and redistribution of the tax base, so that the revenue base of local and national government will be proportional to their functions.
- Programs of assistance to the private sector, including the development of credit facilities, the quality and availability of agricultural and other key inputs, and selective technology transfer.
- Assistance in revising business law and regulatory practices to eliminate or reduce impediments to private investment and economic activity.

Sudan's resource balance is characterized by relative abundance in natural resources and acute shortages in modern skills. This and the previous paper have examined some of the consequences of resource imbalance, including misallocation of resources within the public sector, overspending by the public sector, stagnant productivity and inflation. Recovery and progress in the long run depend on increasing literacy and modern skills, but this is not possible under the prevailing system of public administration and finance. Without a more efficient system of local government, there will not be improvements in education and health services, and without such improvements resource imbalance will continue. There is perhaps no public policy issue more in need of attention than the question of local government reform.

David G. Edens

September 1984

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DEVELOPMENT BUDGETS AND EXPENDITURES  
IN KORDOFAN REGION

Research/Studies Paper #8

Project Title: Sudan Regional Finance and Planning Project  
Project Number: 650-0012

DEVELOPMENT BUDGETS AND EXPENDITURES  
IN KORDOFAN REGION

Over the past two and one half years the Regional Finance and Planning Project has worked with the Kordofan Regional Government to introduce a method quite different from what was then being used for programming of development resources. The approach, described in the project paper and specified in greater detail in the technical proposal presented by the contractor, Development Alternatives, Inc., was to train, establish procedures, and strengthen necessary institutions by focusing on actual development problems and opportunities with actual financial and technical resources available to work with. This would demonstrate, among other things, the benefits of a formal and carefully designed planning and budgeting process and lead to a gradual shift in the way these functions had been carried out in the past.

During this period the resources that were actually used were those provided directly by the project in the form of a "model project fund" rather than from the general development budget of the region itself. It was recognized that general development funds were most likely already committed, oversubscribed and caught up in an allocation system determined by a process of political bargaining. Under these circumstances, it would have been unrealistic to expect the regional government to change its present practices even if they were to accept on faith the presumed benefits of adopting a different planning and programming approach.

What was underestimated was the fact that this condition was chronic and likely to get worse rather than better. By the completion of the technical assistance portion of the project, very little if any of the new approach for programming development funds had influenced the way planning and budgeting of the region's own development resources were being carried out. Pressures which had pushed the process more toward political than technical or analytic considerations had grown in intensity. In both real and absolute terms revenues for development had declined as did those funds needed to cover current expenses. Current expenditures continued their relentless rise and intervening drought conditions greatly increased the need for basic services and food relief while eroding the already small regional tax base.

Because of these conditions it is useful to examine the pattern of development revenues and expenditures over the past two years to get some insights into what the government's priorities seem to be. As USAID contemplated new activities aimed at influencing development planning and decision making in the regions, this analysis can be particularly relevant. In part, a lack of knowledge and understanding of the existing system for development budgeting and planning might well have been responsible for the faulty assumptions upon which the Regional Finance and Planning Project was based. This error should not be allowed to repeat itself as USAID considers new ways of stimulating investment and development in the Sudan.

#### METHODOLOGY

Analysis of the region's development budget is hampered by a variety of problems, not the least of which is the fact that all documentation is in Arabic. Descriptions, notes, and explanations in budget documents tend to be vague, categories shifting and inconsistent from year to year, and confusion over sources of revenue and hard currency components coming either from the central government or various foreign donors is commonplace.

Bad as this might seem, reconstruction of actual expenditures is far more difficult. Records are very poor if not totally missing. Discrepancies between disbursement requests and actual payments abound and the intended use of disbursed funds is usually difficult to ascertain. Finally, it is all but impossible to examine actual uses of funds once they are disbursed to the line ministries and operating departments.

Allocated budget figures for 1982/83 and 1983/84 as well as expected revenues were taken from the only "budget document" that exists; the Regional Minister's of Finance speech to the Regional Assembly. Unlike Chapter I (personnel), Chapter 2 (equipment and running expenses) and Chapter 3a (maintenance), Chapter 3b - or what is called the 'development budget' is not published. Only copies of the Minister's speech are available, and even then they are hard to come by.

Actual expenditures were taken for 1982/83 from the Minister's speech where he delivered the 1983/84 development budget proposal to the Assembly in June 1983. There the Minister reviewed the progress of the year just ending which allowed for comparison between allocated and what he claimed to be actual expenditures. The reasons for differences between these two figures, for shortfalls in revenues, and in some cases receipt of more revenues than anticipated were presented, but in most cases were vague and required whatever clarification could be found from finance officials in the Ministry.

The situation in 1983/84 was different. Expenditures for 1983/84 could be examined in greater detail. Accurate check ledgers were kept in adequate detail enabling actual disbursements and specific items approved in the development budget to be compared. Even more important is that disbursement approval was contingent upon readiness and ability to use funds. This required in most cases that officials requesting funds to be released against approved "projects" or activities

state the purpose for which the money would be used and in some cases provide pro forma invoices. So rather than just request LS10,000 for XYZ secondary school, the intended use of the money had to be specified. This information filed in the Department of Planning allowed for a more detailed assessment of roughly how development funds were used than has previously been possible.

DEVELOPMENT BUDGET 1982/83

The development budget proposed for Fiscal Year 82/83 an investment of LS 8 million. This amounted to only 14 percent of the total proposed outlay for current expenses which totaled LS 57.8 million for FY 82/83. Considering the region's entire budget, the commitment to development expenditures equalled only 12 percent of total available resources. Current expenditures for the year were to be divided as follows:

<u>Budget Chapter</u>	<u>Proposed Expenditure</u>	<u>% of Total</u>	<u>% Change From 81/82</u>
	( '000s)		
1 Personnel	38,000	66	18.5
2 Operating Expenses	17,223	30	24.0
3a Equip. & Maint.	1,000	2	2.8
- General Admin. & Reserve for Local Government Obligations	1,536	3	65.0
	<u>57,759</u>	<u>100</u>	

"Proposed Current Expenditures, Kordofan Region, 1982-83"

It was anticipated that revenues would increase in line with planned current expenditures. The following sources were looked at to finance the region's 1982/83 budget for current expenses:

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<u>Source</u>	<u>Amount LS (000s)</u>	<u>% of % of Total</u>	<u>% Change From 81/82</u>
Local Revenues	13,909	24.0	+20
General Administration (Service fees)	350	0.6	N.A.
Transitional Revenues (Central government)	43,500	75.0	+21
	<u>57,759</u>	<u>100.0</u>	

"Estimated Sources of Revenue, Kordofan Region, Current Budget  
FY 1982/83"

As for the development budget, proportions were considerably scaled down by comparison. The LS 8 million that was authorized was to be allocated in the following manner:

<u>Sector/Ministry</u>	<u>Amount LS (000s)</u>	<u>% of Total</u>
Housing, Water, & Public Util.		
- Local Current	1,950	
- Hard Currency	2,247	52.0
Agric. & Natural Resources	700	8.8
Public Services		
a. Health	705	22.6
b. Education	1,100	
Security & Regional Affairs	600	7.5
Finance & Economy	945	12.0
	<u>8,000</u>	<u>100.0</u>

"Authorized Allocation of Development Budget, Kordofan Region  
1982/83"

While this breakdown illustrates the relative sectoral allocation it begs the question of exactly what was done in each sector. Unfortunately for 1982/83, it is not possible to make this determination. Perhaps in recognition of this and other shortcomings of the system Executive Order MFE/KR/20/B/1 was issued by the Minister of Finance which allows an assessment of development budget expenditures.

Ministry of Finance and Economy  
Kordofan Region

No. MFE/KR/20/B/1  
Date: 9 July 1983

Rules for Development Budget Execution

1. Funds of each ministry should be distributed according to priorities given below:
  - a. financial obligations due in 83/84 whether arising from arrears, current contracts, or expected signing of contracts.
  - b. ongoing projects
  - c. new projects
2. Each project, regardless of size, will be given an identifying number to facilitate communication.
3. Ministries should not use development funds for any other purpose. All of these funds should be kept in the regional and local accounts to be used directly for approved projects.
4. The execution of these projects should be exactly as specified in the budget submissions and agreed upon in advance.
5. Individual expenditure accounts should be kept for each project.
6. When payment vouchers are presented amounts should be detailed according to the following:
  - a. equipment and machinery
  - b. buildings
  - c. wages and salaries
  - d. vehicles

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- e. customs
- f. other

Currency in which payment was made should be indicated.

7. Government regulations for purchasing and contracts should be observed.
8. Quarterly progress reports should be sent to the Planning Department every three months.
9. A complete comprehensive report should be prepared when the project is finished. This should include an evaluation of implementation, costs, and illustration of the problems and difficulties encountered.
10. The Planning Department will conduct field visits to the site of all projects to supervise implementation.

Dr. El Fatih M. El Tigani  
Minister of Finance & Economy  
Kordofan Region

It should be emphasized that the detail required above by the ministry with the beginning of FY 83/84 became a prerequisite for disbursement of funds and presumably future disbursements to the same "project" or activity. Unfortunately, the information required does not figure in the formulation of budget allocations themselves at the beginning of the year. This is still done based upon distributional considerations (spreading resources between districts) and broad sectoral priority areas.

Priorities underlying the 1982/83 authorized allocation of development resources can be gleaned from the Minister's of Finance budget speech to the Regional People's Assembly.

"The definition of development in Kordofan Region depends upon the nature of our region's economy with its three primary sectors: agriculture, livestock and commerce. The development budget aims to promote and enhance these sectors. The strategy followed will include reconstruction as well as creating new development activities by supplying necessary production inputs and overcoming problems of inadequate public infrastructure such as water supply, roads, energy, and security. Priorities for development projects for the fiscal year are

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as follows: water supply, education, health services, agriculture, security, and surveys and feasibility studies necessary to identify further areas of development potential."

Translated from the Arabic  
Speech by H.E. Fatih M. El Tigani  
Minister of Finance, Kordofan to  
the People's Assembly, June 1982

Sectoral allocations described above roughly conform to these broad areas of priority. Any attempt at evaluating the impact of actual expenditures is doomed from the start because of the absence of any specific targets, not to mention the murky identity of specific "projects" or programs which are supposed to be the basic components of the development budget. For FY 82/83 development funds were disbursed generally in large blocks to the appropriate ministry depending more upon when funds arrived from Khartoum or bargaining between the Minister of Finance and the other regional ministers, than the requirements and progress of particular activities contained within the approved budget. Disbursement from these block transfers was the responsibility of the line ministries and virtually no accounting is to be found either in the Ministry of Finance or the ministry responsible for disbursement to individual activities and departments. Again, MFE/KR/20/B/1 did have a significant effect on changing this procedure and allowing for the analysis that follows of the FY83/84 budget.

Before continuing to the FY83/84 budget, a few other aspects of the 82/83 budget deserve mention. There is no mention of the sources of revenues for the development budget, the presumption being that it all would be forthcoming from the central government. No local revenues were earmarked for financing development with the exception of whatever resources self-help activities generated.

Secondly, there were two sets of important "add ons" to the general development budget of LS 8 million which the

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Minister included as an aside, but an unmistakable part of the region's development program. An estimated LS 1.5 million for "rural development" projects from the USAID Rural Planning Project (renamed in September 1982 to Regional Finance and Planning) was anticipated for FY 1982/83 as well as an additional LS 184,000 in hard currency for training in areas of planning and development. In reviewing the project's proposals and work plans, these figures contained in the FY82/83 budget represent an inaccurate statement of actual resources committed and a set of false expectations held by the Minister right on down to the ordinary citizen. While the expected contribution from the project was mentioned separately and not included in the planned expenditures by the ministry, the LS 1.5 million was in fact added to the total budget figure presented to the Assembly; that being LS 9.5 million for development.

The other add on is larger in size and highlights the confusion which seems to exist concerning the purpose of a development budget. The regional government proposed LS 5,800,000 to the central government, above and beyond the LS 8 million already requested. This additional amount of money was requested for "investment." What the LS 8 million was to be used for, if not investment, leads one to wonder whether or not the LS 8 million proposed development expenditures had anything at all to do with "development" per se or rather just a convenient and poorly accounted for fund for whatever contingencies and discretionary expenditures might arise. Proposed was government participation in four joint ventures, a transport company, a commercial development company, a cooperative bank for agricultural credit, and a livestock project. This request for the additional LS 5.8 million was never approved; however, the first of the proposed joint ventures did eventually get started the following year using part of the central government's grant for the general development budget to fund the "investment" portion. This enabled the regional government to fund its share of its first public/private enterprise.

DEVELOPMENT BUDGET 1983/84

The 1983/84 proposed development budget is significantly larger than its predecessor in both absolute and proportional terms. The proposal represents 28 percent of the region's planned outlay for current expenses and 22 percent of the total resources anticipated to be available during the fiscal year. This compares to 14 percent and 12 percent respectively for 1982/83.

Overall, expenditures for the current budget were set at 15 percent above those proposed for the previous year.

<u>Budget Chapter</u>	<u>Proposed Expenditure LS (000s)</u>	<u>% of Total</u>	<u>% Change from 82/83</u>
1 Personnel	41,000	62.0	+ 8
2 Operating Expenses	21,890	33.0	+27
3a Equip. & Maintenance	1,000	1.5	0
- General Admin. & Reserve for Local Government Obligations	2,411	3.6	+57
	<u>66,301</u>	<u>100.0</u>	

"Proposed Current Expenditures, Kordofan Region, 1983/84"

In line with directives from Khartoum to slow the growth in the public payroll, the share of Chapter 1 declined slightly relative to the entire budget but still was expected to grow by a modest 8 percent. Chapter 2, operating expenses and the general administration category grew at the fastest rates, reflecting the perceived need for capital to make government workers effective and the expansion of government services and general administration at the district council level.

On the revenue side it is encouraging to note the slightly greater proportion of regional (local) revenues in the total budget as well as the forecast 31 percent growth in money

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from local sources. While the share of central grants was anticipated to decline, an increase of slightly greater than 9 percent was being called for. Somehow, revenues from general administration (services fees) disappeared as a category, presumably being subsumed under the "local revenues" category.

<u>Source</u>	<u>Amount LS (000s)</u>	<u>% of Total</u>	<u>% Change from 82/83</u>
Local Revenues	18,801	28.0	+31.0
General Admin. (service fees)	not mentioned		
Transitional Revenues (central government)	47,500	71.0	+ 9.2
	<hr/>	<hr/>	
	66,301	100.0	

"Estimated Sources of Revenue, Kordofan Region Current Budget  
1983/84"

The development budget for FY83/84 represents a significantly more ambitious effort, raising questions concerning the capability to spend such a drastic increase in funds for development purposes over such a short period of time.

<u>Sector/ Ministry</u>	<u>Amount LS (000s)</u>	<u>% of Total</u>	<u>% Change from 82/83</u>
Housing & Public Utilities	12,440	71.0	+180
- Local Currency	4,080		
- Hard Currency	8,360		
Agric & Natural Resources	800	4.6	+ 14
Public Services	2,625	15.0	+ 46
Health			
- Local Currency	900		
- Hard Currency	475		
Education	1,250		
Security & Regional Affairs	700	4.0	+ 17
Finance & Economy	500	2.9	- 47
Regional Obligations for Foreign Aid Agreements	250	1.4	-
Basic Services for El Obeid	150	.9	-
	<hr/>	<hr/>	
	17,465	100.0	
Investment Budget	1,000		
	<hr/>		
	18,465		

"Development Budget, Kordofan Region, 1983/84"

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The only sector to decline from the previous year was Finance and Economy, the majority of which is used as a discretionary fund for the Minister of Finance. Security and Regional Affairs and Agriculture and Natural Resources registered the most modest increases. Housing and Public Utilities was proposed to receive the greatest increase in planned expenditures, amounting to a growth rate of 180 percent over the previous year. This was followed by Public Services which was proposed to grow by 46 percent. Two new categories, one for meeting regional government contributions to foreign development assistance programs and basic services for the capital city were added in FY83/84. It is interesting to see this first budget category added - an attempt to program resources to meet local currency shares of an increasing number of foreign assisted development activities in the region. It does suggest, however, that the government views these programs as outside of their own development initiatives since the budget amounts are not included in the sectoral ministry allocations.

In terms of the relative importance of each sector as evidenced by the percentage of the total resources proposed, it is significant to note the decline in share of Agriculture and Natural Resources (82/83 - 7.5% to 83/84 - 4%), Public Services (82/83 - 22.6% to 83/84 - 15%), and Finance and Economy (82/83 - 12% to 83/84 - 2.9%). These declines in relative importance were offset by corresponding increases in Housing, Water, and Public Utilities (82/83 - 52% to 83/84 - 71%).

Once again the addition of an "investment budget" appears, this time with financing built into the revenue estimates, but not earmarked as such. The investment budget was to consist of four categories or companies in which the regional government would invest and own shares.

<u>Company Name</u>	<u>Amount LS (000s)</u>
1. Sheikan Transport Co.	500
2. Cereal Mills	150
3. Kordofan Trading and Development Co.	200
4. New Companies Investment	150
	<hr/>
	1,000

"Proposed 'Investment Budget' Component of the General  
Development Budget, Kordofan Region  
1983/84"

Unlike the 82/83 Development Budget a careful accounting was provided of potential (likely) sources of revenue with which to finance the region's planned development expenditures. Significantly an estimated 14 percent of required revenues were expected to be raised from the region's collection of the sugar tax, one of the several tax handles available to the region under authority of the central government.

<u>Source</u>	<u>Amount LS (000s)</u>	<u>Hard Currency LS Equivalent (000s)</u>	<u>% of Total</u>
Central Government Grant	7,000	-	38.0
Regional Sugar Fees	2,630	-	14.0
French Loan	-	3,610	20.0
Arab Dev. Fund Loan	-	2,850	15.0
Italian Loan	-	475	2.6
African Dev. Bank Loan	-	1,900	10.3
	<hr/>	<hr/>	<hr/>
	9,630	8,835	100.0

"Estimated Sources of Revenue, Kordofan Region Development  
Budget, 1983/84"

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The majority of the revenues depend upon receipt of several foreign loans or grants which were to provide hard currency for purchase of imported equipment and machinery and supplies. And a LS 7 million grant from the central government was to supply the remainder of the local currency needed to support planned activities.

Of course all of these comparisons between rates of growth, shifting shares of planned expenditure between sectors and planned revenues mean nothing, except what can be inferred from the minds of the people who drafted these prospective development programs. And even here the generality of it all makes any attempt at drawing definitive conclusions about priorities, goals and objectives and strategy, very difficult. Since actions speak louder than words an examination of how these development resources were actually spent says a great deal more about the budgetary process, the priorities of local leaders, and the definition of what development itself really is to those officials and government leaders charged with the responsibility for overseeing this process.

Actual expenditures in 1983/84 show some rather interesting tendencies, some made evident by what could be traced and accounted for, and perhaps even more by what was not possible to trace and determine how disbursed funds were used. First it should be stated that none of the hard currency listed in the development budget on the revenue or expenditure side could be traced since whatever actually was received and spent did not pass through the regional Ministry of Finance and Economy. Presumably these funds were disbursed directly by the central government to either the ministry responsible for project or program execution, or used to purchase equipment and machinery from Khartoum on behalf of the appropriate line ministry in the region without money ever having to change hands. Requests to

the Ministry of Housing and Public Utilities for information on hard currency received by them in cash or materials and equipment repeatedly went unanswered. Evidently they are not required to report and account for these resources, at least not to the regional Ministry of Finance. Nor does the Ministry of Finance have any knowledge, except perhaps the Minister himself, about the purpose, nature, and use of this not insignificant bundle of development resources.

What can be accounted for, at least for the most part, is the expenditure of local currencies. To do this an evaluation of every disbursement from the development budget was made to determine the amount, sector, and purpose for each expenditure. A survey form similar to the one following was used to assess each request for payment and to match the requests with the check number and amount of disbursement. Largely due to the Minister's directive early in the fiscal year, many of the requests were specific enough to allow not only a comparison between actual and authorized expenditures by sector, but more importantly to analyze what the money was to be used for.

To begin with the total amount of local currency revenues actually received from the central government was LS 7 million, exactly as assumed in the budget proposal. Four installments were received, some involving more than one payment and on different dates, as shown below. All checks with the exception of #546339 which was the final payment of LS 1,000,000 received on 2 May were indeed deposited into the development account in the Ministry of Finance. This last installment was needed to pay current expenses and by the close of the fiscal year never found its way back into this pool of available development resources. On top of this the LS 2,260 million anticipated from the region's sugar levy, despite the fact that it was collected (at least most of it) was needed to pay current

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Regional Finance and Planning Project (USAID)  
Analysis of Development Budget 1983-84  
Kordofan Region

Request  
Reference  
Number

Disbursement Request Analysis Form \_\_\_\_\_

1. Ministry

\_\_\_\_\_ Agriculture \_\_\_\_\_ Public Services \_\_\_\_\_ Administration & Regional  
Affairs  
\_\_\_\_\_ Housing and Public Services \_\_\_\_\_ Finance (Minister's  
Reserve Fund)

2. Department

\_\_\_\_\_

3. Project Name

\_\_\_\_\_

4. Disbursement Details

Purpose	Quantity	Amount Paid
New Construction		
Classroom		
Office		
Laboratory		
Dormitory		
Meeting Hall		
Cafeteria		
Ward		
Toilet Facility		
Bore Hole		
Shallow Well		
Reservoir		
Storage Facility		
Other _____		
Maintenance and Renovation		
Type of Structure _____		
Equipment		
Type _____		
Spare Parts		
Vehicles		
Type _____		
Fuel & Lubricants		
Incentives & Wages		
Total Amount Paid		LS _____

\_\_\_\_\_ Disbursement Details Cannot be Determined from Request  
"Sample Expenditure Evaluation Form"

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expenses as well. These funds also were never available for development projects. Considering the fact that the central government in 83/84 was forced because of fiscal austerity measures to reduce grants to the regions for recurrent expenses by 7 percent, then the total amount diverted from these two sources combined with some belt tightening by the regional government about covered the loss in revenues for supporting recurrent costs.

Deposits to the Regional Development Budget Account  
from the Central Government  
Kordofan Region 1983/84

<u>Installment</u>	<u>Amount LS</u>	<u>Check #</u>	<u>Date</u>
1	750,000	426804	13/08/83
	650,000	426845	15/10/83
	600,000	426889	15/11/83
2	820,000	426940	15/13/83
	1,180,000	426941	15/01/84
3	1,000,000	546238	23/02/84
	1,000,000	546239	28/02/84
4	1,000,000	546339	02/05/84
	<hr/>	<hr/>	
	7,000,000	8 checks	

So total local revenues available for development expenditures were LS 6 million in FY 1983/84 and it is possible to account for the disbursement of slightly over 90 percent of that amount by the end of June 1984 (ordinarily the end of the fiscal year).

Sectors had different rates of success in vieing for their piece of the reduced pie. Housing and Public Utilities, Education, and the Minister's Reserve Fund clearly came out the winners while Agriculture and, to a lesser extent, Regional Affairs, were the losers. Exactly how it was decided which projects to fund and which to cut off is not clear but the relative strength of the Ministers themselves as well as their internal relations probably had a great deal to do with the outcome.

<u>Ministry</u>	A Authorized <u>LS</u>	B Actual <u>LS</u>	C % Col B <u>of Col A</u>
Housing & Public Utilities	4,080,000	2,945,631	72
Agriculture	800,000	175,062	22
Regional Affairs	700,000	319,599	46
Health	900,000	552,500	61
Education	1,250,000	992,668	79
Finance (Reserve Fund)	500,000	420,870	84
Local Contribution to Foreign Assistance	250,000	N.A.	N.A.
Basic Services El Obeid	150,000	N.A.	N.A.
	<u>8,630,000</u>	<u>5,406,330</u>	<u>63</u>

"Actual Expenditures as Percent of Authorized Allocations  
Development Budget, Kordofan Region, 1983/84 situation  
as of June 1984"

Oddly enough, by the middle of August funds seemed to have flowed back into the development account. A likely explanation is that interim revenues to compensate for the realignment of the fiscal year to conform with the Moslem New Year (a change from the beginning of July to the end of September in 1984) were deposited allowing for the following changes to take place in a "year end" binge of last minute spending.

<u>Ministry</u>	Actual Expenditure <u>LS</u>	% of <u>Authorized</u>
Housing & Public Utilities	2,945,631	72.0
Agriculture	498,565	62.0
Regional Affairs	319,599	46.0
Health	947,171	105.0
Education	992,668	79.0
Finance (Reserve Fund)	573,694	115.0
	<u>6,274,000</u>	<u>76.0</u>

"Actual Expenditures as a Percentage of Authorized Expenditures, Kordofan Region Development Budget, 1983/84, as of 15 August 1984"

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Some significant gains were made possible by this new release of development revenues, notably in the Agriculture sector, Health, and the Minister's of Finance Reserve discretionary fund. In any case, the total spending reached 76 percent of what was projected and authorized at least in terms of the local currency component.

Analysis of the disbursement requests themselves reveals some interesting patterns concerning how funds were intended to be spent. Looking across all sectors the prominence of expenditures on water and electricity projects stands out, followed by transportation (purchase of new vehicles) and new construction of buildings.

<u>Use of Funds</u>	<u>Amount LS</u>	<u>% of Total</u>
New Construction	781,000	15.0
Rehabilitation of Structures	353,000	6.0
Water & Electricity	1,888,000	36.0
Transportation	859,000	16.0
Equipment	272,000	5.0
Operating Costs & Wages	32,000	1.0
No Details	1,067,000	20.0
	<hr/> 5,252,850	

"Use of Funds from the Development Budget, Kordofan Region  
as of June, 1984"

Only 20 percent of the requests as of June 1984 could not be classified into any one of these categories - cases where no details were provided in the disbursement request and contrary to the Minister's directive concerning disbursement of funds. These tended to be large transfers of blocks of money, many signed by the Minister requesting the funds and approved by the Finance Minister himself, thus relieving the Planning Department from responsibility in disbursing of the funds as per the

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new procedures. Very conspicuous by its very small proportion in total expenditures are "operating costs and wages", suggesting that at least some are buried in the other expenditure categories listed. Unfortunately, because of the "privilege" of some ministries, namely Housing and Public Utilities, to draw money in very large installments with an explanation being that it is to be used for "water or electricity projects" (but usually unnamed) makes it impossible to further break down whether the money is indeed used for equipment, construction, rehabilitation, or operating costs of existing public utilities, as is quite possibly the case.

A further breakdown is possible which illustrates the pattern of spending of development funds on an individual basis.

<u>Purpose of Expenditure</u>	<u>Amount LS</u>	<u>% of Total</u>
Account: Finance (Minister's Reserve Fund)		
Water & Electricity Projects	21,645	3.8
Health-Construction & Rehabilitation	41,211	7.3
Schools- " "	91,500	15.9
Wages & Incentives	12,028	2.1
Equipment & Furniture	20,175	3.5
Vehicles & Fuel	311,325	54.2
Other Public Buildings	47,810	8.3
No Details	28,000	4.9
	<u>573,694</u>	<u>100.0</u>
Account: Housing & Public Utilities		
New Construction, Buildings	122,175	6.0
Transportation	71,000	3.0
Water Projects (unnamed)	1,140,000	53.0
Water Projects (specified)	192,500	9.0
Water Pumps & Equipment	300,000	14.0
Electricity (unnamed)	196,000	9.0
Electricity (specified)	37,000	2.0
Not Detailed	90,800	4.0
	<u>2,149,175</u>	<u>100.0</u>

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<u>Purpose of Expenditure</u>	<u>Amount LS</u>	<u>% of Total</u>
Account: Agriculture & Natural Resources		
New Construction	10,000	2.0
Equipment	111,758	22.0
Operating Cost of Ag. Projects	20,200	4.0
Vehicles & Maintenance	126,784	25.0
Production Projects & Schemes	<u>229,823</u>	<u>46.0</u>
	498,565	100.0
Account: Regional Affairs		
New Construction	10,880	4.0
Maintenance & Renovation (buildings)	15,000	6.0
Equipment	72,465	27.0
Vehicles & Maintenance	150,200	56.0
No Details	<u>21,500</u>	<u>8.0</u>
	270,045	100.0
Account: Public Services, Health		
New Construction (offices)	65,000	7.0
New Construction (clinics)	223,700	24.0
Equipment	38,000	4.0
Rehabilitation of Buildings	116,800	12.0
Vehicles	82,000	9.0
No Details	<u>421,671</u>	<u>44.0</u>
	947,171	100.0
Account: Education (Primary)		
New Construction	104,700	42.0
Maintenance & Rehabilitation	30,200	12.0
Equipment	3,000	1.0
No Details	<u>111,000</u>	<u>45.0</u>
	248,900	100.0
Account: Education (Intermediate)		
New Construction (classrooms)	67,500	37.0
New Construction (dormitory)	45,000	25.0
Furniture	27,000	15.0
Vehicles	<u>43,500</u>	<u>24.0</u>
	183,000	100.0
Account: Education (Secondary)		
New Construction	100,000	33.0
Maintenance & Rehabilitation	10,000	3.0
Vehicles	40,000	13.0
No Details	<u>155,000</u>	<u>51.0</u>
	305,000	100.0

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<u>Purpose of Expenditure</u>	<u>Amount</u> <u>LS</u>	<u>% of</u> <u>Total</u>
Account: Education (Headquarters)		
New Construction	32,000	43.0
Vehicles	34,000	45.0
No Details	9,000	12.0
	<u>75,000</u>	<u>100.0</u>

Even more useful would have been to examine how development funds once disbursed were actually used (as distinct from how the disbursement requests proposed to use the funds). Unfortunately the progress reporting and accounting requirements are not, nor have they ever been, enforced. The Department of Planning lacks both the manpower and the authority, complete with sanctions for non-compliance, to adequately monitor these expenditures once they are disbursed. In part, because of this permissive attitude, even an attempt to examine a sample of the disbursements was obstructed by the ministries, claiming lack of records or inability to find receipts and vouchers.

#### CONCLUSIONS

The development budget for Kordofan Region lacks a clear set of guiding principles, goals and quantifiable objectives to give direction to the programming of development resources. In their absence the budget seeks to allocate resources in a way that satisfies as many interest groups as possible based either on tribal, geographic or administrative boundaries. Perhaps it is deliberate, but it is not possible even to identify how the resources are in fact distributed amongst these constituencies. These decisions evidently are not for public consumption and are hammered out at the ministerial level with no need for input from planners or other technicians. This aspect of development programming in Kordofan is indeed unfortunate as it will forever preclude any sort of area wide or multiproject planning.

Sectoral distribution of development resources is more clear, although the reasoning behind this and whatever minor shifts take place from year to year is not always as apparent. While the goals set forth in the annual budget speech seem to find some expression in relative shares proposed for each sector, the distribution of funds within sectors - between say activity X and Y is done without any explicit analysis or evaluation. This results from the general absence of identifiable and detailed project proposals which would permit such comparison and assessment. Many activities such as schools, hospitals, clinics and some government departments at the regional level view the annual payment from the development budget as an entitlement, not something that requires demonstration of need or ability to use effectively. Of course virtually all government operations need additional resources, but it is exactly this unlimited demand in the face of very limited resources that necessitates some process for allocation based upon a set of agreed upon economic, social, and technical criteria.

As long as the region's current expenditure budget remains in such a precarious state, with so little in the way of reserves, dependent upon uncertain sources of revenue external as well as internal to the region, and so imbalanced between personnel and the capital which makes government employees productive providers of public services, then the development budget will continue to be under pressure.

The flexibility inherent in the system is necessary to provide for the current needs and contingencies which the recurrent budget cannot. It would be hard to argue against use of development funds to purchase sorghum for distribution at more affordable official prices for people who can no longer afford even this most basic food grain. It is equally hard to criticize use of development funds to purchase spare parts for water pumps that provide drinking water or fuel for tankers that

deliver water to remote drought stricken villages. These are typical of the "projects" which received funding during FY 1983/84 but which are not readily apparent from a scanning of the expenditure accounts.

Use of development funds to solve immediate problems will not contribute much toward solving the causes of these difficulties nor precluding them from recurring year after year. This after all is the purpose of planned investment and development strategy. Under current financial circumstances this is an unaffordable luxury. While it was not possible to examine even a representative sample of actual expenditures, it is known that funds earmarked for certain purposes that would have contributed to the type of long term investment needed in the region, were diverted not to solving urgent, life threatening problems, but for purposes of political expediency. Instead of helping the poorest, least fortunate people, these funds almost always went to those with the most power who needed the help of government the least. Thus flexibility has both its good and bad sides.

Foreign donor assistance in support of development planning at the regional level can only have a very marginal influence on the programming of the region's development resources. Selection of already authorized or proposed activities which will receive development funds and trying to improve the way the funds are used and the activity is managed can help. Offering of outside donor financing for development activities with modest regional matching requirements can also gradually encourage development resources to move out of those present uses which benefit those who need it the least. Of course the danger here is that the required matching will come not from the diversion of development funds that would have gone to those people, but rather from those whose very existence depends upon the flexibility and discretion built into the resource allocation process.

Miles Toder  
Kordofan Advisor

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TRAINING NEEDS ASSESSMENT  
FOR DISTRICT LEVEL PLANNING OFFICERS

Research/Studies Paper #9

Project Title: Sudan Regional Finance and Planning Project  
Project Number: 650-0012

REGIONAL FINANCE & PLANNING PROJECT

KORDOFAN REGION

TRAINING NEEDS ASSESSMENT

for DISTRICT LEVEL PLANNING OFFICERS

Miles F. Toder, Kordofan Planning Advisor

INTRODUCTION

With the initiation of a new level of activity into the region's planning process, it is necessary to assess the training requirements of the government officers who have been selected to staff the recently established District Development Units. To understand the background and experience that these individuals have a survey was conducted which included twelve of the twenty officers who could be reached given the seasonal transportation difficulties associated with the rains in Kordofan region. Some information regarding the others was assembled from personnel records so as to have as complete a picture as possible about these people.

Simultaneously, an effort was made to define the role and function that the district development units would be expected to perform within the overall regional system of planning and resource allocation. Specifically the outlines of a job description emerged so as to be able to guide in the selection of district planning officer candidates as well as in the design of a program of training and professional development that would enable these people to function in their jobs.

Taken together, an understanding of the people and expectations concerning the functions they will be required to carry out,

provide the basis for the design of an appropriate and effective program of training. As a part of this program a series of courses and institutions capable of conducting the type of training being recommended are suggested. It is intended that resources from the Regional Finance and Planning Project be used to run these training sessions and to defray the expenses of the trainees.

#### PROFILE OF DISTRICT PLANNING OFFICERS

District planning officers have been selected from the available pool of administrative officers already in government service in the region. All have completed their undergraduate university education thereby holding a Bachelors Degree. The officers all graduated from one of three institutions, either the University of Khartoum (70%), the University of Cairo, Khartoum Branch (10%) or the Omdurman Islamic University (15%). The one exception to this is the one officer who received his degree from a university in India.

<u>University</u>	<u>Number of Graduates</u>	<u>% of Total</u>
University of Khartoum	14	70%
University of Cairo (Khartoum)	2	10%
Omdurman Islamic University	3	15%
Other	1	05%

TABLE 1: District Planning Officers by University

Their major courses of study at the university are quite diverse. However two subject stand out as most frequently studied, namely geography and economics. Nearly forty percent of the planning officers selected geography as one of their major subjects and thirty five percent elected economics as a major. Considering the fact that many students pursue joint

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majors toward their degree, seventy five percent of the planning officers studied one or the other of these two subjects which are considered particularly relevant in establishing a sound base for training in planning. Other major subjects that are still important but not as immediately related to post graduate training in planning were political science (20%), Arabic (20%), English and anthropology (each 10%), and history, fine arts, French, philosophy, commerce, and journalism (each 5%).

<u>Major Field of Study</u>	<u>Students Selecting Major Subject</u>	<u>% of Total*</u>
Geography	8	40%
Economics	7	35%
Political Science	4	20%
Arabic Language	4	20%
English Language	2	10%
Anthropology	2	10%
History, Fine Arts, French, Philosophy, Commerce, Journalism	1	05%

TABLE 2: Students Major Subjects of Study

\* Percentages represent frequencies (ie. % of total selecting a particular major subject) and since most complete a double major the totals do not add up to 100%.

All of the individuals included in the survey (12 of the 20 appointees) had received some form of post-graduate training. Three types of training had been received. The old Institute of Public Administration had given a short course to three of the more senior officers, probably by way of introduction to their jobs as administrative officers. Four persons had received training by the Sudan Academy for Administrative Sciences (SAAS) over a four month period, also an introductory pre-service

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program. Finally five of the respondents indicated that they had received training within the region in the form of a three month training exercise organized by the Department of Local Government, Ministry of Administration and Regional Affairs, Kordofan. This group of officers tended to be the most recent ones to enter into government service. It is likely that most if not all of the remaining individuals not included in the survey have also had similar post-graduate training, primarily in the field of public administration.

Most of the planning officers selected to work at the district level are quite young, averaging only slightly over 27 years of age. The oldest officer was 31 with the youngest being only 24 years of age. All of those included in the survey had worked in at least one job prior to joining the region's administrative officer corps. The average number of years of work experience prior to becoming an administrative officer, of these people surveyed, was under 1 1/2 years. Included among their previous occupations were teacher (30%), journalist (10%), and inspector of public works, inspector for taxation, inspector for housing and lands, inspector for education, and research assistant (each 5%).

The average number of years served as administrative officers is only two years with 20% having served less than a year before being nominated to the post of district planner. Two of the twenty planning officers have served as administrators for more than four years. Four officers are presently working at grade "8" in the newly revised civil service structure and the remainder hold their appointments at the grade "9" level. For comparison purposes it should be pointed out that level "10" is the beginning level for new university graduates, level "3" is awarded to department directors, and level "1" is designated for director generals who are the most senior civil servants heading a ministry.

In terms of their functions and responsibilities as administrative officers, the position from which they are being transferred in order to be able to concentrate on planning related tasks, several key areas of responsibility can be identified. Of those included in the survey 75% responded that maintenance of stores and distribution of supplies was one of their primary tasks. Sixty-six percent gave personnel supervision and/or finance and budgeting as primary areas of responsibility. Planning, tax collection, engineering and construction supervision, and overseeing the use of equipment were listed less frequently being 50%, 42%, 33%, and 25% respectively of their major areas of responsibility. All of those individuals included in the survey indicated that they had responsibility for the supervision of other people working for the district council, the number ranging between 2 and 30+.

<u>Area of Responsibility</u>	<u>Number Indicating Area of Responsibility</u>	<u>% of Total *</u>
Stores and Supplies	9	75%
Personnel	8	66%
Finance & Budgeting	8	66%
Planning	6	50%
Tax Collection	5	42%
Engineering & Construction	4	33%
Equipment Supervision	3	25%

TABLE 3: Areas of Responsibility of Administrative Officers by Frequency of Mention

\* Percentages represent frequencies of occurrence (ie. the percent of total respondents listing a particular function as characteristic of their work as an administrative officer) and therefore do not total to 100%.

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For what it is worth, the survey respondents suggested nine areas in which they felt they needed additional training in order to perform their jobs as district planning officers, as they came to understand that newly created position. Not surprisingly ten of the twelve respondents indicated that training in "planning" was needed. Even less surprising was that eight respondents still felt the need for additional training in the area of "administrator", that area which they probably know best but is so easily confused with the role and function ascribed to planning. Finance was the area next in popularity with five people suggesting additional training, followed by "rural development" with four votes, economics, land use law, and conflict resolution each getting three votes, and urban development and environmental preservation, each receiving two and one vote respectively.

Aside from these facts it is appropriate to add a qualitative dimension to the profile of the district planning officers. From the observations of several of the lecturers at the orientation workshop held in el Obeid in late August, it appears that the people selected are more critical and inquisitive than are many of the Sudanese government officials. Yet the group as a whole did not exhibit the cynical or pessimistic attitude so common among young professionals assigned to work in the rural and often remote, isolated posts. Several of the discussions centered around the practical difficulties of accomplishing planning related tasks under present circumstances not to mention the difficulties that will be encountered in attempting to influence the present system of decision making and allocation of development resources. Most of the newly selected district planning officers displayed a considerable amount of enthusiasm once the specifics of their newly assigned roles were explained and clarified. A surprising number of the district planners were able to understand and

participate in discussion conducted in English. However it was apparent that the group was far from indifferent concerning their choice of language for communicating, and that many felt most comfortable using their native Arabic.

In summary it appears that the individuals selected to serve as district level planners have the educational base that can be built upon but no real experience in planning work per se. Many of the officers have had some administrative experience, but not enough to make a reorientation of their time horizons and perspective difficult, as is required in the training of planners. Many have the idealistic intention of trying to change the condition of their respective districts which is a good starting point but have a good deal more understanding of the difficulties involved than new graduates would have with no work experience at all.

#### ROLE AND FUNCTION OF DISTRICT DEVELOPMENT PLANNERS

The next ingredient in being able to formulate a comprehensive assessment of the training needs of these district planning officers is a description of what it is that they are expected to do, in what sort of environment, and how their expected function fits into a larger program of planning thought and action within the region. The answers to these questions have been thrashed out in discussions in el Obeid both within the Department of Planning and between that department and that of Local Government. Participating in those discussions, over a period of several months have been the directors of these departments, the UNICEF planning advisor for Kordofan as well as the planning advisor sponsored by the USAID Regional Finance and Planning Project.

Essentially the district planning officers are expected to be involved in initiating development project ideas, developing the preliminary designs, and performing the initial analysis. This will require first that the planners be familiar with conditions within their respective districts, having a base of data and information to use in evaluating the merits of different project proposals and being able to identify both problems and opportunities with respect to development of the area.

Beyond being able to evaluate alternative investments within the districts the planners will have to be able to go a step further back and question what exactly is the problem or opportunity which is being addressed by proposing a particular project. This requires an ability to think logically, to question traditional project proposals and to delve into the reasons behind them, and be able to think in a creative way to consider alternative responses that may be more effective in overcoming the problem which people really want to solve.

District planners will also play an important role in the supervision of project implementation and management. Phasing of projects so as to be able to share tools, skilled manpower, and other essential but scarce equipment will enable development resources to go a longer way than is presently the case. Programming of maintenance activity and setting aside resources today will lessen the need for expensive and resource consuming rehabilitation of government infrastructure in the future. Rethinking the use of development funds away from such present and dubious uses as fences around schools, vehicles, salaries, and other recurrent expenses can result in greater impact on living conditions and output in the future.

Some modest changes in the way development funds are presently disbursed will be made to support the work of the district

planners. Instead of disbursing all funds from the development budget in el Obeid through the Department of Planning, those resources earmarked for the districts including primary, intermediate and secondary education as well as whatever few other projects are targeted for particular districts and are not implemented by one of the regional ministries in el Obeid, will be sent to the district planning officer for disbursement, accounting, monitoring, and reporting. Thus while initially the district planning officers will have little or no role in allocating of resources, they will be in a position to affect marginally the use of those funds even though they will already be earmarked for "approved" albeit usually vague and ill-defined development purposes. Here the district planners will need to use a great deal of tact in "advising" upon the use of already allocated development funds so as not to contribute to the already chronic problem of a slow and uncaring bureaucracy that stands in the way of achieving anything. An understanding of their responsibility and powers as well as their relationship to other district level officials and elected councilors is necessary to be able to influence development expenditure.

The district planners will have however a greater role in the allocation of resources where careful design and technical analysis are required, namely resources coming from one of several foreign donor sponsored project funds. Here the resources of the UNICEF Zonal Development Project, those of the European Economic Community Micro-Projects Fund, and the Regional Finance and Planning Project's model projects fund will be available for implementing small scale projects. In order to be able to make use of these external resources the district planners will need to understand the criteria and procedures laid down by the donors and the regional government for use of these resources as well as a working knowledge of the principles and techniques of project design and analysis.

Clearly there need to be some fundamental changes in the regions. present process whereby development resources are allocated in order to make planning at the district level anything more than the theoretical exercise that it presently is. While recent legislation concerning decentralization makes it clear that the district councils are to be the basic unit for planning and decision making regarding development, the present decision making system makes that ideal virtually impossible to achieve. However by building up the technical capacity of the district officers, educating the elected officials concerning their role in the process, and strengthening the institutions necessary for them to carry out that role, it is possible that changes will begin to take place in the manner in which resources are allocated and programmed within Kordofan. Two changes are proposed by the Department of Planning which, if accepted, would move more authority down to the level of the district council and ensure that development resources are used for exactly that purpose. First it is suggested that the development budget itself be broken down by district, not just by ministry or sector as is presently the case. This would enable the district council to see what is proposed by the regional ministries for their jurisdiction and to react to it. Secondly to ensure that funds are used for investment purposes rather than for current expenses of operating district government, a greater degree of accountability is called for whereby the district's first executive officer who supervises disbursement of all council funds would come under closer scrutiny by the elected councilors whom he is legally bound to serve. In both cases the activation of the presently dormant Development Committees of the District Council is suggested as the body of decision makers to participate in these activities, receiving technical support from the district's planners.

In summary the role of the district planning officers will be one of an advocate for the future of their respective councils. It has been argued that the future is far too important to be left to chance and that there need to be some government officials freed from the burdens of day to day management and administrative chores who can give this important question the attention it needs. Of course these people cannot be entirely divorced from the present (or the past for that matter) for that can lead to plans and programs that are either unrealistic or worse yet, irrelevant. It is proposed that these planning officers begin thinking about the future in a rather modest way by focusing on the acknowledged 'building block' of development planning, namely the development project. Eventually we can expect the planners to work with alternative scenarios which model the future of the region and development of strategies for achieving desired future states, but for now a more incremental approach for achieving desired small scale changes in the region is sufficient.

#### DESIGN OF A TRAINING PROGRAM FOR DISTRICT PLANNERS

Based upon the preceeding discussion it is possible to outline the type and content of the training that will be necessary in order for the twenty district planners to carry out their work. Three areas of training are suggested: Basic Skills, Project Planning, and Area Wide Planning.

##### 1. Basic Skills

The single most important skill of a planner, regardless of the level or type of planning that is being done, is the ability to communicate the ideas, concepts, findings, and recommendations to those people responsible for making decisions. If unable to do this, even the best research, analysis, and thinking will be wasted since it is the job of a planner to initiate and guide

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the process of change. If there is no action as a result of the work of the planner, than he/she has failed.

Communication is done in several ways, by talking, arguing, illustrating, clarifying, and persuading. It can take an oral or a written form, or as is usually the case, both. While Sudanese in general are good with the oral form of communication there appears to be a grave deficiency in people's ability to express themselves clearly in writing. In light of the great distances between planners at the district level and those people in the regional capitals it will be necessary to improve the capability to organize, write and present written reports of a technical or informational nature.

Writing is a skill that is not learned so easily in a two-week or even a twenty-week course. It requires practice, criticism, revision, and more practice once even the most basic principles of report writing are learned. For this reason it requires more than what can possibly be offered in a "course". Looking around at the various training institutions in Khartoum there appears to be no such training offered. It is suggested that one or several institutions be approached and asked to submit proposals to conduct such training for the district level planners.

## 2. Project Planning

In order to be able to give the appropriate emphasis on the development project as the principal unit for intervening into the local economic, social, environmental, and political system and thereby influencing those systems, it is necessary to isolate this component of the training program so as not to create confusion on the part of the district planners. Here several areas are suggested as part of their training. First would be an overview of the project cycle which explains the

steps, the logic behind thinking of projects in such terms, and the benefits of so doing. Use of one or more examples to illustrate the concept of the project cycle would greatly aid in grasping the paradigm being presented.

Following this overview/introduction should come several discrete sessions which examine each stage in the cycle in detail, focusing on problem identification, generation and selection of alternative solutions, and detailing or "design" of selected solutions. Methods and techniques should be presented along with a discussion of the people who ought to be involved at each stage and the role of the planner in this process. To ensure the relevance of the exercise, problems dealing with basic services, the type most likely to be dealt with at the district level, should be used in the illustrations.

The question of analysis of projects from the point of view of technical, economic, and financial viability as well as possible obstacles to implementation and management should be examined, but again using problems of service provision (health, water, education) rather than projects of an income generating nature. While it is expected that most of this analysis will be the responsibility of the planners at the regional level, it is necessary for these things to be considered if realistic proposals for addressing district needs are to be forthcoming.

Finally, the monitoring and evaluation of projects once they are implemented should be explored using case studies to illustrate the issues involved and techniques and methods available for tracking the progress of projects and determining just how "successful" they really are. Attention should be given to the definition of this haphazardly used term "successful" and suggestions made so as to be able to incorporate lessons learned in the process of project evaluation into the design of future developments projects. It would be useful

as well to include some discussion on management of development projects since although district planners themselves will not be directly involved in implementing projects (leaving this to officials from the line ministries representing the various sectors at the district level), they will be asked to evaluate this aspect of the projects as well, namely the way in which the project design was executed.

Here it is possible to identify two courses proposed by the Sudan Academy for Administrative Sciences, one entitled "Project Planning and Management", and the other dealing with "Promotion of Financial Resources of the Regions". The Project Planning Course would need to be tailored to the needs discussed above to ensure its relevance to district planners. The Financial Resources course is suggested as it will be necessary to work out sources of finance not only to establish service projects in the districts, but just as importantly, to keep them running. Two modifications are suggested here, one being that the Zakat be dealt with in principle but not in its application as that is still far from clear in the region. The other is that external sources of finance from foreign donors be added to the discussion with attention given to the requirements imposed on the use of such funds, the concerns of the donors, and their motivation.

### 3. Area Wide Planning

Starting with projects as a basic unit will enable the process of change and development to be guided, albeit incrementally. At some point it is necessary to consider the sum total of the individual interventions being proposed, and expect that the sum of the whole is greater than that of the individual parts. The interaction between projects, those of a complementary as well as conflicting nature must be taken into consideration, and

even the question of which projects should be given priority requires some thinking in terms of the entire area or district, its needs and opportunities, goals and objectives.

For the immediate future two courses are suggested that will contribute to this understanding of linkage between activities and people in addition to the process by which these can be identified, considered in project design, influenced, and ultimately exploited for the good of the district and region. First it is suggested that a course in data collection, analysis, and reporting and presentation of planning information be organized for the district planners. Emphasis should be placed on the type of data that is necessary, why, for what purpose, and how it should be collected, stored, in what units or level of aggregation, and what is already available (including what adjustments are necessary for it to be useful to planners at the district levels). No course offered in Khartoum appears to treat this issue as thoroughly as it deserves, and one ought to be proposed either by the Sudan Academy or the Development Studies and Research Center.

Second, there is a need for a course that introduces the relevance of spatial analysis to regional development and perhaps planning. The fact that social and economic activities occur within a spatial framework crucial for their functioning is often overlooked from the perspective of national economic planning. From the regional or sub-regional perspective it is most appropriate and even necessary for such linkages to be considered whether it be at the level of the neighborhood or urban center-concepts of situs and structure, or at the regional scale where hierarchies of urban centers and their rural service areas or hinterlands became relevant parameters in planning for development. If the region and district are ever to move beyond planning, what must be regarded as only the

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building blocks, namely projects, then a theoretical base along with methods and techniques for their application to multi-project or an area wide context must be incorporated into planning and decision making. Again a review of the offerings in Khartoum shows no such course being offered, however since such subject matter is the domaine of geographers, it would seem reasonable that that department be approached to see what they could provide in the way of training.

Finally the course being proposed by the Sudan Academy which is entitled "Regional Planning" might fullfill some of the requirements stated above concerning area wide planning. Some introduction to regional economics, definitions of development, and differences between national and sub-national economic planning would be a useful beginning for the district planners. Caution should be used in introducing quantitative methods to district planners as many may well be irrelevant to their particular situation because of a lack of data, or control over the economic phenomena being measured and assessed.

Several suggestions are offered in terms of how the above training should be conducted, when, and some ideas for enhancing its utility to the district planners. Due to the difficulty involved in traveling from the districts to Khartoum for training and the disruptive effect it has on whatever work might be in progress, it is recommended that the district planners be brought to Khartoum only one time in the next year to participate in the above training program. It should be possible to organize the above courses in such a way that they can be offered simultaneously so that in, say, a three month period, all of the suggested courses could be completed. This would require coordination between the Sudan Academy, Development Studies and Research Center, and possibly the Department of Geography. So as to keep the class size small and not remove both district

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planners from the district at the same time, it is suggested that the program be run twice during the next year with ten participants attending each session.

It will be necessary for all participants to leave the program with a very clear and detailed agenda for what work needs to be done upon return to their districts. While planning is not something particularly amenable to a cookbook format, because of the great distances involved and absence of more experienced planners for the district officers to work with, they will need to understand before leaving Khartoum what it is they should be doing, how much time they should devote to particular activities, and the relative priority of different tasks. Perhaps one of the exercises to be done toward the end of the program would be development of planning work programs as a guide to their activities during the coming 6-8 months. Measurable and concrete benchmarks should be identified, and arrangements made to convene a workshop, probably in el Obeid where their progress will be reviewed, problems discussed, and suggestions made for enhancing the effectiveness of their work. It would be useful if some of the same instructors participating in the initial training in Khartoum would be able to attend the workshop to evaluate the impact of their training on the district planners.

#### SUMMARY OF TRAINING PROPOSAL FOR DISTRICT PLANNERS

1. Course Title: Technical Report Writing  
Participants: Two groups of ten persons each  
Estimated Cost for Instruction: LS.500/student  
Executing Institution: Unknown  
Special Requirements: On-the-Job Follow-Up by Instructors

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2. Course Title: Project Planning & Management  
Participants: Two groups of ten persons each  
Estimated Cost for Instruction: LS.300/student  
Executing Institution: Sudan Academy or DSRC (proposed)  
Special Requirements: Field exercises & modification to  
be relevant to work of district level planners
3. Course Title: Promotion of Financial Resources  
Participants: Two groups of ten persons each  
Estimated Cost for Instruction: LS.300/student  
Executing Institution: Sudan Academy (proposed)  
Special Requirements: Emphasis on district level financial  
resources
4. Course Title: Data Collection, Analysis & Presentation  
Participants: Two groups of ten persons each  
Estimated Cost for Instruction: LS.500/student  
Executing Institution: Sudan Academy or DSRC (proposed)  
Special Requirements: Emphasis on district level data  
gathering and analysis problems
5. Course Title: Spatial Aspects of Regional Development  
Participants: Two groups of ten persons each  
Estimated Cost of Instruction: LS.500/student  
Executing Institution: DSRC or Department of Geography  
(proposed)  
Special Requirements: Selection of theories and methods  
relevant to district level planning work
6. Course Title: Regional Planning  
Participants: Two groups of ten persons each  
Estimated Cost of Instruction: LS.200/student  
Executing Institution: Sudan Academy (Proposed)  
Special Requirements: District level focus