

PDBBM 529

AGENCY FOR INTERNATIONAL DEVELOPMENT

PROJECT DATA SHEET

1. TRANSACTION CODE

C A = Add
C = Change
D = Delete

Amendment Number 2

DOCUMENT CODE

3

COUNTRY/ENTITY

SUDAN

3. PROJECT NUMBER

650-0012

4. BUREAU/OFFICE

AFRICA

5. PROJECT TITLE (maximum 10 characters)

REGIONAL FINANCE AND PLANNING

06

6. PROJECT ASSISTANCE COMPLETION DATE (PACD)

MM DD YY
08 22 89

7. ESTIMATED DATE OF OBLIGATION

(Under "B" below, enter 1, 2, 3, or 4)

A. Initial FY 79 B. Quarter 2 C. Final FY 89

8. COSTS (\$000 OR EQUIVALENT \$1 =)

A. FUNDING SOURCE	FIRST FY <u>79</u>			LIFE OF PROJECT		
	B. FX	C. L/C	D. Total	E. FX	F. L/C	G. Total
AID Appropriated Total	2,000		2,000	8,300		8,300
(Grant)	(2,000)	()	(2,000)	(8,300)	()	(8,300)
(Loan)	()	()	()	()	()	()
Other U.S.	1.					
	2.					
Host Country					31,727	31,727
Other Donors)						
TOTALS	2,000		2,000	8,300	31,727	40,027

9. SCHEDULE OF AID FUNDING (\$000)

A. APPROPRIATION	B. PRIMARY PURPOSE CODE	C. PRIMARY TECH. CODE		D. OBLIGATIONS TO DATE		E. AMOUNT APPROVED THIS ACTION		F. LIFE OF PROJECT	
		1. Grant	2. Loan	1. Grant	2. Loan	1. Grant	2. Loan	1. Grant	2. Loan
(WARDN)	280	720		2,000		5,100		7,100	
(2)	280	720		1,200				1,200	
(3)									
(4)									
TOTALS				3,200		5,100		8,300	

10. SECONDARY TECHNICAL CODES (maximum 6 codes of 3 positions each)

033 051 240 250 920

11. SECONDARY PURPOSE CODES

12. SPECIAL CONCERNS CODES (maximum 7 codes of 4 positions each)

A. Code	BRW	BSW	TNG	PART	PVOU	PVON	TECH
B. Amount	25,000	20,000	1,200	25,000	15,000	3,000	3,000

13. PROJECT PURPOSE (maximum 180 characters)

To: (1) 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; (2) to support a continuing GOS effort to promote decentralized government.

14. SCHEDULED EVALUATIONS

Interim MM YY Final MM YY
08 83 11 88

15. SOURCE/ORIGIN OF GOODS AND SERVICES

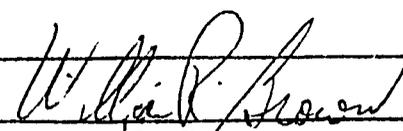
000 941 Local Other (Specify)

16. AMENDMENTS/NATURE OF CHANGE PROPOSED (This is page 1 of 1 page PP Amendment)

In order to address key problems identified thus far in the project in the design and financing of decentralized activities, this Amendment will (1) help potential beneficiaries identify and plan those activities of greatest interest to them, and (2) build on community self-interest to introduce mechanisms to finance, operate and maintain these activities.

17. APPROVED BY

Signature
William R. Brown
Title
Director
USAID/Sudan



Date Signed
MM DD YY
04 03 86

18. DATE DOCUMENT RECEIVED IN AID/W, OR FOR AID/W DOCUMENTS, DATE OF DISTRIBUTION

MM DD YY
| | | | |

ACTION MEMORANDUM FOR THE DIRECTOR

FROM: Thomas F. Cornell, ADPO
SUBJECT: Project Authorization - Regional Finance and Planning Project
Amendment (650-0012)

Problem:

Your approval is required to authorize a \$5,100,000 amendment to the Regional Finance and Planning Project. This is the second amendment to the project. It brings total funding to \$8,300,000 and extends the project assistance completion date to August 22, 1989.

Discussion:

The original project, Rural Development Planning, was authorized in 1979. It was designed to strengthen the planning capacity of provincial government institutions over a four year period. Project activities were to focus on improving the provincial government's process of identifying, designing, reviewing, approving and evaluating development projects. This activity was to be the first in a long-term effort for AID, not only because we agreed with the GOS's interest in transferring greater administrative and financial responsibility to the provinces, but because the technical and financial support AID could provide would be beneficial.

Not long after beginning project implementation, the Regional Government Act of 1980 grouped the provinces into regions with considerably expanded administrative and financial responsibilities. This change made it necessary to amend the RDP project in 1982. The name was changed to the Regional Finance and Planning Project (RFP). A new financial component was added to strengthen regional budgeting, financial management and revenue systems. Attention was focused on the Kordofan and Southern Regional governments. The authorized LOP funding was increased by \$1.2 million and the life of the project by two years to 1985.

Because of complex revenue policies, the institutionalization of Islamic Zakat tax and an eroded regional tax base, the Regional Government Act of 1980 had little practical impact on the regional approach to development. The 1983 division of the south into three separate regions, followed by intensified guerilla activity against government forces, exacerbated financial constraints to project implementation. Only the training activities initiated for the south and Kordofan continued on schedule.

Following the completion of the RFP TA contract, another close look was taken at the project, its progress and impact. The project committee concluded that the original goal and purpose remained valid, but that changes were required in the implementation strategy. Lengthy discussions with the GOS led to our

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mutual agreement that political, economic and social changes mandated a new approach to decentralization. Since the 1984 CDSS update had stressed decentralization as one of the four core themes of the Mission strategy, and since decentralization has always been the key objective of the RFP project, it was recommended to implement this revised approach through a PP Amendment rather than a new project. This strategy was presented to AID/Washington in 85 Khartoum 16699 and approved in 86 State 41040.

The purpose of this Amendment is to make implementation adjustments which reflect lessons learned, the impact of Sudan's worsening economic crisis on regional development, the continued desire of the GOS to promote decentralization and AID's long-term commitment to support the GOS in its efforts. The revised strategy will allow the GOS to promote local planning and development while maintaining central oversight.

This Amendment proposes to use Private Voluntary Organizations (PVOs) as a vehicle to move decentralized planning closer to the realities of implementation. PVOs will serve to facilitate a process of village involvement. The villages will assess their needs, identify their priorities, select their targets, define methods of implementation, establish means for management and maintenance and evaluate their own performance. The PVOs will show them how, but the responsibility for the actions taken will rest with the villages themselves. Regional and central government review, approval and monitoring of village projects will inculcate within the GOS a sensitivity for "bottom up" planning, self-help contributions to implementation, and management without direct day-to-day involvement.

The principal additions to the project are:

1. An increase in both foreign exchange and local currency LOP funding from \$3.2 million to \$8.3 million in U.S. dollars and from approximately LS 27,810,000 to LS 104,700,000 in Sudanese pounds.
2. A three year extension to August 22, 1989.
3. An expansion of the project area to include Darfur.
4. Cooperative Agreements will be entered into with 4 to 6 PVOs competitively selected.
5. The channelling of subproject funds through the PVOs directly to the villages following a technical committee review. The technical committee will consist of representatives from both the central and regional governments, Agricultural Bank of Sudan (ABS) and USAID. Financial and implementation oversight and guidance will be provided by this body.
6. The establishment of a permanent revolving loan account at the Agricultural Bank of Sudan which will service the target villages and the private sector in Kordofan and Darfur regions.

The PP Amendment maintains a training component. It will focus on individuals who have immediate and practical needs to improve their management, planning and implementation capabilities. The principal vehicle for formal training will be in-country short-term courses conducted through Sudanese institutions such as the Development Studies Research Center and the Sudan Academy of Administrative Sciences. PVOs will undertake informal training in order to pass on to communities the skills required to operate and maintain project investments. By coupling each PVO's organizational, training, team building and management skills with existing human and material resources, self-help practices and traditional administrative systems, the project's impact may extend beyond those activities directly financed.

The January 1986 Khartoum PVO conference was the first in a series of formal sessions with central and regional government officials and private sector representatives to discuss the proposed Amendment to the project. Since then, weekly meetings have been held, with the GOS collaborating on every aspect of this Amendment. The final paper represents a GOS/USAID collaborative redesign of the Regional Finance and Planning Project.

Concerns raised by AID/W in State 041040 have all been addressed in the Amendment. Detailed procedures are specified for the identification, review and approval of all subprojects in order to assure their technical, financial, economic and administrative soundness. The Amendment and the Request for Applications (RFA) also emphasize the importance USAID attaches to sustainability of the activities initiated by the PVOs. This has also been stated as one of the selection criteria for the PVOs themselves, and will be a factor to be considered by the district councils in their review and approval of the subprojects.

The Bureau Environmental Office for Africa, with GC/AFR concurrence, approved a categorical exclusion for any training and technical assistance contained in the PP Amendment. Threshold decisions for subprojects are deferred, and will be handled during the design and review of PVO applications, subprojects and workplans. Measures have been taken to assure that all requirements of AID Regulation 16 are satisfied.

Waivers:

Code 941 is authorized for the entire project as provided for in 86 State 41040. The Mission has had a blanket Mission-wide vehicle waiver authorizing single source, non-competitive procurement of Fords for western Sudan, and a renewal of the waiver is currently under review in AID/W. On a case-by-case basis for PVO vehicle procurements not exceeding \$50,000 (excluding transport costs), this amendment also authorizes blanket proprietary, source and origin, and Section 636(i) waivers for Toyota. The critical factor in applying these waivers will be the relative availability of diesel and gasoline, which will determine the practicality of gasoline-driven Fords.

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Justification to the Congress:

State 86992 advised that the required congressional notification was sent to the Congress on March 19, 1986 and no objections be were raised.

Recommendation:

Based on the authority delegated to you by 86 State 041040 and Africa Bureau Delegation of Authority 140, revised, it is recommended that you sign the attached Project Authorization Amendment and thereby authorize a new life-of-project funding totalling \$8,300,000.

APPROVED

William R. Brown

DISAPPROVED

DATE

3 April 1986

5

Action Memo for the Director
Project Authorization - Reg.Fin. & Planning Project Amendment 650-0012

Clearance: CPascual, PDI DRAFT *R*
RMacken, PDI DRAFT
JGoodwin, ADEPP *JG*
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Drafted: *JH* VLDickson-Horton *JH* PDI 1 April 67

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Project Authorization Amendment

Name of Country: Sudan
Name of Project: Regional Finance and Planning
Project Number: 650-0012, Amendment Two

1. Pursuant to Section 103 of the Foreign Assistance Act of 1961, as amended, I hereby authorize an Amendment to the Regional Finance and Planning Project for the Republic of Sudan (authorized originally as the Rural Development Planning Project on August 22, 1979) involving planned obligations of not to exceed \$5,100,000 in grant funds over a three year and five month period from the date of this authorization subject to the availability of funds in accordance with the AID OYB/allotment process, to help finance foreign exchange and local currency costs for the project. The planned life of the project is 10 years from the initial obligation.
2. The amended Project will draw upon Private Voluntary Organizations (PVOs) as a vehicle to facilitate a process of village involvement in decentralized project planning and implementation. The villages will assess their needs, identify their priorities, select their targets, define methods of implementation, establish means for management and maintenance and evaluate their own performance. Regional and central government review, approval and monitoring of village projects will inculcate within the GOS a sensitivity for "bottom-up" planning, self-help contributions to implementation and management without day-to-day involvement.

Cooperative Agreements will be signed with 4 to 6 PVOs. Funds will be channelled directly to the villages through the PVOs. Informal training will be conducted by the PVOs. Formal training will focus on those individuals who have immediate practical needs to improve their management, planning and implementation capabilities. The formal training will consist primarily of in-country short-term courses.

- b. The Project Authorization for Regional Finance and Planning, originally authorized as Rural Development Planning on August 22, 1979 and amended on September 19, 1982, is hereby further amended as follows:
 - a. The first sentence of the second paragraph of the original authorization is revised to read as follows:

"The Project will assist the Cooperating Country to strengthen the capacity of its institutions to plan for and finance economic development by strengthening decentralized budgeting, financial management and revenue collection in Sudan and by improving the process by which local development projects are identified, designed, reviewed, implemented and evaluated."

- b. Paragraph b of the original authorization on Conditions Precedent is amended by adding the following:

Prior to AID's concurrence with PL 480 Title III local currency disbursements for activities to be carried out by the Agricultural Bank of Sudan (ABS), the Grantee shall, except as A.I.D. may otherwise agree in writing, furnish to A.I.D., in form and substance satisfactory to A.I.D., a signed agreement between the Grantee and ABS under which ABS agrees, inter alia, to assume the responsibility for carrying out the credit component of the project. This agreement between the Grantee and ABS will contain terms and conditions assuring proper accountability and use by ABS of Grantee-owned local currencies provided by the Grantee to ABS for project activities.

- c. Paragraph C of the original authorization on Covenants is amended by adding the following:

(1) USAID will subgrant a portion of the funds granted under this Project to PVOs for design and implementation of local development activities. The portion of the grant to be subgranted to PVOs will be determined through joint GOS and USAID review of PVO applications to work on the Project.

(2) The Grantee will assist PVOs financed under the Project to obtain the necessary Government of Sudan authorization to work in Sudan.

(3) The Directorate for Regional Development in the central Ministry of Finance and Economic Planning will continue as the official counterpart agency on this Project, and all Project finances will be handled through this Directorate unless otherwise agreed in writing.

(4) Project representatives will be appointed for the Kordofan and Darfur regional governments, and for the Agricultural Bank of Sudan in both Kordofan and Darfur regions.

(5) The Grantee will make timely deposits of local currency funds in the USAID Trust Account and GOS Project Account to facilitate project implementation as scheduled.

(6) The Grantee will make quarterly local currency advances to PVOs operating under the Project for implementation of subprojects. Upon issuing an advance, the Grantee will sign a Memorandum of Understanding with the PVO, the standard form of which will be agreed upon with USAID.

(7) The Grantee will delegate to the Director for Regional Development in the Ministry of Finance and Economic Planning the authority to sign, with PVOs, Memoranda of Understanding on behalf of the Grantee.

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(8) District Councils will have full authority to approve subprojects, review and approve any environmental assessments, and authorize PVOs to make expenditures from their general and subproject accounts.

(9) Regional Technical Committees will be established in Kordofan and Darfur to review PVO work plans, recommend quarterly funding increments, and advise on subproject implementation.

(10) Villages that rehabilitate wateryards under this project will set their own fees for water and select their own mechanisms to maintain wateryards. Villages will use revenues to operate and maintain the wateryards.

(11) All policy reforms relating to agricultural credit made under the PL 480 Title III Program, the Kordofan Rainfed Agriculture Project, or any other AID activity, apply to and will be implemented through this Project.

(12) The Grantee will grant LS 3 million to ABS for support of small-scale private sector activities in Kordofan and Darfur under this Project. Loan repayments and service fees will be deposited in a permanent revolving fund and used to continue financing small-scale private sector activities both during and after the life of this Project.

(13) ABS will make loans from the small-scale private sector fund according to the following priorities: (i) for operating costs on subprojects being implemented with grant funds under this Project; (ii) for activities otherwise identified by PVOs operating under this Project; and (iii) for other agriculture or agribusiness-related private sector activities in Kordofan and Darfur.

(14) The Grantee will allow communities and PVOs participating in the local development program to contract with either public or private sector organizations to provide services for implementation and maintenance of subprojects, as deemed necessary by the community. Public sector organizations providing contractual services under the Project will use revenues to cover the full cost of providing services, including salaries and equipment depreciation.

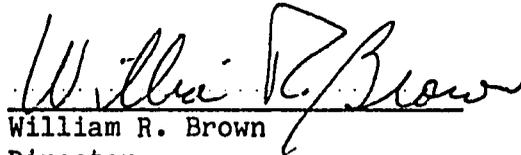
(15) The Grantee will make available to the PVOs the full allotment of fuel determined through consultation among the PVOs, local and regional authorities, and the GPC to be required for project implementation. In case of a shortfall in overall fuel supplies, the PVOs will continue to receive fuel allocations on a priority basis.

d. Paragraph d of the original authorization on Waivers is amended by:

(1) Extending the waiver of FAA Section 110(a) which releases the Grantee from contributing at least 25 percent of the total project cost. This waiver was approved by the AA/AFR upon delegating the authority to approve and authorize this Amendment to the Sudan Mission.

(2) Adding, on a case-by-case basis for PVO vehicle procurements not exceeding \$50,000 (excluding transport costs), blanket proprietary, source and origin, and Section 636(i) waivers for Toyota vehicles. These waivers will be applied according to the procedures specified in the Second Regional Finance and Planning PP Amendment.

4. I hereby further authorize the negotiation and execution of the necessary Project Grant Agreement Amendment by the Officer to whom such authority is delegated in accordance with A.I.D. regulations and Delegations of Authority.



William R. Brown
Director
USAID/Sudan

April 2, 1986
Date

Project Authorization Amendment
Reg. Fin. & Planning 650-0012

Clearance: CPascual, PDI DRAFT *R*
RMacken, PDI DRAFT
JGoodwin, ADEPP _____ *JG*
HJamshed, CONT _____ *HJ*
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Drafted: VLDickson-Horton *VLD* PDI 1420167

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I. Executive Summary

The Regional Finance and Planning Project was first designed in 1979 as the Rural Development Planning Project. While the nature of the project has evolved according to changes in Sudan's political structure, its purpose has remained to increase the Government of Sudan's capability to plan and implement local development activities. Given Sudan's size and the difficulties of effective management from Khartoum, the project addresses the need to devolve GOS responsibilities for planning and project implementation to involve potential beneficiaries with a personal stake in the results. The 1984 CDSS update highlights this support for decentralization as one of the four key elements of AID's strategy in Sudan.

The Regional Finance and Planning Project began with a traditional public sector institution building approach by providing technical assistance and investment capital to the planning units in the Kordofan and Southern Regions. While some Project activities showed small-scale success, these accomplishments were restricted by the financial and administrative limitations of the respective regional governments. Funds and technical assistance became mired in a web of regional bureaucracy. Local initiative and external resources were never united to promote effective planning and project implementation. Recognizing these failures, the central Government, though itself lacking financial resources, and lacking any immediate alternatives, began in May 1985 to reclaim many regional activities for central management. Yet interest in supporting local initiative and decentralized development is high after the ravages of the 1983-85 drought.

This amendment to the Regional Finance and Planning Project will give the GOS a mechanism to promote local planning and development while maintaining central oversight. It focuses on the local initiative component of the project purpose: "to support a continuing GOS effort to promote decentralized development." Project funds will be channelled through PVOS directly to communities in order to permit project planning to devolve to the level of project implementation where beneficiaries make many of their own decisions. The project strategy is to tap the potential dynamism of the Sudanese tradition for self-help. Specific problems to be addressed are: helping potential beneficiaries to identify and plan the projects they wish to support, and capitalizing on their self-interest to operate and maintain these projects while minimizing the drain on government budgets.

PVOs will be selected to implement subproject activities since they offer a means for promoting decentralized development while maintaining central oversight. Up to six PVOs are expected to participate under three-year cooperative agreements; a shortlist of 10 PVOs has already been established from 29 which expressed an interest. Each PVO will focus on a geographic area, within a district council, with a population of 100,000 - 150,000 people. The Kordofan and Darfur Regional governments have each identified 5 priority districts in which the PVOs may work. Each of the two regions is divided into southern and northern provinces. A district council is the government's largest administrative area within the province. Each district council, sometimes referred to as an area council, is divided into rural and town councils.

Agreements with PVOs will require that they 1) have technically capable staff; 2) have previous experience in implementing development projects; 3) will employ Sudanese whenever possible and provide maximum counterpart training for Sudanese; and 4) will either work in conjunction with at least one Sudanese NGO or transfer its operations in Sudan to Sudanese management in a reasonable timeframe. PVO subprojects must come under the rubrics of water resource development, community-based agriculture and forestry. All activities should strive to support and involve Sudan's private sector. They should also be designed in light of the key role women play in private agriculture in the west, and seek to enhance their productivity and contributions to the rural economy. Illustrative subprojects are discussed in greater detail in Section IV. With an appropriate justification, some variation from these categories would be considered during project implementation.

In the community development programs, PVOs are intended to function as organizers and administrators; they would not displace Sudanese public or private entities that provide technical services. PVOs would be expected to help villages organize themselves, identify projects, analyze implementation alternatives, and implement, manage and maintain projects. If necessary, PVOs would assist villages to establish accounts in local banks to deposit user fees to pay for spare parts and maintenance. To the extent that villages can generate their own revenues to contract for maintenance, there would be less drain on central and regional budgets. The intent of this project is to regularize this demand for services so that local businesses develop to meet it.

The total cost of this decentralized development program is \$6.315 million in foreign exchange and LS90,850,000 in local currency. Total funds already available under the project are \$1.215 million in foreign exchange and LS13,912,000 in local currency (the equivalent of \$4.2 million). Additional financing requirements are \$5.1 million in foreign exchange and LS76,938,000 (the equivalent of \$23.3 million in local currency). Foreign exchange will be drawn from ARDN funds deobligated in FY 1985. The local currency will be financed with PL 480 Title III generations from the program proposed for FY 1986-1988. The new project assistance completion date will be August 22, 1989.

Members of the PP Amendment design team were as follows.

Project Development Officers:

Valerie Dickson-Horton, USAID
Richard Macken, USAID
Carlos Pascual, USAID

Geographers:

Mohamed Sammani, Institute of
Environmental Studies (IES)
Abdalla Yagoub, IES

Economists:

Thomas Eighmy, USAID
Fred Witthans, USAID

Water Engineers:

Fred Guymont, REDSO/ESA
Mohamed Yahya, USAID

Environmental Officer:

John Gaudet, REDSO/ESA

Legal Advisor:

Paul Scott, REDSO/ESA

Government of Sudan:

Abdel Rahman Mohamed Hassan,
Ministry of Finance and
Economic Planning (MFEP)
Hassan Mirghani, MFEP
Ali Gamaa, Kordofan Region
Yousif Bakheit, Darfur Region

II. GOS Local Development Policy

A. Attempt at Regionalization

The attempt at regionalization carried out during the last years of the Nimeiri regime was only the latest of several efforts made to decentralize government control in Sudan. Soon after coming to power in May 1969, Nimeiri committed his government to devolve greater authority to the provinces. This led in 1971 to the Local Government Act, which concentrated local administrative and financial control in 18 newly created provinces. Four levels of local government units were established: village and residential area councils, town and rural councils, people's district councils, and people's provincial executive councils.

The people's provincial executive councils (PPECs) and the subordinate bodies were ostensibly responsible for the provision of all local services, including education, health, agriculture and transportation. In practice, however, the provinces were too small and lacked a sufficient revenue base and other authority to provide needed services effectively. Although provinces were granted certain taxing powers, they still received approximately 75 percent of their revenues from the central government. Their discretionary power over expenditures remained limited.

As part of the agreement ending the civil war in the South in 1972, six southern provinces were grouped together into the Southern Region by the Regional Self-Government Act of the Southern Sudan. In 1980, the Regional Government Act created five new regional governments in the north, each composed of two or more existing provinces. The new regions were headed by governors who were directly responsible to the President, not a central government ministry. At the same time, more authority was also granted to the sub-provincial level of government.

The Regional Government Act of 1980, in theory, gave considerable financial and implementing autonomy to the regions. Regional ministries were set up (with minor variations) for Finance and Economic Affairs (or Planning), Agriculture (including livestock and natural resources), Services (principally health and education), Public Utilities (housing, roads, transport, water and electricity), and Administration and Regional Affairs (local government).

These sweeping changes, however, were never fully implemented due to a lack of funds and to continued interference by the central government in regional affairs. Governors were politically appointed, their survival and resource flows depended on direct and constant intercession by the President. The powerless regional assemblies devoted much of their time to the acquisition of emoluments and sitting fees. Additional impediments to orderly public administration were the regional arms of the State Security Bureau, operating parallel to the police, and the regional and subregional branches of the Sudan Socialist Union (SSU), Sudan's only political party. In this confused and poorly structured situation, administrative arrangements were largely worked out on an ad hoc basis through bargaining.

The net effect of the attempt at regionalization was negative. Traditional methods of land-use control, governance and conflict resolution were undermined without being replaced with any other system. The staff of regional and local governments swelled without any corresponding reduction in the size of the central government, and discipline and efficiency in the civil service declined overall.

B. Changes Following the April 6, 1985 Revolution

The overthrow of the Nimeiri regime on April 6, 1985 led to the replacement of the politically appointed regional governors by military governors, seconded by the appointment of military provincial commissioners, and the disbanding of the regional assemblies. Also disbanded were the regional arms of the State Security Bureau and the branches of the Sudan Socialist Union. The change was most apparent in the regional ministries where politically appointed regional ministers and their deputies were all removed, to be replaced by civil service technocrats and administrators.

One of the initial perceptions in the regions was that these changes would release funds to the cash-starved Chapter II (Maintenance/Operating) and Chapter III (Development) Budgets. No funds, however, were forthcoming from the financially strapped central government, and the regional government continued to labor under severe financial, technical and managerial constraints. As in the past, most revenues obtained by the regional governments went to pay the Chapter I (Salaries) Budget.

The Regional Government Act of 1980 remains operable, as does the Local Government Act of 1971, as amended in 1981. Elected local councils, from which district councils are selected, are still largely in place. And civil service staff and commissioners continue to exist at both the local council and district council levels.

C. Move Toward Centralization

The general perception of the Transitional Military Council (TMC) that replaced the Nimeiri regime after the April 6 Revolution was that regionalization had been a failure. Responsibilities in health, education, water, transport, roads, electricity and agricultural and veterinary services had been hastily transferred to the regions without regard for the administrative, technical or financial resources needed to support them. The Nimeiri regime had referred petitioners to the regions, where politically trustworthy governors, ministers and SSU and State Security officials kept the discontent dispersed and under control.

Following the Revolution, the political needs of the Nimeri regime were no longer pertinent. With the shortfalls of the previous regionalization effort clearly evident, the TMC began to take steps to centralize administrative and financial responsibility once again in Khartoum. For example, responsibilities for water, electricity and, to some extent, health were returned to the central government. In these fields, policy, financing,

training and staffing became the prerogative of the central government, while implementation was to be carried out at the regional level. Thus, responsibility for electricity and water supply was returned to the national statutory corporations (the National Electricity Corporation and the National Water Corporation), both of which are under the control of the Ministry of Energy and Mining. The former regional entities have now become branches of the national corporations.

D. Continued GOS Interest in Decentralization

While the attempt at regionalization was seen as a failure, the TMC continues to have a strong interest in decentralization. The same problems that had driven the Nimeiri regime to its regionalization policy - Sudan's size and diversity, coupled with its poor communication and transportation systems - need to be addressed. With the central government unable to supply most areas outside the capital with adequate financial and administrative support, and the previous regime's regional model discredited, the GOS has begun to look for other ways of providing needed services and inputs. A national conference on decentralization held in January 1986 reconfirmed GOS commitment to and interest in devolving development responsibilities to regional and local government. Since then, numerous workshops and meetings have been held to reformulate the government's strategy for decentralization, with this project viewed as a critical trial of devolving responsibilities to the community level.

One focus of interest that has emerged is Sudan's self-help tradition. Villagers have long made it a practice to aid one another to carry out essential tasks that benefit the whole community. If this impulse could be tapped, activities could be undertaken for the common good with a minimum of financial and administrative involvement on the part of the central government. Some mechanism, however, is needed to support decentralized projects and encourage the self-help tradition. The central government, with its slow-moving and often inefficient bureaucracy, has no way of directly reaching out to the villages to foster local initiatives. Administrative and financial barriers within the GOS prevent the central government from implementing the very same decentralized projects that it favors.

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III. USAID Policy

A. Evolution of USAID Support for Decentralization

The 1984 CDSS update cites decentralization, policy dialogue, private sector development, and rainfed agriculture as the four key elements of the Mission's strategy. All four play a role in the Regional Finance and Planning Project, but the principal theme is decentralized development. The dynamic that gives impetus to decentralization in Sudan is size. The country is too big, too diverse, and its physical environment too severe to allow effective management from Khartoum.

The Mission's support for decentralization has evolved through several phases that parallel experiments in GOS decentralization policy, beginning with an effort to promote Provincial Government. On August 22, 1979, USAID authorized \$2 million under the Rural Development Planning (RDP) Project to strengthen the planning capacity of provincial government institutions over a four year period. Project activities were to focus on improving the process by which provincial development projects were identified, designed, submitted for review and approval, and evaluated. Three main categories of projects were addressed under the Project: inadequacies in the training of provincial planning staff, functional weaknesses in the project development and evaluation processes, and a lack of appropriate and timely planning information.

AID intended the RDP Project to be the first phase in a proposed long-term program of assistance to provincial and rural development in Sudan. AID strongly supported the GOS's interest in transferring greater administrative and financial responsibilities and resources to the provinces and hoped to use the RDP Project to encourage moves in that direction. At the suggestion of the GOS, initial project activities were concentrated in four pilot provinces, two in the North and two in the South. This was intended to permit a measure of testing and flexibility, with the intention of later applying lessons learned in the pilot provinces to other areas.

By the time RDP project implementation began in November 1981, however, political conditions had changed markedly. The Regional Government Act of 1980 had grouped the provinces into regions with considerably expanded administrative and financial responsibilities. To meet this change, AID amended the RDP Project in September 1982, adding \$1.2 million in funds for a total AID contribution of \$3.2 million, and extending the life of the project by two years, to 1985.

The name of the Project was changed from Rural Development Planning to Regional Finance and Planning, and a finance component was added designed to strengthen regional budgeting, financial management and revenue systems as well as to restructure planning activities. Under the amended project, attention was focused on the Kordofan and Southern Regional governments.

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B. Disappointment with Regionalization Efforts

AID's hopes for GOS regionalization efforts were never realized. In Kordofan Region, there was never enough money available for the regional government to effectively supply services and begin to undertake development activities. In the South, in addition to severe ongoing financial constraints, the abolishing of the Regional government in 1983 was followed by intensified guerrilla activities against government forces.

Training activities, however, which continued under the Project, presented a positive aspect of the regionalization approach. Employees of the Kordofan and Southern governments were given training in bookkeeping, accounting, financial management and planning. Not all of these personnel, though, were able to put their newly acquired skills to full use once they returned to their jobs.

In general, the Project met mostly those targets that depended principally on an input of financial resources. Thus, grants to institutions moved well ahead of the target level, while total participant training also exceeded its target by a wide margin. The Project was far less successful in achieving success in those areas that required human skills, experience and organization. A more systematic and realistic approach was required toward the regionalization question. Consensus was needed on the proper role and organizational structure for each layer of government, the regional and subregional resource allocation needed to fulfill these roles, and the training needed to make the bureaucracy function. Without dealing with these elements, a real devolution of power could not be achieved through regionalization.

C. Experience with Model Projects

Local currency funded model projects in the regions were a well-intentioned addition to the RFP Project begun after the 1982 project amendment. The ability of regional governments to implement productive projects, however, was weak. Locally generated project requests tended to be for social overhead, such as schools and dispensaries -- buildings which often went unused for want of an institution to put into them. The regional governments, in some cases, tended to look upon model project assistance as another source of funds to finance cash-strapped services rather than as a new development opportunity.

The Khiran subproject in Kordofan Region exemplifies the drawbacks of regional planning and implementation. After a positive financial/technical project appraisal by the Kordofan Ministry of Finance and Economy and the GOS Ministry of Finance and Economic Planning's Project Preparation Unit, the Khiran pump well irrigation project was undertaken in an area with a favorable water table near Bara in Northern Kordofan. Contract management was by the Regional Ministry of Finance and Economy, while implementation was left to the Kordofan Region's Rural Water Authority and Ministry of Agriculture. Due to a lack of spare parts for critical equipment, there were extensive delays in drilling new boreholes or rehabilitating old ones targeted under the project. Villages were not consulted in targeting water sites, and thus never incorporated into

a scheme for maintenance. Moreover, when the Ministry of Agriculture attempted to establish a rural credit operation parallel to that existing under the Agricultural Bank of Sudan, they found themselves unable to administer credit operations properly. Thus, even those subproject activities that had a positive initial impact had no potential for continuation.

D. USAID Policy: Growing Awareness of the Self-help Tradition

A persistent problem found throughout the model projects was the region's failure to solicit local interest in project design and to sufficiently incorporate local participation in implementation. Sudan in general, and western Sudan in particular, has a well-established self-help tradition. Traditional leaders - and later, village organizations - have banded villagers together to undertake work for the common good. Villagers found self-help measures a way of achieving aspirations which the government could not meet. In the years immediately following independence in 1956, local participation spurred the building of schools and dispensaries by collecting money, providing building materials, and giving food and hospitality to government officials involved with site selection.

By 1970, the government had institutionalized the self-help approach as a way of mobilizing local resources to provide services in rural areas. Village development committees were formed to undertake maintenance and new construction in the areas of public health, education, water supply and roads. Thus, for example, when the government failed to maintain or manage water sources properly, village organizations used their own resources to provide petrol, spare parts and administrative support to keep operations going.

Money to finance self-help activities was at first collected directly through donations. Later, local authorities raised funds for this type of work by imposing taxes on commodities such as sugar and petroleum and on social services such as visits to clinics and hospitals. Elected village committees decided how to distribute the money collected, among the various local activities.

Despite frustrations with the model projects, the experience can be partially justified by the sensitivity developed for the potential inherent in this self-help tradition. The failures also demonstrated that the limitations of regional government run deeper than lack of financial autonomy. Even when provided with development capital, regional bureaucracies did not use it effectively. Moreover, they regularly exhibited the same biases against local initiative that the central government had shown toward regional activities. Questions began to arise over loosening a newly trained legion of accountants on inexperienced local governments. In cases where local interests were solicited, implementation never moved beyond the stage of project review. This fixation on the review process led to the worst of bureaucratization. At the regional level, planning had no positive impact. It became little more than a paper process serving as a structure against development. These lessons have been drawn into this amendment to assure that: 1) funds are channelled directly to the local level, and 2) that the Sudanese tradition for self-help is utilized in promoting decentralized development.

IV. Project Description

A. Project Focus

Pressures arising from the complexities of trying to administer the regions from a highly centralized bureaucracy pushed Sudan toward a legislative devolution of authority. In this environment, the Regional Finance and Planning Project was designed to facilitate the devolutionary process in the Southern and Kordofan Regions. However, the project has always had to negotiate with the resistance of a central bureaucracy that hesitates to relinquish control.

This amendment focuses project activities on western Sudan, particularly Kordofan Region, but with some activities to be undertaken in Darfur. At present, continuing security problems and administrative disarray have reduced the scope of RFP activities in the South to training. This training will continue throughout the extended Project. Other Development Assistance projects in the South have also been scaled back or deferred. CIP imports never effectively reached the South, and the relatively low level of PL 480 counterpart funds released to the South have not always been used effectively. Under current security conditions, both USAID and GOS capacity to monitor assistance to the South has further deteriorated. Elsewhere, USAID has developed a Southern Strategy which will need funding and implementation when conditions permit.

The majority of USAID's DA investments have supported the Mission's rainfed sector strategy in Kordofan Region. Since 1978, the Western Sudan Agricultural Research Project has worked on improving technologies and farming techniques; some project outputs should soon be ready for commercial use. In 1984, the Western Agricultural Marketing Road was authorized to create an all-weather transport link between the region and national and international markets. Steps were taken to develop the intra-regional marketing and transport network in 1985 through authorization of the Kordofan Rainfed Agriculture Project (KORAG). KORAG will provide three basic market components: feeder roads, agricultural storage, and production and marketing credit.

As these investments were made, the Regional Finance and Planning Project was to have supported decentralized local development activities that would complement infrastructure improvements. As discussed earlier, however, both resources and technical assistance were mired in a web of regional bureaucracy. Local initiative and external resources were never united to promote effective planning and project implementation. Yet, after three consecutive drought years, the need for such local initiatives has become more pressing than ever.

The continuation of RFP in Kordofan Region follows logically from the need to complement the investments being made in the Region. The project's expansion into Darfur is a response to the drought's impact on all of western Sudan. Other donors, particularly UNDP, will be investing over DOLS 60 million in

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infrastructure in Northern Darfur throughout CY 1986. As with Kordofan, one of the greatest unmet needs in Darfur Region is for local level development. The Project will, therefore, focus on Western Sudan and limit activities in the South to in-country training.

B. Problem Definition

As was pointed out in the first RFP amendment, lack of finances is "one of the major barriers to successful decentralization." The previous amendment addressed the problem through technical assistance in regional revenue and financial management systems, but the past three years of experience have indicated that regional governments: a) have difficulty raising revenues for development when their capacity to deliver services is limited, and b) are equally subject to the bureaucratic and financial encumbrances found in central government that hinder community involvement in project planning and implementation. As a result, financial resources were never linked to decentralization, and community groups did not perceive that it was in their interest to help finance development since their needs were not being met.

The problems addressed in this amendment are linked to the financial and revenue-raising issues identified in 1982. The need for effective management persists, so USAID will continue in-country and a limited amount of overseas training in project planning, administration, monitoring and evaluation. The approach toward planning and revenue raising, however, must change. It is clear that communities will only support projects that are in their self-interest, so it makes sense that they should be involved in the planning process from the start. Once projects are initiated, the dearth of government resources mandates that communities also manage operations and maintenance. Thus, the financial and planning problems addressed in this amendment are twofold:

1. How to involve potential beneficiaries in the design of community and village-level activities?
2. How to use the Sudanese tradition for self-help to facilitate project implementation and maintain local infrastructure investments?

C. Goal and Purpose

The goal of the Regional Finance and Planning Project and the original Regional Development Project was to promote decentralized development. In the first RFP amendment this was expressed in terms of the previous GOS regionalization strategy: "to make regional governments more autonomous and to increase the development impact of regional projects." While the basic thrust of local autonomy and more effective development activities still applies, the goal must be restated in terms of promoting local development while recognizing the financial, administrative and managerial constraints of the GOS. The goal will now read: "to make community, village and local organizations more autonomous and to increase the development impact of local-level projects."

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The project purpose remains unchanged, but the emphasis in implementation will shift to part two. The purpose reads: "(1) to increase the capacity of the Kordofan and Southern Regional governments to fund their own activities by improving their revenue generating, budgeting, financial management, and project development capabilities, and (2) to support a continuing GOS effort to promote decentralized government and decentralization of services." Part one of the purpose will be supported through in-country training and by responding to GOS requests for assistance in rationalizing the scope of regional government responsibilities. Most revised project activities, however, will focus on decentralization. Potential project beneficiaries in both Kordofan and Darfur will play a key role in project planning and implementation. To the extent possible, in-country services financed with project funds (such as wateryard rehabilitation) will be provided through contracts with public and private sector entities in order to minimize dependence on centrally controlled government agencies. As described in section IV E, funds will be channelled through Private Voluntary Organizations (PVOs).

D. End of Project Status

The expected End of Project Status will be expanded to incorporate the following indicators for achieving part two of the project purpose.

1. In the 4 to 6 areas to be targeted for local development activities, village and community groups will participate in project planning and design through locally recognized committees.
2. Mechanisms will be established for these villages to collect fees for services or provide labor contributions for project upkeep.
3. Agricultural Bank of Sudan revolving fund finances small-scale private sector activities in Kordofan and Darfur through regional offices.
4. Procedures will be tested and established to identify and finance projects that facilitate or enhance women's predominant role in traditional agriculture.
5. Targeted villages will be able to contract with regional government and private sector entities for services they consider necessary for project implementation and maintenance.
6. Regional and central officials related to the project increase their time in the field and have greater contact with communities.

Outside of training, no additional resources will be committed to improving regional government budgeting practices. Until the GOS clarifies national taxation policy, continuing long-term TA to the regional governments will have minimal impact. Thus, items F and G on page 26 in the first RFP amendment are deleted from the end of project status. Regional ministries will not be

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expected to draft revolving Three Year Development Plans (item F), but it remains realistic for them to specify geographic and technical development priorities on an annual basis. These priorities will help target village-level development programs financed through this amendment. The need to develop criteria to apportion grants among regions (item G) will depend on the course of GOS regional policies. Should regional grants continue to be a government policy, the project has provisions for short-term TA to help establish such criteria.

These changes in the end of project status will entail changes in the project outputs and inputs required to achieve project objectives. Revised outputs and inputs are identified in the logical framework matrix provided in Attachment 2. The following sections describe new activities in the revised project.

E. Project Philosophy and Approach

Given previous disappointments with decentralization policy, regional development has suffered from projects being conceptualized by central and regional planners without adequate awareness of local needs or use of local resources in project implementation. This has resulted in poorly placed and often inoperative public investments and limited progress in community development. Nevertheless, some of these investments constitute real human and capital resources, and should be drawn upon in reconceiving a strategy for local development. Many regional staff have extensive technical training and can provide useful advice and input to complement local priorities and interests. There are also many capital investments in the regions, particularly related to rural water supply, that are under-utilized or are in disrepair but could be rehabilitated. Moreover, to compensate for poor public services, small-scale private businesses have evolved in most major market towns capable of basic repairs on diesel and gasoline engines.

These potential resources will be factored into the design and implementation of village-level projects or "subprojects". They suggest, first of all, that a "bottom up" planning process, starting at the village, must be incorporated into the Sudanese concept of decentralization. Similarly, untapped local and private sector resources must be used in project implementation, shifting some of the burdens carried by regional government. Secondly, Sudanese technical specialists should be consulted to mesh expertise from the "top" with planning from the "bottom." The subproject parameters in Section 8 were developed through such a process. Thirdly, community development programs should create a demand for public and private sector service capabilities that can be sustained with the community's own resources. For public and private service organizations, such prospects for remuneration will promote an institutional self-interest to upgrade the quality and reliability of service. Fourthly, to secure institutionalization of service capability, capital investments (in equipment and spare parts) must be channelled through Sudanese actors rather than PVO's, contractors or other expatriate groups. Even though foreign advisors can provide critical technical and administrative support, long-term capital resources must remain in Sudan. Development along these principles may necessitate building human and capital infrastructure, but experience shows that the results will not last otherwise.

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In this amendment to the Regional Finance and Planning Project, PVOs will be used as the principal administrative resource to facilitate local planning and project implementation. Each PVO will focus on a geographic area within a district council, with a target population of 100,000-150,000 people. Within their geographic areas, PVOs will serve as managerial and organizational catalysts and provide on-the-job training to village and local leaders so that basic management skills can be transferred. The PVOs will help villages with selection of subprojects, implementation alternatives, and establishing monitoring and accounting systems. The types of subprojects undertaken will coincide with the illustrative activities presented in Section IV-H although some variation may be considered. Each of these subprojects will be approved at the district council level, with funding provided through the channels described in Section IV-G. The cooperative agreements with PVOs will provide sufficient foreign exchange and local currency to cover administrative and logistical costs, small-scale procurements, salaries, short-term technical assistance, and design of workplans and subprojects.

PVOs will help villages identify subprojects oriented toward either community development or private entrepreneurial gain. For community-based subprojects, the PVOs will help institutionalize financial functions at the village level and monitor technical progress. Rather than independently implementing projects (e.g. rehabilitation of a wateryard), PVOs will use subproject funds to help villages to perform the work themselves or contract for services, purchase spare parts, and support maintenance. In some cases it may be appropriate to help villages establish their own accounts to deposit user fees. Given the limited capital available in most villages after the drought, their self-help contributions will likely come through combinations of labor and user fees to finance operations and maintenance.

As PVOs acquire experience in the field, they will encounter projects suited to individual investment and profit. Possible activities include small diesel pumps for supplementary irrigation, or camel-drawn plows that will reduce labor constraints to expanding cultivation. For such subprojects, local currency loans will be channelled through the Agricultural Bank of Sudan (ABS). PVOs will direct interested individuals to the ABS and help develop a system with the ABS and village leaders to guarantee loans. USAID is already providing the ABS with technical assistance on credit operations in Kordofan through the Kordofan Rainfed Agriculture Project. The Jebel Mara Rural Development Project has developed an operational credit system with the ABS in Darfur.

For its part, AID and the GOS will provide commodity financing to the private sector and, when appropriate, to the public sector to assure that local institutions and businesses can repair or replace worn out equipment. A regional development fund of \$4 million has already been set aside in the Commodity Import Program (CIP) for this purpose. USAID and the Ministry of Finance and Economic Planning also plan to establish regional coordinating offices in Kordofan and Darfur to liaise with regional government officials and PVOs and to facilitate contacts with local businesses. The regional coordinating offices will be responsible for monitoring progress on implementation. Such management and implementation details, including the role of regional government, are described in Section V below.

F. Subproject Design, Approval and Funding Processes

The approval and funding processes for community-level activities have been designed to minimize bureaucratic encumbrances while assuring appropriate technical and financial oversight. This section deals only with financing for subprojects and does not pertain to other funds that AID will pay directly to the PVOs under their cooperative agreements.

District councils will approve individual subprojects in order to keep the review process as close to the level of activity as possible. A Regional Technical Committee (RTC) representing key regional ministries, MFEP, USAID and the relevant District Council will recommend quarterly funding allocations to PVOs based on review of their work plans and actual expenditures on projects. (Responsibilities of the RTC are described in detail in Section V). The central Ministry of Finance and Economic Planning will then allocate these funds to PVOs. Figure 1 on the following page illustrates the workplan and subproject approval process. Figure 2 illustrates the flow of funds to finance approved activities. The following discussion describes the details of the two processes. It also briefly describes the financial procedures for Agricultural Bank of Sudan loans for small-scale private sector activities.

1. Initial Subproject Funding Increment

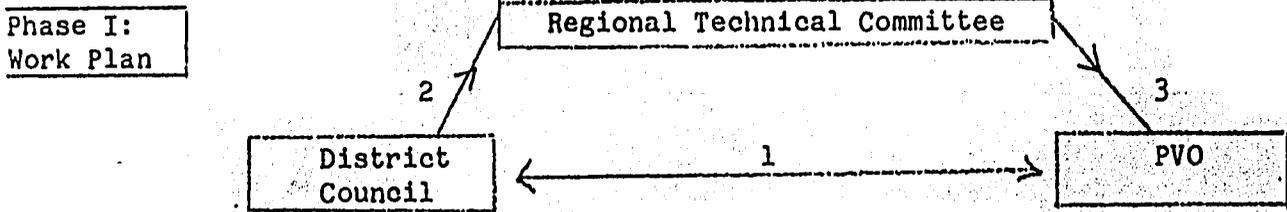
In order to assure that PVOs can implement approved subprojects without financial interruptions, funds will be allocated to PVOs as quarterly advances. Expenditures will be authorized only for subprojects approved in writing by the District Council. The initial advance of funds will occur before any subprojects are approved, and will be based upon the soundness of planned expenditures in the PVO's initial work plan. This work plan will cover all three years of the project, present a developmental strategy for the PVO's geographic area, identify subprojects planned for the first 6-12 months, and present a schedule of financial requirements.

Upon development of the work plan, the PVO will submit it to the District Council and, for information purposes, to the project's Regional Coordinator. Once the PVO and the District Council agree upon the work plan, they will jointly present it to the Regional Technical Committee within 90 days of signing the cooperative agreement. The RTC will review the plan, suggest any necessary adjustments and recommend an initial tranche of funds to cover the following six-month period. Upon signing a Memorandum of Understanding with the PVO, MFEP will then transfer these funds from the Bank of Sudan to the PVO's account in a local commercial bank. The Memorandum of Understanding would specify the purpose of the funds, accounting regulations, conditions for expenditures, and provisions for refunds. These funds can be spent only on approved subprojects.

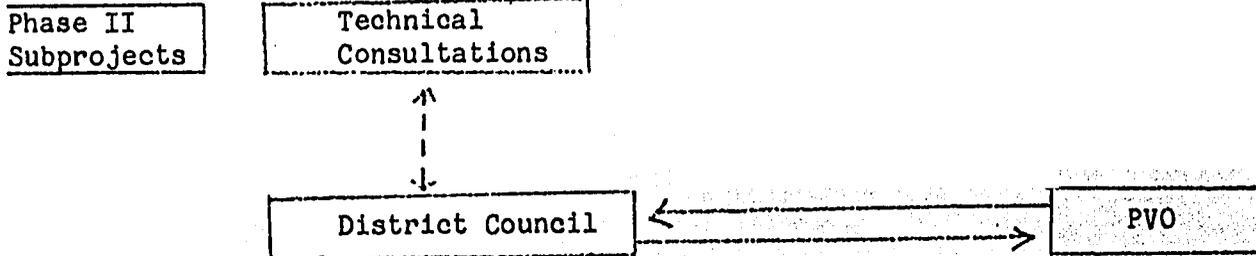
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FIGURE 1

Work Plan and Subproject Design and Approval

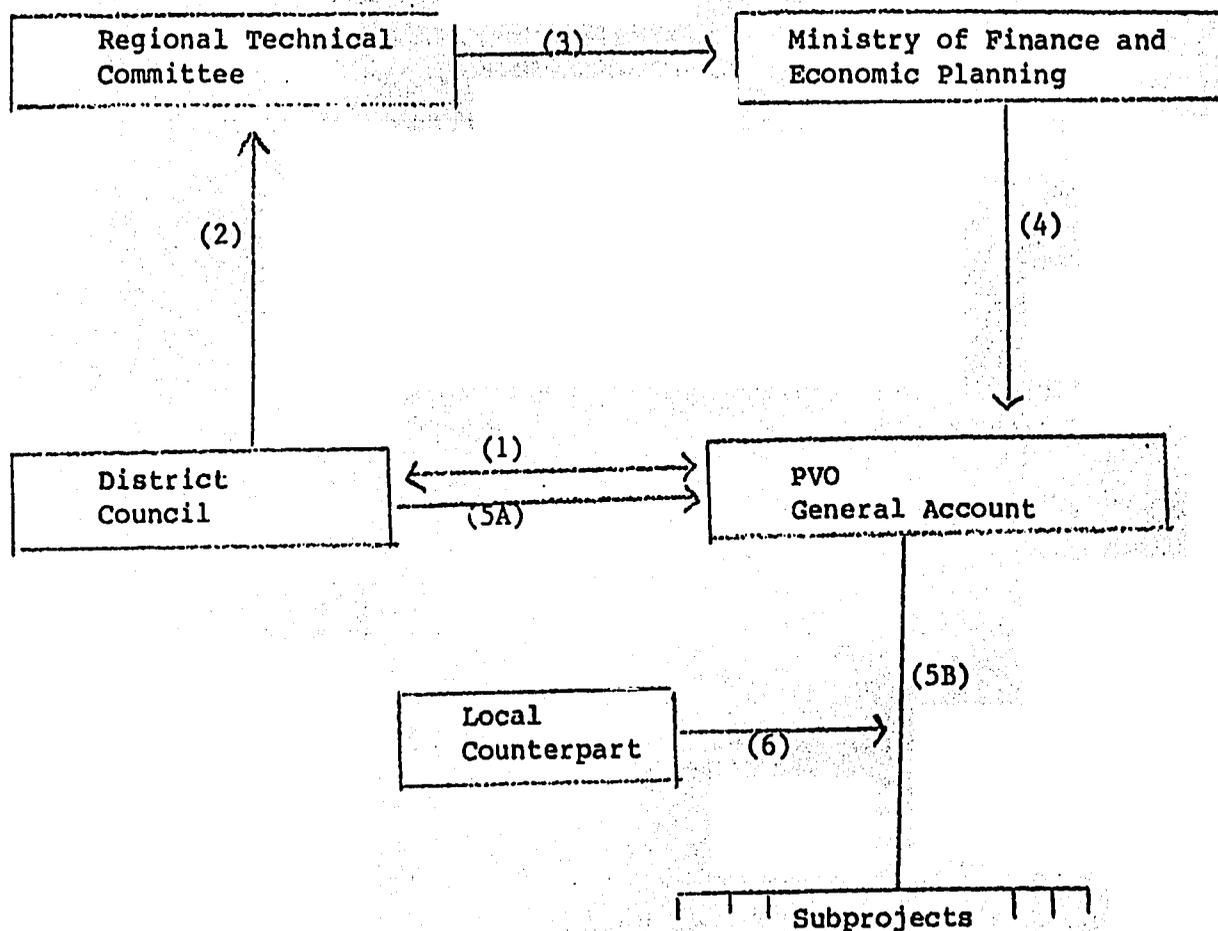


1. PVO and District Council agree upon 3-year work plan or quarterly work plan updates.
2. These plans or updates are submitted for the RTC's review and approval.
3. RTC approval allows the PVO to design subprojects consistent with the work plan.



1. PVO submits required subproject documentation to the District Council.
2. District Council has 30 days for review and to draft a written response. During this period the Council can consult with other organizations as it deems necessary.
3. District Council calls a meeting with PVO within 30 days and formally presents its response.

FIGURE 2
FINANCIAL FLOWS



1. PVO submits initial work plan or quarterly report to District Council. This initiates any funding process.
2. After District review, the PVO and Council jointly submit the plan or report to the Regional Technical Committee.
3. The RTC recommends to MFEP a funding allocation for the PVO, for six months for the first increment and subsequently for each quarter.
4. MFEP executes a Memorandum of Understanding with the PVO and allocates these funds to a PVO General Account in a local commercial bank.
5. The District Council approves a subproject (5A), authorizing initiation of subproject activities (5B).
6. The local counterpart's cosignature authorizes an expenditure.

2. Subproject Design and Approval

As soon as possible, each PVO will begin working with the local rural council and appropriate indigenous groups to design subprojects consistent with the approved work plan. Subproject documentation, as discussed in Section IV-G, will be submitted to the geographically responsible District Council. In addition to other documentation requirements, each proposal should clearly specify a local counterpart who will co-sign with the PVO all authorizations for subproject expenditures. The counterpart should be chosen by the village council in consultation with appropriate local government positions. The District Council will have 30 days to review the documentation and notify the PVO, in writing, of its rejection or approval. Rejections must be made on technical grounds; it will not be acceptable to turn down a project due to insufficient review time. The District Councils will be free to undertake whatever technical consultations they deem necessary within the specified timeframe.

Subproject approval will authorize PVOs to use funds from their general commercial account to finance subprojects, establish a separate accounting system for each subproject, and begin expenditures. All expenditures from the subproject account require a local counterpart's signature. This counterpart will participate in all aspects of managing the account.

3. Quarterly Subproject Funding Increment

Each quarter the PVO will prepare a report which: 1) updates its three-year work plan; 2) details planned expenditures over the next quarter; 3) indicates the status of approved subprojects; 4) revises projected expenditures for the life of the agreement; and 5) provides a complete accounting of expenditures during the previous quarter, including bank statements, receipts and vouchers showing the status of the PVO's general and subproject accounts. After reaching consensus on the report, the PVO and District Council will jointly submit it to the Regional Technical Committee. All PVOs within each region will submit their reports at the same time, and they will serve as the basis for a quarterly workshop under the auspices of the RTC. After reviewing the quarterly reports at the workshop, the RTC will recommend, if required, another advance of funds from MFEP to the PVO general account. While the quarterly reviews are expected to continue throughout the life of the project, the feasibility of shifting the quarterly advances to a semi-annual basis will be examined as a mechanism to streamline project administration.

4. Financing for ABS Loans

Arrangements will be made through the project to transfer LS 3 million from MFEP to the Agricultural Bank of Sudan. These funds will be lent through ABS branches in Kordofan and Darfur to finance small-scale private sector activities and, when necessary, to assist communities in financing the initial operational costs of a capital investment made through a subproject grant. The ABS will give first priority to loan requests

associated with a subproject grant. Second priority will be given to private sector investments which are facilitated by PVOs working under the project. All other funds will be lent to private sector endeavors related to agriculture or agri-business, with a limit on loan sizes to be agreed upon with the ABS through an Implementation Letter. The ABS will reinvest all loan repayments and service fees into a permanent revolving fund, to continue after the life of the project, for such purposes. Service fees on these loans will comply with USAID-approved ABS lending policies developed under separate activities.

G. Work Plan and Subproject Documentation

Before authorizing funds for any project, the GOS and AID must certify that the project is technically, economically, socially and environmentally sound. Since detailed plans and cost estimates cannot be finalized under this project until subproject activities are identified, regulatory and statutory requirements are met by assuring that 1) the review of PVO applications to participate in this project results in economically, technically, socially and environmentally sound cooperative agreements, and 2) PVOs will follow suitable guidelines during the design and implementation of work plans and subprojects. The first requirement is met through the PVO selection process described in Section V. Criteria for evaluating PVO applications are provided in Attachment 5.

The second requirement is met through the checks and balances built into the various stages of work plan and subproject design, review, approval and funding. In addition, the GOS and USAID have produced various guides to documentation, required at various stages of the project, to help PVOs meet the two governments' requirements. Following is a list of these guidelines and the stages at which they will be made available to PVOs.

1. Pesticide Use Checklist: Based upon the PVO's development strategy and anticipated subprojects for its selected District Council, the checklist will be completed and returned with each PVO application. The checklist will be sent to AID's regional advisor on weeds and pesticides, based in Nairobi, for guidance on any necessary precautions before initiating a subproject.
2. Guidelines on Project Preparation for Local Development: These guidelines were prepared by the Directorate of Regional Development, Ministry of Finance and Economic Planning, with the support of the Regional Finance and Planning Project. Many officials, at all levels of government, assisted in their preparation. The guidelines set out detailed advice upon an approach and methodology for planning and designing project proposals for local development. PVOs will refer to these guidelines when preparing subprojects. District Councils will use the guidelines to help them evaluate subproject proposals. The guidelines will be distributed to PVOs upon the award of cooperative agreements, or beforehand if requested by a PVO.

3. **General Guide for Subproject Documentation:** In order to assure that these Guidelines on Project Preparation are incorporated into documentation for subprojects, USAID and the GOS have prepared a general guide which suggests a proposal format for subprojects and highlights key questions that should be considered in the proposal design. A copy of this guide is provided as Attachment 4. It will be sent to PVOs with the Request for Applications.
4. **Environmental Design Criteria:** These criteria are based on Harza Engineering and VITA/CODEL guidelines, but simplified and adapted to conditions in Sudan by AID's regional office in Nairobi. The criteria cover the following subproject areas: agriculture (including small-scale irrigation), forestry, water (including sanitation), energy, rural roads, and small-scale industry. These criteria will be distributed to PVOs upon the award of cooperative agreements so that they are available when PVOs refine their work plans. Subprojects which follow these criteria should not require further environmental analysis.
5. **Resource Users Guide:** Several PVOs may implement subprojects that require technical information that can be generalized by region or agro-climatic zone. During the course of project implementation, USAID and the GOS will work with PVOs and Sudanese technical experts to identify technical topics that can be usefully summarized in Users Guides. Should it prove feasible and useful, PVO assistance would be sought during the course of the project to produce administrative and technical subproject manuals that are based on PVO experience in the field.

H. Sample Projects

This section describes the types of subprojects that could be implemented through PVO local development programs. These subprojects encompass water resource development, community-based agriculture and forestry. In all instances PVOs will be expected to promote private sector involvement in subprojects, as well as to identify and facilitate subprojects in which the primary beneficiary will be the private sector. Because of the central role women play in agriculture in the west, it will also be expected that PVOs carefully consider each subproject's impact on women, and that they involve women throughout the subproject identification, implementation and evaluation process. The roles of women and the private sector are sufficiently important in western Sudan's economy that the following list of illustrative subprojects specifically highlights activities that could promote their productivity. This is not intended to advocate "women's" projects or "private sector" projects that are taken out of context of the rural economy, but to emphasize the importance of supporting these sectors in any development strategy.

This illustrative list and the areas of concentration have been developed in consultation with GOS officials, Sudanese technical experts and expatriate consultants. The intent is to finance activities that are basic to rural agricultural development and which can provide beneficiaries with the natural resources or financial revenue necessary to invest in their own development.

Social welfare projects in education and health have not been included as eligible subprojects since they generally are difficult to sustain without government or community resources to finance recurrent costs. However, there may be cases where subproject investments in social welfare projects can be justified based on community need, the type of investment, or a community's ability to sustain the activity. Such subprojects will be considered for financing on an exceptional basis, but will require approval from project authorities in Khartoum in addition to obtaining District Council clearance. These approval procedures are described as part of the Project Coordinator's responsibilities in Section V on Project Implementation and Management.

PVO subprojects will be geographically focused within 4 to 6 district councils in Kordofan and Darfur. Specific project areas will be finalized upon the award of cooperative agreements to participating PVOs. These areas will be within 10 district councils, five in each region, which the Kordofan and Darfur Governments have selected as priorities for PVO activities. The priority areas, described in Attachment 5, will be sent to PVOs with the Request for Applications.

1. Water Resource Development

Availability of water is fundamental to all development activities in western Sudan. The location of water points is usually the key determinant of human and livestock settlements and a major factor in their long-term viability. Hence, it is expected that most PVO activities will be related to either the provision or utilization of water facilities. This section describes some of the principal types of water activities that might be undertaken in the west. Attachment 9 provides illustrative budgets for wateryard rehabilitations, tube wells with handpumps, shallow wells and hafir rehabilitations. Specific budgets for each subproject will vary according to soil conditions, depth to water table, remoteness of the site, and other geological and financial factors.

a. Water Yards

In the 1960s a well-intentioned but often poorly planned "Freedom from Thirst Campaign" was launched. Boreholes were punched without regard to ecological consequences and sometimes with little regard to subsurface geology and potential water supply.* The "Water Yard" **

* In examining bore hole records, it is possible to see a significant decline in the quality, thoroughness and storage of bore hole information throughout the sixties to late seventies when major intervention ceased.

** Drilled well with iron casing, Edico Pump and Lister Engine, (slow speed, simple, durable and well adapted in themselves), water stand pipes, a fence and a staff of three - mechanic, guard and clerk-ticket taker.

became the new, visible human element on the landscape of North Kordofan and Darfur, as the water tower and associated "Tank Town" was on America's Western Plains. Yet few if any provisions were made for maintenance, and within ten years wateryards had actually exacerbated water problems in the west as both human and livestock populations concentrated around the remaining functioning water points (estimated at 20 to 30 percent of the total) and outstripped both their capacity and the carrying capacity of the land around them. Rather than establish new wateryards, the project emphasis will be on rehabilitating those in disrepair and addressing the problems, particularly maintenance, that led to their collapse.

Overall, operating and maintaining a wateryard is a simple process that worked when there was: 1) a will to see it work; 2) a maintenance system of fuel, spare parts, a mechanic, and a link with a public or private organization to do major repairs; and 3) local planning to address land use around the borehole(s). While practices varied, experience indicates the best water yards might operate in the following manner: a clerk sells blocs of tickets and keeps an account book of blocs sold and tickets collected; water use is metered at the principal point of pump offtake and matched with tickets sold and cash collected; a guard protects the yard against non-paying (often off-hour) users and regulates entrance for people and animals; fences and a gate are kept in good repair; a mechanic performs routine maintenance (tightens or replaces gaskets, changes oil and filters, etc.); and arrangements are made for preventative maintenance and major repairs and to procure spare parts and fuel through public or private entities.

Such systems began to collapse with the deterioration of public finance in Sudan and as responsibility for wateryard operations was taken out of local control. National Water Corporation, or one of its branches, was given responsibility for wateryard maintenance without the financial means to make field visits or keep rigs running. Villages had little incentive to collect fees when they seemingly had little correlation to the reliability of maintenance. Hence, fences were breached by goats and humans. Taps broke and either wasted water or whole distribution systems were closed off. Spare parts disappeared from the market, and roving maintenance and repair crews failed to show up or do their work.

Experience has shown that such maintenance concerns can only be resolved by giving villages a direct management role in their water resources and by capitalizing on their self-interest to keep such projects going. With Sudan's acute and worsening financial crisis, rural water is bound to have little political sway during annual budget allocations, forcing communities to finance those services they deem critical. Communities must also agree to limit grazing around the borehole to prevent further concentric degradation around the water point. Unless such land management and financial management/maintenance issues are addressed, the generally unfortunate consequences of the Freedom from Thirst campaign may be repeated.

b. Hafirs

Hafirs are artificially excavated basins of impermeable clay, with manmade inlet and outlet facilities, to provide seasonal storage of water, principally for livestock use and sometimes for human consumption. In a normal rainy seasonal, hafirs can store water for several months after the rains. The problems in rehabilitating hafirs or maintaining existing ones are parallel to those of water yard rehabilitation, except that heavy earthmoving equipment is required instead of drilling rigs and machine expertise. As with the wateryards, villages should take a major role in hafir management, particularly to control livestock grazing in order to minimize degradation of adjacent pastures. Priority should be given, in selecting storage sites, to locations where naturally occurring pools could be deepened to increase their holding capacity. Appropriate local materials could be used to cover the hafirs to reduce evaporation and contamination.

c. Domestic Water Supply

In a number of areas it would be possible to supply domestic water by sinking small tubewells operated by handpumps. These are particularly appropriate where insufficient groundwater exists for irrigation or livestock. Provision of domestic water would permit agricultural activities such as the harvesting of gum arabic in areas which might otherwise be uninhabitable during the dry season.

UNICEF has drilling rigs for sinking small tubewells and has developed an organization which works well with the National Water Corporation. Their conditions for the sinking of a well such as the requirement that money be deposited at the time of application and used for training a mechanic and providing tools for maintenance, are well thought out and appropriate. This model could be expanded by either PVO's contracting directly with UNICEF or by incorporating the same principles into contracts with local institutions or businesses.

d. Improved Water Infiltration Areas

Reservoirs are built on seasonal streams and filled with coarse sand, stones or loose rock. The water is stored in the pores of the accumulated bed of sand. This greatly reduces the evaporation losses of water. Water is drawn from the sand dam by a drain pipe or from a well dug into the sand bed near to the dam. The dams are constructed in stages to ensure that only coarse sand and gravel are deposited behind them. Depending on the permeability of the underlying formation, sand dams can be effective in recharging shallow aquifers as well as serving as a source of water for villages.

e. Reduced Evaporation Losses from Open Water Surfaces

Open bodies of water in Northern Kordofan lose over 2 meters of water annually due to evaporation. The El Obeid city reservoirs and Rahad Lake evaporate as much as 6 and 20 million cubic meters of water per year, respectively. Each of these has a mean depth of around 2 meters, when full. Thus, saving one half of the evaporated water would nearly double the water available. Hafirs evaporate at the same rate as reservoirs and lakes, and similar savings could be made by reducing the annual losses of evaporation. Two techniques to curtail evaporation are use of polystyrene rafts floated on reservoirs and compartmented reservoir management. Local materials have been found to substitute successfully for polystyrene rafts, and their financial viability is now being examined.

2. Community-based Agriculture and Forestry Projects

a. Water Spreading

Water spreading is a technique in which flood water is diverted from a stream channel and allowed to flood over an adjacent land surface. It is an ancient method of irrigation that can be improved upon by applying hydrologic principles. The water can be used for crop production and recharging shallow aquifers.

In many of the wadis throughout Kordofan and Darfur, there are clay soils which retain sufficient water to raise good crops if the water is impounded by embankments and allowed to percolate into the soil. In addition to their agricultural potential, such projects also have the benefit of moving cultivation off sandy goz soils, which are shifting due to overcultivation. As sandy soils shift, they cover fertile lands which often have high water tables suitable for supplementary irrigation. In some cases, however, the shift to clay soil cultivation may require tractors to break the soil.

Water spreading and clay soil cultivation projects may involve at least two difficult problems: farmer organization and the management of tractor operations and maintenance. In one example of successful water spreading in Darfur, a single entrepreneur built his original embankment by paid hand labor and strengthened it in the second year with a bulldozer hired from the Department of Soil Conservation. His soil allowed cultivation by hand rather than by tractor. Where a number of small farmers would cultivate the land behind the embankment, fairly tight organization is required to distribute the land equitably. Near the embankment the water will be slightly deeper, will remain on the land longer, and will retain more moisture than land further back. In addition, the farmers themselves will have to maintain the embankment or collect the funds necessary for maintenance.

b. Village Nurseries and Shelterbelts

Current trends of deforestation are not irreversible if rural populations can be motivated to plant and protect trees. Extensive field interviews by food monitors during drought relief efforts indicate a strong demand for trees, particularly acacia senegal (gum arabic), and a clear perception of their importance for preventing soil erosion, restoring fertility and thus sustaining agricultural production. Planting of horticultural tree species would have the advantage of allowing villages to increase their income from produce sales. A multi-donor forestry sector assessment, undertaken under the auspices of the World Bank in late 1984, concluded that the most cost-effective way to meet this rural demand was through village nurseries.

Village nurseries might have a capacity of 15,000 to 30,000 seedlings, depending on site conditions, water supplies and expected demand. Most nursery construction could be done on a self-help basis. When coupled with an existing wateryard, material inputs for nursery establishment include: a drainage/irrigation system to allow runoff of surplus water from the water yard to be used for raising seedlings (runoff can cover 50 percent of water needs); a low-cost water tank to facilitate nursery watering and provide a short-term supply in case of water pump failure; bricks and cement for seed-bed construction, or bamboo for raised beds; fencing; nursery tools; and a thatched hut to serve as a nursery office.

For 5 nurseries established in conjunction with the North Kordofan Rural Water Supply Project, villages provided the above materials and completed all the construction and operational activities at village expense. They requested only seeds, planting bags, training and technical advice. Seedlings are currently sold at a nominal price, but as farm incomes increase after the drought, revenues should exceed the cost of operations and could be invested in other community activities.

c. Village Woodlots

In 1981, Sudan's energy consumption totalled 6 million tons of oil equivalent, of which 82 percent was in the form of fuelwood, charcoal and biomass, and 18 percent was provided by imported oil and hydroelectricity. Field surveys done for the World Bank Forestry Sector Assessment indicated that 21-43 percent of total rural income is spent on energy, with poorer groups spending a larger percentage than more affluent ones.

In earlier years, when the Soil Conservation Department had the resources to remain active, part of the rural demand for fuelwood was met through "village perimeter planting." Village woodlots encompass the same idea, with the objective of meeting a village's energy requirements without random cutting of trees. The village first sets aside land to be protected from animal grazing. It then establishes a nursery following procedures similar to those outlined above. Planting is done on a communal basis or through hired labor, according to the

village's preference. Based on experience in Sudan and elsewhere, the communal approach should be undertaken only in villages with strong local leadership such as a village committee led by a Sheikh who commands respect and has a strong following. Otherwise, problems related to "Common Property" such as land and tree tenure, ambiguity about the distribution of benefits and care for trees until they become productive in several years could vitiate the woodlot's viability.

If soundly implemented, the benefits of a woodlot include both production of wood within reasonable walking distance of the village, and prevention of additional environmental degradation in areas nearby. In the best cases, woodlots will produce more wood than is required each year, and villagers will both protect their woodlots and limit animal grazing. While the project appears reasonably simple to implement, there are technical problems in knowing species and area required to achieve the environmental effects desired.

3. Small-Scale Private Sector Development

Part of the role PVO's are expected to play is to draw from their field experiences to identify small-scale projects that small groups or individuals could undertake for profit. The projects should have a productive orientation so that even though individuals may prosper, the general area will benefit from employment opportunities, increased production, lower consumer prices, or labor-saving devices. The following activities are intended to be illustrative. Final decisions on financing will be made with the ABS. General project types will be cleared with USAID's regionally based advisor.

a. Supplementary Irrigation

Along the wadi basins in parts of Kordofan and Darfur, the water table is often high (3 to 5 meters) and easily accessible with hand dug wells. Small water pumps, purchased locally for about LS 3,500, can adequately lift the water and irrigate a five-feddan field to produce three crops a year. In trials in Darfur, farmers have been able to net up to LS 10,000 annually. Pumps can be easily repaired and provide a profit in the first year, even when purchasing diesel on the black market.

b. Drip Irrigation

In cases where groundwater is limited, drip irrigation is an attractive alternative to supplementary irrigation by flooding, even though technically more complicated. With a drip system, both water conveyance and application are highly controlled, resulting in greatly reduced water evaporation. Pumping costs are reduced accordingly. Water is delivered to the plants directly, and dissolved fertilizers can be fed via drip outlets. The spaces between rows are always dry, so that weed growth is minimal and farm operations such as staking, picking and pruning continue uninterrupted.

c. Animal Traction

In Darfur the ABS has provided loans to purchase camels and camel ploughs. Farmers have used the camels to expand acreage cultivated, to transport crops and other commodities, and to provide similar services to others for a rental fee. Revenues from camel and plough rentals alone have allowed borrowers to make their annual payments. Although the profitability of animal traction will decline as the number of animals in an area increases, there is still a wide margin for growth.

d. Farm Implement Manufacture

Camel ploughs in Southern Darfur are manufactured locally in a small blacksmith's shop in Nyala. Facilities are crude, but have the advantage of requiring minimal investment. Currently the blacksmith cannot meet local demand. Similar cottage industries should be promoted and, when needed, training should be provided.

e. Solar Evaporation of Brine for Salt Production

In some villages a major economic activity is boiling brine from wells to produce salt. Firewood is used for heat, resulting in the devastation of the tree cover for many kilometers around the village. In these areas, individuals could be financed to shift from wood burning to solar evaporation. This is a known and reasonably cheap process, usually requiring little more than the purchase of some heavy black plastic and a few hours of instruction for the salt producer. The Sudanese climate should be perfect for this process, which should increase the income of the salt producers (though not of the wood gatherers) as well as prevent further devastation of trees.

4. Projects Focusing on Women's Role in the Economy

The present drought has worsened the situation of many women, increasing both their workload and onus of responsibility. It has also exacerbated their need to earn income. Traditionally women's responsibilities have encompassed collecting water and firewood, cultivating millet and sorghum, and providing the family food. As water has become scarcer, they have had to work longer and harder to get it. A similar situation exists with regard to fuelwood and has resulted in further environmental degradation. Male migration, often associated with the drought, has increased the number of female-headed households, with all the additional tasks which that implies. Where men have stayed, traditional eating patterns have worsened the nutritional status of women who, accustomed to eating last and least, now face chronic malnourishment. Consequently, there is a need for women to be helped, and projects can do this either through training to enable women to seek employment or become self-employed, or by providing mechanisms such as credit and loans to enable them to maximize the return from their labor.

If projects focusing on women are to be genuinely income generating and thus improve the economic status of women, they must afford the potential for women to compete adequately in a free market environment and to earn equitable income from their labor. Frequently this has not happened in the past, and such programs have reinforced women's marginal position. Women as intended beneficiaries have not been consulted, and so their actual needs and wants have not been fully recognized, or addressed. The following activities have been proposed with these concerns in mind and are intended to facilitate the participation of women in the mainstream of the rural economy.

a. Training

Handicrafts and sewing are only useful if either: a) a level of professional competency can be achieved so that the commodities can be marketed, or b) they are to fulfill basic needs. In all cases there must be some provision after training so that the skills can be adequately utilised (eg. the provision of credit for the purchase of materials or access to necessary machinery or provision of workplace, where required, etc.).

b. Animal Husbandry

As environmental hardship has driven nomads to abandon traditional migratory patterns, responsibility for livestock has shifted from men to women. Such sedentarization can be environmentally beneficial if women are given credit to produce and, more importantly, market livestock more systematically.

c. Agricultural labor

Tasks which are performed by women such as weeding and horticulture can be accomplished more quickly and easily by the provision of tools. Yields can be increased if women have credit to buy fertilizer, seeds and other inputs.

d. Water Projects

Water schemes have both a social and productive function in that adequate water supply can encourage participation in horticulture and increase the yield from such work. Possible projects include wells, pumps, actual running of the water supply project, responsibility for maintenance, distribution or sale of water, etc.

e. Seed Banks and Research

Access to new and/or improved varieties of seeds will allow women to expand their function as producers, to reduce their labor requirements by increasing yields, and to facilitate production of cash crops such as vegetables. Research on seeds and intercropping of varieties should be done with the dominant role of women in traditional agriculture in mind.

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f. Horticultural Production and Marketing

Adequate mechanisms for the marketing of produce are generally denied to women. Skills could be taught and financing provided through rotating funds to purchase or make tools that facilitate horticultural production and to facilitate access to larger markets.

h. Revolving Credit

Village bank systems a la the Grameen bank in Bangladesh could provide financing for either small-scale productive projects or home improvements. Basic principles which appear to have contributed to the Grameen Bank's success are the flexibility of loan size, the grouping of creditors into sets of five, the re-cycling of profits and the principle of selling everything at minimal cost but providing nothing free of charge.

Projects such as these have been inaugurated in other parts of the world and have been seen to be effective. Women must be involved in the actual working of the projects, but they must be assisted so that they can gradually take responsibility and understand how to best maximize their potential. Cash earnings would help women gain the economic power to have some control over their environments. Potential welfare-oriented spin offs from reinvestment of profits could improve their quality of life and reduce the burden of care placed upon them.

I. Training

While previous training activities under the project successfully reached quantitative targets, the impact has been difficult to assess and may be minimal. The government's persisting financial crisis may be partly to blame. Many trainees have had few, if any, opportunities to apply their skills. Rarely did regional or local governments have adequate development budgets to design and implement new projects. And in cases where management skills could be applied, the institution of controls and reporting systems had to be balanced with their practicability for the level of financing in question.

The environment of public finance in which all trainees must operate in Sudan creates a dilemma for designing a training program in regional planning. While training needs are extensive, a program makes sense only if the trainees can apply their skills. In order to avoid previous problems, training under this amendment will focus on individuals who have immediate and practical needs to improve their management, planning and implementation capabilities. Emphasis will also be placed on informal training of village groups through PVOs.

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The principal vehicle for formal training will be in-country short courses conducted through Sudanese institutions such as the Development Studies Research Center (DSRC) and the Sudan Academy of Administrative Sciences (SAAS). DSRC has previously conducted short courses in project evaluation, and by November it will initiate a four part series of two-week modules in project design, implementation, monitoring and evaluation. Each series will be offered twice a year. SAAS has regularly conducted short management courses for government and private sector officials. Over the past two years it has worked with the Experiment in International Living to adapt these courses to local government officials.

In addition, \$250,000 has been reserved for overseas training in rural development. These funds will be used for long-term training only if suitable candidates are identified by January 1987. Otherwise, the funds will be used either for short-term training in the U.S. or for technical assistance to training institutions in Sudan.

Target groups for formal and informal training are:

1. Officials Associated with Project - This includes district council members, regional and central government officials, and contractors such as regional coordinators who will play a role in the review of subprojects or workplans.
2. Sudanese Staff of PVOs and Sudanese NGOs - Since one of the project objectives is to develop Sudanese non-governmental capabilities to implement local development programs, PVOs will undertake formal and informal training for their Sudanese staff and collaborating Sudanese NGOs.
3. Village Groups - PVOs will provide villagers with informal training in skills needed to carry out, operate and maintain subprojects.
4. Officials Involved in Designing and Financing Local Development Activities - USAID and the GOS will consider for training individuals not directly involved in PVO activities if they are in positions where they could immediately utilize improved skills in project planning, implementation and financial management.

In all aspects of training, special attention will be given to assuring that women are afforded equal opportunities in the design and implementation of training programs.

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V. Project Management and Implementation Responsibilities

This section describes the principal actions that must take place to implement the revised portions of the project. Except for the first subsection on selecting PVOs to participate in the project, which entails various actors, project implementation responsibilities are grouped according to the actors with primary oversight. The section closed with an illustrative implementation plan.

A. PVO Selection

While selecting a project's implementing agents is always a critical factor in its success, the selection process is particularly sensitive under this activity since the PVOs who participate in the project will play a central role in assuring that subprojects are economically, socially, technically, and environmentally sound. Hence, AID and the GOS must structure the selection process to assure that those PVOs who participate in the project are fully aware of our two governments' developmental concerns, and that these PVOs plan to follow project identification, selection and implementation procedures that will satisfy our laws and regulations. The following steps in the selection process have been or will be undertaken with this in mind: 1) screening of U.S. PVOs interested in working in western Sudan; 2) a PVO workshop held in Sudan with 10 PVOs; 3) issuance of an RFA that clearly specifies all AID and GOS requirements; 4) issuance of subproject guidelines in conjunction with the RFA that illustrate how these requirements must be addressed; and 5) selection of PVOs according to criteria that reflect AID and GOS concerns.

The ten PVOs being considered for project financing were selected from 29 PVOs that responded to a CBD advertisement (see 85 Khartoum 11149) in August 1985. The selection criteria for the ten PVOs are provided in Attachment 11. These PVOs all attended a workshop in January 1986, held jointly with the GOS, to specify geographical and technical areas of interest for the project, review administrative concerns, and establish plans for project monitoring, evaluation and financial control. Part of the workshop was held in Kordofan and Darfur to demonstrate the types of subprojects that will be financed, and to give PVO representatives an opportunity to meet with regional government officials and private entrepreneurs.

During December 1985 and January 1986, AID/Washington was asked to review preliminary plans for the project, including the PVO selection process, and to provide guidance for finalization of this PP Amendment (85 Khartoum 16699). AID/W's delegation of authority to proceed with this activity is reproduced in Attachment 1.

Based on AID/W guidance, the results of the PVO workshop, and discussions with the Regional Legal Advisor, USAID has drafted a Request for Applications that addresses both GOS and AID regulatory and statutory concerns. The RFA defines the documentation, review and funding processes to which all PVO activities will be subjected. It also notifies PVOs of contractual arrangements which USAID has made with the Institute of Environmental Studies in Khartoum to provide PVOs with technical and logistical assistance for the design of their applications. The criteria which USAID and the GOS will use to evaluate the

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PVO applications are provided in Attachment 5. Participating in the review committee will be representatives from the central Ministry of Finance and Economic Planning, the Kordofan and Darfur Regional governments, USAID, and representatives from other GOS technical agencies.

B. Counterpart Agency

As has been the case throughout project implementation, the Directorate for Regional Development (formerly called Regional and Local Development) in the central Ministry of Finance and Economic Planning will continue as the principal counterpart agency under the revised project. The Director for Regional Development will serve as the GOS Project Director. The DRD will participate in PVO selection, local currency allocations to PVOs, review of quarterly reports on project activities and geographic areas of coverage, quarterly Technical Committee meetings, review of annual audits, a mid-term environmental update, and a close of project evaluation.

The Director for Regional Development, in consultation with the USAID project manager, will be responsible for overseeing the project administration system described below. This administrative network will consist of an expatriate project coordinator located in Khartoum and Sudanese regional coordinators based in Kordofan and Darfur. Should issues arise on approval or financing of subprojects that cannot be resolved at the district or regional level, the Director for Regional Development will act as the final arbitrator.

C. USAID

USAID will participate in all aspects of project management and implementation. The project manager will be responsible for liaising with the GOS Project Director and assisting with problems or constraints to the project's implementation. USAID will execute cooperative agreements with the PVOs participating in the project, and will make all dollar and local currency payments to the PVOs under these agreements. For financing of subprojects, USAID will participate on the Regional Technical Committees and will clear all advances made to PVOs.

To address technical issues during project implementation, USAID will contract for short-term technical assistance as requested by the GOS Project Director and the Project Coordinator. USAID will also arrange for regular visits from the AID Regional Environmental Officer, the Regional Water Engineer, and the Regional Weed and Pest Advisor.

As its contribution to project administration, USAID will hold and administer the contracts with the Project Coordinator and the two Regional Coordinators. It will also arrange for monthly transport to the regions and help establish a communications system linking Khartoum, the Regional Coordinating offices and the PVOs.

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D. Project Administration

1. Project Coordinator - Khartoum

An expatriate project coordinator will establish and run a project office in Khartoum under the direction of the GOS Project Director. The office will be staffed with approximately 5 Sudanese support staff, will have communication facilities with regionally based staff, and will have its own vehicles for regular field visits. The coordinator will oversee all project activities including: development of the project's general training plans, reviewing all inputs and reports from the regions, keeping PVOs and the Regional Coordinators informed of central government and AID policy issues and strategies, facilitating complementary donor interventions such as commodity import financing and short-term technical assistance, liaising with ABS staff in Khartoum and assuring establishment of ABS accounts, monitoring and evaluating the success of different PVO approaches, arranging for annual audits, coordinating with the regional governments, and attending technical committee meetings.

The Project Coordinator will be responsible for arranging the review and approval of all subproject proposals that do not fall within the general categories outlined above. For such subprojects, PVOs will submit their proposals to the Project Coordinator after obtaining District Council endorsement. For subprojects not exceeding LS 500, the Coordinator will approve or reject the activity after consulting with the GOS Project Director and the USAID Project Manager. A written notice will then be given to the PVC; approval will authorize the PVO to begin expenditures according to its approved accounting procedures.

For non-standard subprojects exceeding LS 500, the Coordinator will consult with the GOS and USAID to convene a review meeting with the appropriate technical specialists. This review committee will meet and reach a decision within 30 days of the Coordinator's receipt of the proposal.

Before PVOs mobilize, the Project Coordinator will work with the appropriate GOS officials to design and implement a program to familiarize villagers with the project and allowable subprojects so that PVOs can begin their work with minimum dislocation of targetted communities. Among other responsibilities during project implementation, the Coordinator will monitor the social impact of the project and consult regularly with GOS officials on the need for follow up information programs.

2. Regional Coordinators

Under current planning, regional project offices having a Sudanese Regional Coordinator, four to five Sudanese enumerators, and secretarial and transport support will be established in Kordofan and Darfur. With the assistance of the regional staff, the Regional Coordinator will:

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- a. Consult with and advise PVOs on the design of work plans, quarterly reports, and subproject proposals.
- b. Clarify any questions on appropriate subproject documentation according to the documentation guidelines discussed above.
- c. Obtain quarterly reports from PVOs 30 days before each meeting of the Regional Technical Committee and assure their distribution to appropriate officials on the Committee, the GOS Project Director, the Project Coordinator and USAID.
- d. Participate in quarterly regional Technical Committee meetings and act as the Committee's rapporteur.
- e. Coordinate with regionally based ABS staff to assure that project accounts are established and that loans are made in accordance with project priorities.
- f. Monitor project implementation and impact, including an ongoing collection of relevant environmental data.
- g. Liaise with regional government officials, the private sector and PVOs and keep them informed of any developments in project, GOS or USAID policies.
- h. Maintain lists of private and public sector service capabilities and suggest opportunities for collaboration with PVOs.
- i. Advise the Project Coordinator of opportunities to allocate CIP funds to regional entities, particularly in the private sector, and suggest mechanisms for financing the local currency counterpart.
- j. Review PVO requests to contract for short-term TA and suggest areas for collaboration among PVOs.
- k. Bring any issues irresolvable at the regional level to the Project Coordinator's attention.

E. Regional Governments

1. District Councils

PVOs will present subproject proposals developed in collaboration with villagers to the appropriate district council for approval. The district council will review all proposals submitted for technical soundness, environmental acceptability, adherence to government policies, and economic viability. The district council will decide whether to accept or reject a proposal within 30 days of the date of submission of the proposal. In the event that a proposal is rejected, a full written explanation will be given as to why the proposal was rejected. The PVO and the villagers will be permitted to resubmit the proposal to the

district council. Approval by the district council authorizes full funding for the subproject. The funds will be administered by the PVO and its local counterpart. No further approval or special action will be needed to implement the subproject. In case of a rejection, an appeal could be made to the Project Director through the Regional Coordinator.

2. Regional Technical Committees

Kordofan and Darfur regions will each have a technical committee of nine permanent members, with the District Commissioner from each "targetted" council acting as a rotating member. Permanent members of the committee will be: four officials nominated by the regional government, the local ABS representative, two representatives from MFEP, one representative from USAID, and the Regional Coordinator. One MFEP representative will be the Project Director (or his designee), who will chair each meeting. The Regional Coordinator will serve as the rapporteur. The Project Coordinator will participate as an advisor. Members of the technical committees who must travel to the quarterly meetings will receive per diem and travel expenses, to be paid through the Regional Coordinator's office.

The technical committees will oversee, monitor and advise on PVO workplans, quarterly reports and subproject implementation. Based on their reviews, the committees will recommend to the GOS Project Director a quarterly funding allocation for each PVO. At a minimum, the committees will meet with the PVOs once a quarter at two-day workshops. Should the technical committees object to the way in which a particular subproject is being implemented, they should report their criticisms to the Directorate for Regional Development and USAID, which acting together will have the right to suspend work on a subproject. The committees will also advise on possible areas of collaboration with private or public regional entities, and make regularly scheduled field trips to review PVO activities on site.

3. Training

Formal in-country training in financial management, project planning and environmental monitoring will continue during the life of the project. Regional governments will nominate trainees, with priority given to district officials who are associated with the project. PVOs will be expected to carry out informal in-country training in all facets of their work.

F. Private Voluntary Organizations

1. Workplan and Subproject Design

- a. With the assistance of regional, district, rural council and village officials, develop relationships and formulate working groups with local leaders, village groups, community associations, women's collectives, business associations, farmers unions, and other local organizations and individuals. These groups should be consulted to assess and prioritize the needs of the PVO's geographic area of concentration.

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- b. Within 90 days of the signing of a Cooperative Agreement, complete a three-year work plan that a) elaborates on the PVO's original proposal, b) specifies a development strategy for the District which addresses priority needs, c) identifies subprojects consistent with this strategy, and d) indicates specific budgetary requirements for the following six-month period. The first year of the work plan should be specified in greater detail than the two subsequent years. The work plan will be reviewed according to the procedures specified in Section II-B and updated quarterly.
- c. Solicit project ideas from community groups and work with them to develop proposals that fit within the technical parameters described in this document and follow the documentation guidelines discussed above. Proposals should carefully consider the availability of human and capital resources necessary for subproject implementation and maintenance. Any project activities targeted to women should be careful not to marginalize their role in society but, rather, facilitate the central role they play in traditional agriculture in the west.
- d. After informing the rural council, submit all subproject proposals to the district council for review and approval on the basis of technical feasibility, environmental soundness, economic viability, and adherence to GOS and AID policies. The PVOs must cooperate with the Regional Technical Committee and address any concerns raised by the committee regarding project implementation. All subprojects must fully conform with subproject documentation requirements and the project grant agreement.

2. Subproject Implementation and Maintenance

- a. Work with the counterpart local organization(s) to establish an individual accounting system for each subproject. Depending on the nature of the subproject and the size of the grant, this accounting system could necessitate use of separate bank accounts for some subprojects. However, individual bank accounts are not required if other arrangements prove more practical and still allow individual subproject funds to be closely monitored and traced to a specific account within the PVO's general accounting system.
- b. If applicable to the subproject's implementation mode, organize the village contribution for implementation and maintenance, which could include labor, materials or money.
- c. Assist the village in contracting for technical assistance, construction or other needed services. A process of informal solicitation will be used with three bids being obtained, if possible. The PVO will convene a small group to review and evaluate bids. Contracts will be awarded by the PVO in

conjunction with its counterpart. Contracts can be negotiated with public and private entities.

- d. Assist the implementing group in devising maintenance schemes for subprojects. These may include collection of user fees, contracting for maintenance services, organizing of work crews, etc. When appropriate, maintenance schemes may apply to a variety of villages or groups, such as a general contract to supply fuel and maintain wateryards in a particular geographic area.
- e. Keep regional agencies responsible for the technical areas of subproject activities informed of subproject progress and coordinate on subproject implementation and maintenance as appropriate.
- f. For small-scale private sector activities, assist interested individuals and groups in subproject design, facilitate contacts with the Agricultural Bank of Sudan, and work with the Regional Coordinator to provide any needed technical assistance for implementation.
- g. Work with the ABS and KORAG credit advisors to devise collateral schemes that will encourage repayment, yet take into consideration lack of capital resources on the part of potential borrowers.

3. General Responsibilities During Implementation

- a. In accordance with the terms of the cooperative agreements, procure spare parts and other commodities from overseas when they are not available from or through private sector sources in Sudan. Such procurement should be done only on an emergency basis (as determined by the Project Coordinator) and must remain within the line item allocation in the cooperative agreement for offshore procurement.
- b. Provide short-term technical expertise when required. The emphasis should be on utilizing Sudanese experts. All expatriate consultancies should be cleared with the Regional Coordinator in order to minimize duplication of expertise across PVOs. For cases where several PVOs have similar needs, AID plans to reserve funds from the Project for short-term assistance that could be used by various PVOs.
- c. Establish mechanisms to monitor and evaluate subprojects. PVOs will also cooperate in GOS/USAID-initiated audits, evaluations, environmental monitoring, and data collection.
- d. Make a contribution of its own choosing, financial or otherwise, to project implementation and administration. The PVO's contribution to the project will be factored into the evaluation of applications.

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- e. Cooperate with the regional coordinator, regional technical committee, and other USAID and GOS officials in devising programs to strengthen Sudanese public and private sector entities, particularly through the allocation of CIP funds.

4. Training

- a. Devise in-field training programs for villagers. PVOs should keep in mind that though women play an active role in agricultural, horticultural and other food production and income-generating activities, they have often been overlooked when training opportunities have been available. Training should obviously respond to local needs. However, it is expected that a great deal of attention will have to be given to developing basic administrative and organizational skills needed for undertaking community-based subprojects.
- b. Collaborate with an indigenous NGO, or maximize the participation of Sudanese in the PVO's management, so that project activities can be carried out with minimum expatriate involvement. Within six months of the award of a cooperative agreement, PVOs will be required to submit a training plan to the regional coordinator specifying how the skills of local staff will be developed to meet this objective.
- c. Assist the regional coordinator in identifying local-level officials, leaders and other individuals who merit in-country training in areas such as project design, project implementation, environmental monitoring and financial management.

5. Reporting Requirements

- a. Submit a three-year work plan within 90 days of the signing of the cooperative agreement and annual work plans within 30 days of the anniversary of the signing date in subsequent years. Work plans will be submitted to the District Council and to the Regional Coordinator. The annual work plans for years two and three could be combined with the quarterly reports discussed in requirement 2, below.
- b. Submit progress reports on a quarterly basis according to a schedule to be worked out with the GOS and USAID. Reports will be submitted to the District Council and the Regional Coordinator. They will be scheduled to coincide with quarterly meetings with the Regional Technical Committee and other PVOs operating in the region. In addition to updating annual work plans, reports should highlight achievements during the reporting period, failures in meeting planned targets, overall progress toward meeting subproject objectives, plans to compensate for delays, failures, and obstacles to implementation, targets and planned expenditures for the next quarter, and those responsible for achieving each target.

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- c. Submit a training plan focused on the transfer of skills to local staff or Sudanese counterparts within six months of the signing of the cooperative agreement, so that expatriate staff can be phased out of the project. The training plan should be updated annually and indicate the number of people trained, including skill areas, in previous years.
- d. With each subproject proposal, submit a training plan that highlights the transfer of skills within the activity, with special attention to the role of women.
- e. Submit project documentation to the district Council and Regional Coordinator for each subproject.
- f. Submit a final report to USAID and the GOS within 60 days of the termination date of the cooperative agreement.

G. Agricultural Bank of Sudan

The ABS will set up an account for private sector and group loans to be administered through its regional offices in Kordofan and Darfur. A total of LS 3 million will be reserved for this account, with a first tranche of LS 1 million. The ABS will cooperate with the project's regional staff and the PVCs in establishing guarantees for loan repayments based on traditional, tribal or familial ties. The ABS will name one professional representative in each region who will collaborate with the Regional Coordinator to undertake any necessary feasibility studies; each regional representative will serve on the regional technical committee. The ABS will administer loans according to lending policies agreed upon with USAID through other activities. Technical advisors under the Kordofan Rainfed Agriculture Project may be drawn in, as necessary, to provide assistance on account management and other administrative and financial issues.

H. Contractual Services

Throughout the project, village groups and PVOs are expected to contract with public entities and private firms for earthmoving, drilling, water yard repair, and other activities that may require heavy equipment. Private firms may register with USAID's regional coordinator and indicate requirements for CIP commodities.

If services are required, PVOs will be expected to use informal competitive procedures by obtaining no less than three bids or quotations. If appropriate, quotations can be solicited from public sector agencies. In such cases, the individual agencies would negotiate contracts or other arrangements to provide the required services. Contracts should always reimburse the agencies the full cost of services, including equipment depreciation. Private sector firms should be encouraged to solicit business from villages for project implementation, maintenance, stocking spare parts, etc.

I. Audits

Funds are budgeted to finance annual audits by local firms. Audits will review PVO and village accounts to promote proper record keeping and use of funds.

J. Short-Term Technical Assistance

Both foreign exchange and local currency are budgeted to finance short-term consultancies on technical matters, legal and administrative questions, environmental monitoring, and a final project evaluation. PVOs will review all of their short-term TA requirements with the Regional Coordinator for their area. In cases where these TA needs apply to several PVOs or are important to the project's overall implementation in addition to the PVO's specific program, USAID may contract directly for such short-term TA requirements. There may be cases where PVOs also provide short-term technical assistance; they will be asked to budget accordingly in their applications.

K. Implementation Schedule

The following schedule identifies the timeframe and responsible agents for key implementation actions during the project. The schedule may be subject to variation.

1. PVO Conference
1/86
USAID/GOS/PVOs
2. AID/W Delegates Authority to USAID
to Amend Project
2/86
AID/W
3. Provide PVOs with Request for Applications
3/86
USAID/GOS
4. Finalize Financial Arrangements for Amendment
3/86
AID/W
5. PVOs formulate applications
3/86-5/86
PVOs/IES
6. Authorize PIO/T for Project Coordinator
3/86
USAID/GOS

7. Finalize and authorize PP Amendment
3/86
USAID/GOS
8. Execute Grant Agreement Amendment
4/86
USAID/GOS
9. Contract executed with Project Coordinator
4/86
USAID/GOS
10. Advertise for Regional Coordinators
4/86
GOS/USAID
11. PVOs submit applications
5/23/86
PVOs
12. Select top 4-6 PVOs
6/86
USAID/GOS
13. Initiate Information Campaign
at Village-Level on Project Activities
7/86
Project Admin Network/Regional Governments
14. Execute Cooperative Agreements
7/86
USAID/GOS/PVOs
15. Execute Contracts with Regional Coordinators
7/86
USAID/GOS
16. MFEP/ABS sign Credit Subagreement
7/86
MFEP/ABS
17. Establish regional project offices
8/86
USAID/GOS
18. PVOs mobilize
9/86
PVOs

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19. Establish regional technical committees
9/86
USAID/GOS/
20. Establish private sector credit fund
9/86
ABS/MFEP
21. Develop general training plan for Project
10/86
USAID/GOS
22. Establish Project Communications Network
10/86
USAID/GOS/PVOs
23. PVOs submit annual workplans
10/86
PVOs/Tech.Committees
24. PVOs submit training plans for local staff/counterparts
2/87
PVOs/Tech.Committees
25. Review of PVO Quarterly Reports
Ongoing
PVOs/GOS/USAID
26. Review of Subproject Proposals
Ongoing
PVOs/District Councils
27. Disbursements of Credit Funds
Ongoing
ABS/Regional Coordinators
28. Update Private Sector Contracting Capability List
Ongoing
Project and Regional Coordinators
29. Annual Audits
Ongoing
Independent Firm/PVOs/village groups
30. Contracting for short-term TA as required
Ongoing
USAID/GOS/PVOs
31. Development of Users Guides
Ongoing
GOS/USAID/Contractor

32. Mid-term environmental review/update resource surveys
1/88
Contractor
33. Project Evaluation
11/88
Contractor
34. Project Completion Date
8/22/89
USAID/GOS

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VI. Social Considerations

A. Appropriateness of Undertaking a Decentralization Effort

Drought-induced problems in western Sudan -- hunger, water shortages, land degradation and livestock depletion -- have brought into sharp focus the central government's inability to supply necessary inputs and services to the area. A full-scale disaster was avoided only by massive donor relief. Now that development activities can once again get under way, there is little faith in either Kordofan or Darfur that the central government is capable financially or administratively of carrying out such work.

At the same time, the previous decentralization effort focused on regionalization has been discredited. The regions never had enough money to undertake development activities on their own, and their administrative, financial and planning capabilities remained limited. As administrative units the size of California, they were no more viable as a provider of services and leadership than the central government. A new system is needed that will bring development activities to the village level, despite Sudan's ongoing administrative and financial problems. The revised project is intended to be immune to shifts in bureaucratic structure by focusing on villages and traditional councils that will always be there regardless of national politics.

The use of PVOs will supply an impetus and a link previously lacking in development efforts in western Sudan. By having PVOs working at a village level, a bottom-up planning approach can be adopted that will actively engage villagers in the development process. Through self-help initiatives, villagers will make a contribution in labor or kind to improving their own communities.

The timing is propitious for a new decentralization effort because the central government is under strong internal pressure to improve conditions in areas affected by the drought. With previous approaches having been discredited, the GOS is open to suggestions about better ways to bring development to the village level. The use of PVOs will allow the Project to do so without making structural changes in GOS central/regional relations that would threaten political self-interests or suggest Western interference in domestic affairs. The cost-effectiveness of PVOs is attractive to both the regional and central governments.

PVOs will be limited to carrying out activities that have been jointly approved by USAID and the GOS. The scope of work, cost and level of effort required for each subproject will be fully delineated and reviewed to ensure that development activities are consistent with national and regional priorities. PVO expatriate staff will be kept to a minimum. Most of the PVO employees working in the villages will be Sudanese familiar with the language and customs of the people. During implementation, USAID's regional field staff will monitor Project activities to ensure that PVOs train local counterparts in project administration and that subproject management is gradually transferred to local leaders.

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B. Impact on Women

A critical social consideration in undertaking a local development initiative is its potential impact on traditional labor roles of women it is as drawn from several recent studies in formulating an approach to facilitate the involvement of women as active participants in the development process. Three objectives of this amendment are to foster a broader understanding of the importance of women's contributions to the development process, recognize the social and cultural parameters for their involvement, and then design interventions which improve and strengthen the role that they play.

The role of women in western Sudan is not atypical of the role of other African women -- it is fundamental to agricultural production. Without their input in the traditional agricultural sector the total system would fail. In addition to being responsible for all food preparation and supplying the household with water, women in Darfur make up 90% of those working in millet fields. They shoulder full responsibility for clearing, sowing, weeding, and harvesting most agricultural crops including sorghum and groundnuts. Should their efforts fail, it is they and their children who suffer.

Throughout northern Kordofan and Darfur millet is the main source of nutrition. According to traditional practices, the men are served their meals first, leaving the leftovers, if any, for the women and children. Observations in those severely stricken drought areas corroborate the fact that women and children are at greater risk of severe health problems, partially due to these traditional practices.

Improvements in how women perform their traditional functions can result in the overall improvement of the family unit. Studies have proven that women, more often than men, reinvest their time and monetary savings in the family, often for their children's health care.

PVOs will be encouraged and assisted to see that their applications address the development needs and involvement of women in the region. One of the evaluation criteria for their applications will be how effectively these issues are addressed. For example, evidence that there has been or will be consultation with women during the planning stage of proposed activities is considered essential. If training is to be conducted, applications will be assessed on how well women's interests are reflected. Any subprojects implemented with the assistance of PVOs will be expected to incorporate means for communicating with women which are culturally and socially acceptable to ensure that they are informed and active participants. PVOs will consult regularly with local leaders on all social factors related to their activities.

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VII. Economic Analysis

A. Financial Principles in Subproject Design

Subprojects implemented under this amendment will complement the overall project objective of decentralized development. To achieve this, activities will take place at the local level, provide essential community services, and promote new income generating opportunities for the private sector.

Too often in the past, essential community services have been inadequate or unavailable. Even when projects were started and operated efficiently through donor assistance, services often terminated once donor assistance ended. The basic cause of the failure was the lack of funds to pay adequate salaries for retaining qualified personnel and to replace worn out capital equipment.

As discussed below, this problem can be addressed in several ways. Before any subproject is started, each PVO will evaluate the options in light of local conditions, make recommendations to the community, and settle on a management system. For activities requiring heavy machinery, the preferred option is to contract with private firms. Local businesses would thus have an incentive to devise fee structures that would ensure their ability to continue the service. The community can either regulate the fees charged to guard against monopoly profits, or it can grant short-term contracts open to competitive bidding. The method selected would depend on the level of fixed capital needed to operate the project. The greater the fixed capital requirement, the more likely the appropriate method for minimizing costs would be to regulate the fees.

In some cases, communities may find it more cost-effective to contract with public entities than private firms. Many communities, for example, currently maintain their water systems through informal contracts with National Water Corporation staff. A condition of the Grant Agreement Amendment will be to legitimize such contracts to give public organizations with skilled staff and idle equipment the incentive to streamline operations. Any revenues earned would be used to remunerate staff and replace equipment, according to organizational needs and priorities.

For less capital-intensive activities such as village nurseries or horticultural gardens, communities may wish to implement subprojects through voluntary labor or by paying members of the community. The key principle is for villages to develop measures to keep projects operating and to replace depreciated investments.

Even if a project is subsidized through funds provided to the PVO, a fee structure will be applied. This will habituate the community to paying fees and ensure that the project will be self-sustaining after PVO support is withdrawn. The excess revenue can be used for training or placed in a special fund for community capital expenditures with the understanding that once PVO assistance is withdrawn, all fees go toward maintaining the service.

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PVO's will conduct market feasibility studies to determine if there will be sufficient demand for subproject services at the proposed fee level. If the community wants to subsidize the service to hold down fees, then an analysis will be conducted before the subproject is started to see if the community has sufficient revenue measures to subsidize the activity.

B. Cost/Benefit Characteristics of Subproject Activities

The general cost efficiency of PVO activities has been suggested in specific AID policy guidance. However, cost/benefit analysis of individual subprojects under Regional Finance and Planning may not itself be cost beneficial given the difficulty of quantifying the value of some subproject outputs and the capabilities of individual sub-grantees. Moreover, it may unnecessarily bias subproject selection toward fewer, larger scale, and more conservative activities. In contrast, the project emphasizes a broad distribution of benefits, diversification of risks among many subprojects, institution building, innovation, and the development of indigenous capability. Selection of subprojects with the highest cost/benefit ratio or IRR, even if it were possible, would involve development and analysis of a shell of subproject proposals, whereas the project's preferred methodology is to: begin implementation immediately but gradually, build institutional capability through early subproject activities, monitor and evaluate results as the subprojects progress, learn from mistakes, and make necessary corrections and adjustments to improve allocation and return on funds at each stage of project implementation.

Certain characteristics of PVO activities in general will contribute to raising the overall cost/benefit ratio of the project.

- PVO projects tend to be labor-intensive with emphasis on employment of local personnel, sometimes on a volunteer basis.
- PVO projects, in situations of scarce foreign exchange, often make use of locally available materials and equipment to reduce operational and maintenance costs.
- PVO projects often employ technologies which are simple, cost effective, and appropriate to local community skills and available resources.
- PVO projects can often mobilize additional community resources; such community involvement may lead to cost efficiencies and to effective maintenance of capital inputs.
- PVO projects preferentially benefit the poorer members of society where the marginal utility of additional income or new services is highest.
- PVO projects are frequently small in scale making them easier to manage, to sustain, and to replicate.

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C. Economic Guidelines for Subproject Activities

Design of subproject activities and selection of subprojects for funding will incorporate to the fullest extent possible the basic principles underlying cost/benefit analysis. Although PVOs do not always have the personnel and resources to produce rigorous cost/benefit analysis, and some PVO subprojects may not be amenable to such analysis, small-scale activities with high rates of return share certain characteristics which can be utilized as the basis for project design and selection. Economic characteristics of PVO projects with high IRRs are outlined below; a similar approach was incorporated into both the Somalia and Kenya PVO projects. Thorough consideration of the costs and benefits of projects, together with some awareness of the time value of money, will help PVOs better estimate the value of individual projects, and to select from among competing proposals for funding. Careful application of the following guidelines, and of cost/benefit principles in general, will be utilized to maximize net benefits of overall project operations.

1. Costs

- a. The project has low capital costs (relative to labor costs and to total project funding), minimizing the use of imported inputs, particularly of capital equipment.
- b. The project has low labor costs, minimizing the use of expatriate personnel, and maximizing the use of volunteer labor.
- c. The project utilizes simple technology appropriate to the skill levels of project participants.
- d. The project has low operating and maintenance costs compared to expected benefits.
- e. The project has a system to recover all or part of recurrent costs from participants, leading to careful use of project inputs.

2. Benefits

- a. Project participants are members of the poorest groups or communities in Kordofan and Darfur.
- b. The project generates saleable outputs capable of recovering project costs.
- c. The project responds to highly valued requirements which are widely recognized by the participants' community, and which may be identified by the willingness of participants to share in coverage of recurrent costs.

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3. Time Value of Money

- a. Start-up period before project benefits begin to show is short, 2 years at most.
- b. Project participation and benefits grow as rapidly as possible.
- c. The implementation plan is realistic and takes account of likely delays. Procurement of imported and other capital equipment, and hiring of expatriate and other high cost personnel, are planned accordingly.
- d. The project does not introduce completely new activities in cases where improvements to already existing activities would be sufficient.

4. Other

- a. Sustainability (related to costs and benefits above, but involving non-economic factors as well).
- b. Replicability (an externality to subproject cost/benefit analysis).

VIII. Environmental Considerations

A. Causes of Desertification

Three consecutive years of drought have raised a consciousness of environmental issues in Sudan not often found in developing countries. Farmers have seen sand encroach toward their land and vegetation become sparser. Their concerns have been echoed in Khartoum where officials have become concerned over reports of increasing aridity throughout Northern Kordofan and Darfur.

Yet some environmental concerns have been partially misplaced. At times policymakers have accepted as a truism that drought leads to desertification, which studies have shown is not the case. Lund University and the Sudanese Institute of Environmental Studies (IES) analyzed aerial photographs beginning in 1962 and satellite data from later periods for 77 villages in Kordofan, and concluded that "there was no creation of long lasting desert-like conditions" due to drought. However, they did find that poor land management was a key cause of desertification. The Institute of Environmental Studies reconfirmed this conclusion in its baseline survey for the North Kordofan Rural Water Supply Project (650-0059). IES found that water points were the major cause of desertification in North Kordofan because they were situated without regard to environmental conditions. New water points allowed for crop cultivation and animal raising and caused concentrations of human and livestock populations in areas that could not sustain such extensive land use. These population pressures reinforced themselves, thus leading to continuous encroachment on more marginal lands and further imbalances in a fragile environment.

B. Proposed Safeguards

Previous experience in Kordofan suggests a need for extreme caution in siting water-related subprojects under Regional Finance and Planning. The Project has already financed a natural resource survey in Kordofan which produced a series of over 50 maps that include water table levels, surface water courses, soil types, forests, cropping patterns, pasturelands, and seasonal markets. UNDP recently contracted with IES to produce a similar set of maps for Darfur. When combined with thematic mapper satellite imagery taken in both 1984 and 1985, the GOS and USAID have an excellent baseline for monitoring environmental changes throughout western Sudan.

In order to prevent any additional environmental degradation, water resource developments will concentrate on (but not be limited to) rehabilitation of existing water points. Some heavy clay soil areas in Southern Kordofan and Darfur, where rainfall averages at least 450 mm annually, may merit new water facilities, the type and capacity of which will be determined by the land's carrying capacity. Whenever possible and the community shows an interest, all new waterways or rehabilitation activities will be combined with village-level nurseries, horticultural gardens, or other agro-forestry activities. Selection of all water points will be based on the following criteria:

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1. Environmental conditions of the area with particular emphasis on pasture conditions, vegetation cover and soils;
2. Potential for economic development in order to create growth centers and not merely service centers;
3. Community awareness of environmental conditions and willingness to participate in efforts to control degradation;
4. Demonstrated willingness to link water resources to forestry or horticultural subprojects; and
5. Community willingness to share the costs and administration of water facilities.

In addition to such scrutiny during selection of water points, the Project will conduct an environmental review at approximately the midpoint in implementation, late 1987, and will collect environmental data as part of the standard monitoring of subproject activities. Some subprojects will be linked with specific conditions, such as limiting grazing around water yards or building fences around nurseries, which must be met by community groups in order to justify continuing assistance. If these conditions are met, some subprojects may even serve to stabilize volatile environmental conditions.

C. Recommended Threshold Decision

The Project Paper Amendment has already received a negative determination for those activities dealing with technical assistance and training (see Attachment 1, para 3). Many of the PVO activities will probably fall within categories normally excluded from further environmental review, such as training, extension and resource conservation. Other activities (e.g. water resource development, small-scale agriculture, forestry) will be designed by the PVOs following USAID/GOS design criteria for environmentally sound projects. The criteria are consistent with AID regulation 16, and are based on Harza Engineering and CODEL/VITA guidelines adapted to conditions in Sudan by the REDSO environmental officer and the Institute of Environmental Studies in Khartoum.

The environmental guidelines cover subprojects in the following areas: agriculture (including small-scale irrigation), forestry, water (including sanitation), energy, rural roads and small-scale industry. These guidelines will be distributed to PVOs upon the award of cooperative agreements so that they are available for both workplan and subproject design. In addition, a General Guide for Subproject Documentation (see Attachment 7) has been drafted to assure that environmental guidelines are adequately incorporated into subproject documentation. These measures will further reduce the likelihood of any negative impacts and will also satisfy the intent of Regulation 16 to mitigate negative impacts of rural development projects by using proper design criteria.

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In a few cases (e.g. small-scale industry, irrigation, pesticide procurement and/or use) there could be significant negative impacts. To ensure that these cases are properly assessed well before the design and implementation stage, a summary of all PVO applications will be forwarded to the Regional Environmental Officer (REO) along with the Pesticide Checklist which each PVO must complete with its application (see Section IV-G1 for additional discussion, and Attachment 8 for a copy of the Checklist). The Pesticide Checklist will be reviewed by the Regional Weed and Pest Advisor (RWPA) and the results of these reviews will be forwarded to the USAID Project Coordinator for distribution to the PVOs prior to subproject design.

In the few cases where an environmental assessment may be indicated by the REO, or a risk/benefit analysis may be called for by the RWPA, the appropriate TA can be supplied by the IES to carry out any such special study in cooperation with the PVO, so that this information can be made available during the subproject design phase. At the appropriate stage in the project, the REO will provide the Project Coordinator with a scope of work and budget for a mid-term Environmental Review.

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IX. AID Issues

A. Justification for an Amendment

USAID carefully considered whether to undertake the proposed decentralized development program as an amendment to the Regional Finance and Planning Project or as a new activity. The Mission chose the former for the following reasons.

1. Decentralization

The proposed amendment arose out of an interest in promoting decentralized development after the disappointments of GOS regionalization policy. The importance of decentralization in Sudan was highlighted in the 1984 CDSS update. It has always been the key objective of the Regional Finance and Planning Project. The project purpose explicitly states the intent "to promote decentralized government." The amended authorization further defines decentralization as "improving the process by which regional, provincial and local development projects are identified, designed, reviewed and evaluated."

This amendment proposes to use PVOs as a vehicle toward decentralization. PVOs would channel funds directly to the community level. Subproject implementation would be based on local selection of activities and local participation in operations and maintenance. Regional and central government review, approval and monitoring of subproject activities will inculcate within the GOS a sensitivity for "bottom up" planning and self-help contributions to implementation.

Since 1979, the Regional Finance and Planning Project has been USAID's vehicle for policy dialogue on decentralization. Admittedly, the path has waivered, but that should not be surprising given U.S. history with federal/state/local relations. Defining lines of responsibility still entails controversy in the U.S., and certainly such definition of relations was a key issue in American politics during our first thirty years of independence. Any project on decentralization in Sudan must retain flexibility to evolve with changing circumstances, and to the extent possible, the vehicle for dialogue should be kept consistent in order to minimize distractions from the substance of discussions.

2. Finance and Planning Link

The first RFP amendment clearly recognized that planning without financing for implementation is a paper exercise. The Project attempted to address the problem by increasing regional financial autonomy, but failed for three reasons. First, government revenue policy became virtually incomprehensible with the institution of the Islamic tax, Zakat. Second, the drought eroded the already limited regional tax base. Third, and most important, local communities had no interest in contributing to regional revenues when regions could not provide services in return. Based on this experience, this amendment proposes to link financial resources directly

to community planning. Once communities see the direct results of their inputs, the incentive to continue financial and labor contributions should increase.

3. Central Government Attitudes

As Sudan turns from relief to rehabilitation and development, the GOS has become aware of the pressing need for local development programs. The GOS and USAID wish to capitalize on this awareness to promote decentralization. The Regional Finance and Planning Project provides a vehicle to move quickly; we have already engaged in numerous policy discussions in the context of drafting this amendment. The GOS is familiar with the proposed Project revisions and their objectives. Not only would switching to a new project require more time, it would focus attention on the use of PVO's outside of the context of decentralization. This would be both contrary to USAID's intent and detrimental to our dialogue with central government officials.

4. Regional Government Attitudes

Drought relief efforts have also made the regional governments more aware of the magnitude of local development problems and their limited capabilities to address them. The regions are open to new approaches toward planning, have become aware of the potential contributions of PVO's due to their role in food relief, hosted the PVO workshop held for two days in each western region, and are ready to act. The governors of Kordofan and Darfur both consider this project as one of the top development priorities for their region. Under current conditions, these actions can be channelled into a role of oversight, when at one point regional intent and desire was to plan and implement every local development activity.

B. Commodity Procurement

1. Emergency Procurements

Each cooperative agreement signed with a PVO will provide for \$250,000 in emergency equipment procurement for commodities not available in Sudan. In accordance with AID Handbook 13, Appendix 4C, all eligible goods and services up to a total of \$250,000 under each cooperative agreement may be purchased in or shipped from "Special Free World Countries" (AID geographic code 935) based on the following order of preference:

- (a) the United States (AID Geographic Code 000),
- (b) the Cooperating Country,
- (c) "Selected Free World" countries (AID Geographic Code 941),
- (d) "Special Free World" countries (AID Geographic Code 935)

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Should a PVO procure goods and services from other than U.S. sources, under the order of preference above, it shall document its files to justify each such instance. The documentation shall set forth the circumstances surrounding the procurement and shall be based on one or more of the following reasons, which will be set forth in the PVO's documentation:

- (a) the procurement was of an emergency nature, which would not allow for the delay attendant to soliciting U.S. sources,
- (b) the price differential for procurement from U.S. sources exceeded by 50% or more the delivered price from the non-U.S. source,
- (c) impelling local political considerations precluded consideration of U.S. sources,
- (d) the goods or service were not available from U.S. sources, or
- (e) procurement of locally available goods or services, as opposed to procurement of U.S. goods and services, would best promote the objectives of the Foreign Assistance program under the cooperative agreement.

When procurements exceed \$250,000, Code 941 is authorized under Handbook 1B, Chapter 5 since Sudan is an RLDC (see Attachment 1, paragraph 2B).

2. Vehicle Procurements

On a case-by-case basis for PVO vehicle procurements not exceeding \$50,000 (excluding transport costs), this project will allow blanket proprietary, source and origin, and Section 636(i) waivers for Toyota Vehicles to be used in western Sudan. Currently the Sudan Mission has a blanket single source, non-competitive waiver authorizing the procurement of Ford for western Sudan. The waiver was granted on the basis of the inability to obtain warranty services and spare parts on U.S.-manufactured vehicles other than Ford, and the inability of other U.S. brands to perform adequately on the difficult terrain in the west. It was noted in the annex to the waiver, however, that a disadvantage of the Ford model F-250 4WD is its unavailability with a diesel engine. Due to the frequent scarcity of gasoline in western Sudan and the logistical arrangements that are most appropriate for this project, this factor would affect the project's long-term viability.

USAID's other projects in western Sudan do not operate at the community level and are implemented by contractors who can utilize a central procurement system for gasoline without a detrimental long-term impact on the projects. PVOs operating under the Regional Finance and Planning Project will not and should not have access to such a central procurement system since one of the project objectives is to establish self-sustaining mechanisms to implement local development programs through non-governmental channels. Hence, PVOs should rely on local markets for

fuel and should design all subprojects on the basis of commodities which are locally available. Given the general availability of diesel fuel throughout Sudan and the scarcity of gasoline outside of major towns, it is essential that PVO vehicles be diesel driven in order to assure their continuous and economical operation.

The blanket vehicle waiver for use of Ford in western Sudan already established that no other U.S.-manufactured vehicle is suitable. The proprietary, source and origin, and section 636(i) blanked waivers for Toyota as the only practical option are based on the availability of spare parts, repair facilities, and familiarity by operating personnel. Although gasoline is not normally defined as a spare part, it is obviously critical to vehicle operation, and its unavailability in rural markets provides a sound basis for requiring diesel vehicles under this project.

To assure proper implementation of these blanket waivers, PVOs will clear all vehicle purchases using project funds with the USAID project manager. For each transaction the PVO will document, in writing, the number of vehicles purchased, their total cost (not to exceed \$50,000 excluding transport), the area in which they will be used, the general availability of diesel and gasoline in this area, and the purpose of the vehicles.

Africa Bureau Delegation of Authority 140 (revised) allows the Mission Director to authorize waivers for motor vehicle procurements that do not exceed \$50,000 per transaction. This authority is applied to this project on a blanket basis through approval and authorization of this Project Paper Amendment.

C. Project Assistance Completion Date

In order to complete project activities under this amendment, the PACD will be extended from December 31, 1985 to August 22, 1989, bringing the life of project to AID's ten year maximum. A thorough project evaluation will be undertaken in November 1988. If the evaluation findings are favorable, a new project incorporating the most successful elements of the RFP Project will be started in FY 1990.

D. Gray Amendment Institutions

USAID considered whether it would be feasible to set aside any of the PVO agreements under the project for institutions that qualify for special consideration under the Gray Amendment. While it was decided that some Gray Amendment Institutions might be able to provide the services required under the project, the Mission has chosen to open competition to all U.S.-based PVOs since up to 4-6 PVOs will be required during implementation, and the widest spectrum of competition was deemed necessary to ensure obtaining the required skills. After competitive evaluation of 29 PVOs, one organization that qualifies under the Gray Amendment was included among the ten PVOs requested to submit applications for the project.

X. Financial Plan

A. Estimated Costs for Local Development Program

The budget at the end of this section covers the entire cost of the local development program for the three and a half year extension of the Regional Finance and Planning Project. Section B below discusses the amount of foreign exchange and local currency remaining in the project and the amount of additional funding that will be required.

B. Additional Funding and Methods of Financing

Of the \$3,200,000 currently authorized for the Project, \$2,377,752 has been committed. Some earmarked funds, however, will be released because of services never provided. That will bring the existing funding available under the Project to approximately \$1,215,000, meaning that an additional \$5,100,000 will have to be allocated to the Project to fund the extension. This will be financed from funds which USAID and the GOS deobligated in FY 1985 from the Southern Region Agricultural Development (\$5 million) and Southern Roads Maintenance and Rehabilitation (\$100,000) projects. As discussed in Section D below, USAID will administer all foreign exchange under the project.

On the local currency side, the equivalent of \$8,427,000 in Sudanese pounds was reserved for the Project through previous grant agreement amendments. Of this amount, the local currency equivalent of \$4,211,242 has been spent, leaving a balance of the local currency equivalent of \$4,215,758. At the exchange rate of LS 3.3 = \$1.00, the amount of local currency remaining equals LS 13,912,000. The local currency portion of the budget for the project extension will require the allocation of an additional LS 76,938,000 (the equivalent of \$23.3 million at the LS 3.3/\$1.00 exchange rate) in PL 480 Title III generations.

C. GOS Project Account

The GOS local currency Project Account will be used to finance PVO subprojects (as discussed in Section IV-F), the ABS private sector support fund, in-country training, audits, and the cost of running the Khartoum and Regional Project Offices (excluding costs associated with the Project and Regional Coordinators, expatriate technical assistance, and vehicle purchases). The total amount to be administered through the GOS project account is approximately LS 68,135,000.

D. USAID Trust Fund

USAID's local currency trust fund will be used to finance cooperative agreements with the PVOs, all local costs associated with the Project and Regional Coordinators, expatriate TA and vehicle procurement, and logistical support as defined in line item 5 of the attached budget. The total amount to be administered through the trust fund is approximately LS 22,715,000.

E. Foreign Exchange Obligation Mechanisms

All foreign exchange under the project will be granted to the GOS through a grant agreement amendment expected to be signed in March 1986. The amended agreement will authorize USAID to subgrant such funds as might be necessary to finance cooperative agreements with PVOs participating in the project. The GOS will participate in all aspects of selecting PVOs for cooperative agreements so that Section 1311 of the Supplemental Appropriations Act of 1955 is satisfied. USAID will administer all other foreign exchange procurements through direct contracts or purchase orders.

F. Cooperative Agreement vs Grant

As required in AID Handbook 13, Chapter 6, USAID and the GOS carefully considered whether to engage the services of PVOs through cooperative agreements or grants. Cooperative agreements were selected because of the substantial involvement anticipated from AID and the GOS during implementation of the PVO programs. In order to assure that PVO programs remain consistent with Sudan's national, regional and local priorities, USAID and the GOS will review PVO workplans each quarter (Section IV-F). Funds to implement workplans and approved subprojects will be agreed upon during these reviews and provided directly to PVOs through Memoranda of Understanding with the GOS Ministry of Finance and Economic Planning (also described in Section IV-F). Such substantial GOS involvement has the benefit of drawing regional and national government officials out of major towns and into the field to observe and evaluate PVO activities. This will provide opportunities to demonstrate the benefits of community involvement in project planning and implementation and could prove a major factor in reformulating Sudanese views and practice toward decentralization.

G. Disbursement/Payment Procedures

<u>Project Element</u>	<u>Contracting Mode</u>	<u>FX Payment</u>	<u>Local Payment</u>	<u>Certification</u>
1. PVO Agreements	USAID Cooperative Agreement	Direct	Trust Account	USAID
2. Project Coordinator	USAID PSC	Direct	Trust Account	USAID
3. Regional Coordinators	Direct	N/A	Trust Account	USAID
4. Local Support Staff/Enumerators	HC/Directorate for Regional Development	N/A	Gos Project Account	GOS/DRD
5. Audits	Direct	N/A	Trust Account	USAID

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<u>Project Element</u>	<u>Contracting Mode</u>	<u>FX Payment</u>	<u>Local Payment</u>	<u>Certification</u>
6. Evaluation	Direct	Direct	Trust Account	USAID
7. Overseas Training	PIO/P	Direct	N/A	USAID
8. In-country Training	N/A	N/A	GOS Project Account	GOS/DRD
9. Subproject Funding	H.C.Memo of Understanding with PVOs	N/A	GOS Project Account	GOS/DRD
10. Communications/ Monthly Transport	Direct	Direct	Trust Account	USAID

Summary Budget

<u>USE OF FUNDS</u>	<u>AID GRANT</u> <u>(US\$ 000)</u>	<u>GOS</u> <u>(LS 000) ^{1/}</u>
1. Khartoum Project Office		
a. Project Coordinator [36pm x (\$13,000 + LS 6,000)]	468	216
b. Local Support Staff (5 people x LS 15,000 x 3 years)		225
c. Vehicle	20	10
d. Transportation and operating expenses	10	120
e. Short-term TA [18pm x (\$20,000 + LS 8,000)]	<u>360</u>	<u>192</u>
f. Subtotal	858	763
2. Regional Project Offices		
a. Regional Coordinators (72pm x LS 3,500/mo)		252
b. Enumerators (10 people x 3 years x LS 20,000)		600
c. Local Support Staff (8 people x 3 years x LS 8500)		204
d. Vehicles (4)	80	40
e. Travel/Per Diem		90
f. Operating Expenses	<u>10</u>	<u>200</u>
g. Subtotal	90	1,386
3. PVO Agreements		
a. Expatriate Staff [5 PVOs x 4 expats. x 3 years x (\$32,500 + LS 24,000)]	1,950	1,440
b. Local Professional Staff (5 PVOs x 10 people x 3 years x LS 40,000)		6,000
c. Local Support Staff (5 PVOs x 10 people x 3 years x LS 8,000)		1,200
d. Expatriate Short-term TA [5 PVOs x 6pm x (\$10,000 + LS 2,000)]	300	60
e. Local Short-Term TA (5 PVOs x 24 pm x LS 8,000)	-	960
f. Vehicles [5 PVOs x 4 vehicles x (\$20,000 + LS 10,000)]	400	250
g. Emergency commodities [5 PVOs x (\$250,000 + LS 500,000)]	<u>1,250</u>	<u>2,500</u>
h. Subtotal	3,900	12,410

^{1/} GOS local currency contribution from PL 480 Title III generations.

^{2/} Three person months of both short term and long-term TA are reserved for a project evaluation.

4. Subproject Funding		
a. Grants through PVOs (5 PVOs x LS 8,000,000)	-	40,000
b. ABS Credit Fund	-	<u>3,000</u>
c. Subtotal		43,000
5. USAID Logistical Support		
a. Communications	75	250
b. Monthly Transport	-	200
c. Field Visits	-	<u>75</u>
d. Subtotal	75	525
6. Training		
a. In-Country (3 years x 30 participants x LS 8,000)	-	720
b. Overseas	<u>250</u>	<u>30</u>
c. Subtotal	250	750
7. Audits	-	150
8. Subtotal	5,173	58,984
9. Contingency (10%)	517	5,898
10. Inflation (7% FX; 25% LS; vehicles/ communications equipment excluded)	25	25,968
11. Total	6,315	90,850

Attachment 1

The attached cable provides AID/Washington's Delegation of Authority to the Sudan Mission to approve this Amendment to the Regional Finance and Planning Project.

ACTION: AID-5 INFO: AMB DCM ECON

VZCZCKHC934
 OO RUEHKH
 DE RUEHC #1040 0411904
 ZNR UUUUU ZZH
 O R 101857Z FEB 86
 FM SECSTATE WASHDC
 TO RUEHKH/AMEMBASSY KHARTOUM IMMEDIATE 1451
 INFO RUEHNR/AMEMBASSY NAIROBI 5941
 BT
 UNCLAS STATE 041040

BEST AVAILABLE DOCUMENT

11-FEB-86
 TOR: 06:03
 CN: 09373
 CHR: AID
 DIST: AID

AIDAC

E.O. 12356: N/A

TAGS:

SUBJECT: SUBJECT: SUDAN REGIONAL FINANCE AND PLANNING
 (650-0012) REQST FOR DELEGATION TO AMEND PROJECT

REFS: A. KHARTOUM 17754, B. STATE 392113, C. KHARTOUM
 00357

1. AA/AFR HEREBY DELEGATES AUTHORITY TO THE SUDAN MISSION TO APPROVE AN AMENDMENT TO THE REGIONAL FINANCE AND PLANNING PROJECT (650-0012) IN AN AMOUNT NOT TO EXCEED DOLLARS 5.1 MILLION FOR A TOTAL PROJECT FUNDING OF DOLS 8.3 MILLION. THIS AD HOC DELEGATION OF AUTHORITY SHALL BE EXERCISED IN ACCORDANCE WITH THE TERMS AND CONDITIONS OF DOA 140, EXCEPT FOR THE DOLLAR AMOUNT LIMITATION. THE BASIS FOR THE AMENDMENT IS CONTAINED IN REFTELS (A) AND (C).

2. THE AMENDMENT SHOULD ADDRESS THE FOLLOWING CONCERNS, AS IDENTIFIED IN AID/W REVIEWS:

A. RE REFTEL A, PARA CAPTIONED QUOTE 611 (A) CERTIFICATION UNQUOTE, TWO ISSUES SHOULD BE ADDRESSED:
 A) WHETHER THE GRANT TO THE GOS IS IN FACT AN OBLIGATION UNDER SECTION 1311 OF THE SUPPLEMENTAL APPROPRIATIONS ACT OF 1955, IN LIGHT OF THE APPARENT SITUATION WHERE AID WILL "TAKE BACK THE FUNDS" AND RE (SUB) GRANT THEM TO PVOS AND B) WHETHER THERE IS ADEQUATE TECHNICAL AND FINANCIAL PLANNING TO SATISFY FAA SECTION 611 (A).
 FIRST ISSUE IS NORMALLY RESOLVED BY HAVING THE INITIAL GRANTEE (HOST GOVERNMENT), RATHER THAN AID, SUBGRANT THE FUNDS. IN THE UNUSUAL SITUATION WHERE AID WISHES TO SUBGRANT THE FUNDS, EXTREME CARE MUST BE TAKEN TO ENSURE THAT THE US IS BOUND TO PROVIDE GRANT FUNDS TO THE HOST COUNTRY AND THAT THE HOST COUNTRY BE IN A POSITION TO CONTROL THE GRANT FUNDS. REGARDING 611 (A) CONCERNS, THERE ARE SEVERAL WAYS TO MEET THIS REQUIREMENT IN THE AMENDMENT. THESE INCLUDE STATEMENTS OF CRITERIA AND PROCEDURES FOR SUBPROJECT SELECTION, COUPLED WITH COSTED-OUT LISTS OF ACCEPTABLE ILLUSTRATIVE SUB-ACTIVITIES. IT IS NOT NORMAL TO HAVE THE 611 (A) REQUIREMENT UNMET IN SOME FORM AT THE TIME OF AUTHORIZATION. BECAUSE THE VARIOUS MEANS OF MEETING 611

(A) AND 1311 REQUIREMENTS DEPEND UPON FACTS OF EACH SITUATION AND ACTIVITY, MISSION SHOULD CONSULT WITH RLA AT AN EARLY POINT IN AMENDMENT FINALIZATION. IT IS ALSO ASSUMED THAT MISSION IS WORKING CLOSELY WITH THE RLA ON PVO SELECTION PROCEDURES AND ANY CHANGES IN CP'S OR COVENANTS.

B. SINCE CODE 941 MAY BE AUTHORIZED FOR THE ENTIRE PROJECT UNDER EB1B, CH.5 (SUDAN IS AN RLDC), NO WAIVER IS REQUIRED TO ALLOW PVOS TO PROCURE 941 COMMODITIES UNDER THE PROJECT.

C. PLEASE NOTE THAT OFFICIAL PROJECT PURPOSE IS AS STATED IN PROJECT AUTHORIZATION AMENDMENT NO. 1, WHICH VARIES SLIGHTLY FROM PURPOSE STATED IN KHARTOUM 17754.

D. AMENDMENT MUST MAKE THE CASE OF HOW PROJECT EFFORTS INITIATED BY PVOS WILL CONTINUE AFTER PROJECT TERMINATION AND ADDRESS HOW LOCAL COMMUNITIES WILL MEET RECURRENT COSTS. THIS IS PARTICULARLY CRUCIAL IN LIGHT OF SUBSTANTIAL AMOUNT (DOLS 23 MILLION) OF TITLE III GENERATIONS THAT WILL BE USED FOR LOCAL PROJECTS.

E. IF PROJECT FUNDS ARE TO BE USED TO PAY TRAINING COSTS FOR REGIONAL GOS OFFICIALS, A CASE MUST BE MADE TO JUSTIFY SUCH EXPENDITURES IN LIGHT OF INEFFECTIVENESS OF THE REGIONAL STRUCTURE AND NEW THRUST OF ACTIVITIES. AID/W QUESTIONS THE ADVISABILITY OF INCLUDING REGIONAL GOS TRAINING IN THE AMENDED PROJECT, IN LIGHT OF PAST EXPERIENCE.

F. AMENDMENT BUDGET SHOULD INCLUDE LINE ITEMS FOR OUTSIDE EVALUATIONS AND FOR POSSIBLE SHORT-TERM TA OUTSIDE OF PVO SUBGRANTS.

3. BUREAU ENVIRONMENTAL OFFICE FOR AFRICA, WITH GC/AFR CONCURRENCE, APPROVES A CATEGORICAL EXCLUSION FOR ANY TRAINING AND TECHNICAL ASSISTANCE CONTAINED IN THE PP AMENDMENT THRESHOLD DECISIONS FOR SUBPROJECTS ARE DEFERRED, AND BEO DELEGATES AUTHORITY TO THE REDSO/ESA REGIONAL ENVIRONMENTAL OFFICER, WITH RLA CLEARANCE, TO APPROVE SUCH DECISIONS.

4. ALL OTHER CONCERNS RAISED IN AID/W HAVE BEEN ADDRESSED IN OUTLINE FORM THROUGH REFTELS A AND C.

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Logical Framework

Note: (This log frame focuses on part 2 of the project purpose as stated in PP Amendment 1. It does not reflect activities previously undertaken.)

<u>Goal</u>	<u>Verifiable Indicators</u>	<u>Means of Verification</u>	<u>Important Assumptions</u>
To make community, village and local organizations more autonomous and to increase the development impact of local level projects.	<ol style="list-style-type: none"> 1) Increased number of projects developed at local level. 2) Changes in legislation or regulations allowing more financial autonomy at the local level. 3) Formation of village level development committees. 4) Subproject revenue generating systems cover operations, maintenance and depreciation costs, allowing for their continuing operation. 5) Participating villages in Kordofan and Darfur increase their tax base or establish taxable services or activities. 	<ol style="list-style-type: none"> 1) Quarterly Reports from PVOs 2) Publication of new legislation or regulations 3) Reports from Regional Coordinators and councils 4) Site inspections 5) Baseline needs assessments and follow up data collection and evaluation through project 	Central and regional governments do not usurp revenues that villages collect for subproject operations and maintenance.

Purpose

To support a continuing GOS effort to promote decentralized government and decentralization of services.

Verifiable Indicators

- 1) Villages in 4-6 districts in Kordofan and Darfur participating in project planning and design through locally recognized committees.
- 2) Systems in place for operating and maintaining project activities.
- 3) Revolving fund in the Agricultural Bank of Suda finances small-scale private sector activities in Kordofan and Darfur through regional offices.
- 4) Women's role in rural economy considered in all subprojects and subprojects initiated to enhance women's role in village development.
- 5) Villages contract with public or private sector entities for services.
- 6) Regional and Central officials related to project increase time in field and have greater contact with communities.

Means of Verification

- 1) Baseline PVO assessment
- 2) Audits of accounting records
- 3) Minutes of District Council meetings
- 4) Review of proposals submitted by villages and PVOs
- 5) Regional Technical Committee records and proceedings on village development programs
- 6) Quarterly Reports from PVOs
- 7) Evaluation

Important Assumptions

- 1) There is a sufficient resource base at the village level to sustain development activities.
- 2) Villages willing to accept more autonomy from central government organizations.

Outputs

Verifiable Indicator

Means of Verification

Important Assumptions

- | | | | |
|---|--|--|---|
| <ol style="list-style-type: none"> 1) PVOs establish local development programs within 4-6 districts in Kordofan and Darfur. 2) Workplans for local development activities reviewed at district and regional levels. 3) District Councils approve subprojects. 4) Funds channelled from central government to communities with minimal bureaucratic encumbrance. 5) PVOs and community groups implement subprojects related to water resource development, community-based agr and forestry, with special attention to roles of private sector and women. 6) Revolving fund established in ABS for small-scale private sector activities in Kordofan and Darfur. 7) Approximately 30 Sudanese trained annually in project planning/management. 8) On the job training of villagers. | <ol style="list-style-type: none"> 1) Operational village committees holding meetings on subprojects. 2) Accounts set up in ABS; accounts drawn down and replenished. 3) Mechanisms designed to maintain activities; accounting systems and bank accounts set up. 4) Attention to women's needs in subproject proposals; presence of women in village committees and at project planning level. 5) Procedures in place to contract with either public or private entities. 6) Regional technical committees meet at least quarterly, including representatives of District Councils. | <ol style="list-style-type: none"> 1) PVO and regional coordinator reports including accounting information on subprojects 2) Subproject proposals 3) ABS records 4) Site inspections 5) Evaluation 6) Specifications, tenders and contracts with public or private entities | <ol style="list-style-type: none"> 1) Private sector firms mobilize to work on wateryards and other projects in West. 2) Social mores continue to allow women to be involved in village level development and to take leadership roles. 3) District Councils and Central and Regional Governments comply with terms of Project Agreement to allow greater local autonomy. 4) Trainees have opportunities to apply skills to local development activities. |
|---|--|--|---|

<u>Inputs</u>	<u>Verifiable Indicator</u>	<u>Means of Verification</u>	<u>Important Assumptions</u>
1) \$ 4.15 million of technical and commodity assistance with 4-6 PVOs working in Kordofan & Darfur Regions.	1) PVO teams physically in various districts in Kordofan and Darfur.	1) Site inspections	1) There are qualified PVOs willing to work in Kordofan and Darfur.
2) Project offices and Coordinators in Kordofan, Darfur and Khartoum (36 pm expat assistance; 72 pm local professional; local support staff).	2) Regional Coordinator offices in place in Kordofan and Darfur.	2) PIO/Ps	2) Qualified staff can be recruited for offices in regions and Khartoum.
3) Counterpart funds totalling LS 90.85 million from Title III for local currency costs.	3) Project Coordinator in Khartoum with office and staff.	3) PIO/Ts	3) GOS complies with agreement to release counterpart funds.
4) Short-term technical assistance. (18 pm local; 18 pm expatriate)	4) Title III counterpart funds budgeted by GOS.	4) PIO/Cs	4) Budgeted funds are sufficient to finance subprojects to be identified during project implementation.
5) LS 3,000,000 reserved for ABS.	5) Communications network established.	5) Review of GOS local currency accounts	
6) LS 725,000 in in-country training; \$250,000 for overseas training or T.A. for Sudanese training institutes.		6) Leases	
7) Logistical support for communications network and travel (\$75,000; LS 525,000).		7) Cooperative Agreements	

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5C(1) - COUNTRY CHECKLIST

Listed below are statutory criteria applicable generally to FAA funds, and criteria applicable to individual fund sources: Development Assistance and Economic Support Fund.

A. GENERAL CRITERIA FOR COUNTRY ELIGIBILITY

1. FAA Sec. 481(h)(1); FY 1986 Continuing Resolution Sec. 527. Has it been determined or certified to the Congress by the President that the government of the recipient country has failed to take adequate measures or steps to prevent narcotic and psychotropic drugs or other controlled substances (as listed in the schedules in section 202 of the Comprehensive Drug Abuse and Prevention Control Act of 1971) which are cultivated, produced, or processed illicitly, in whole or in part, in such country or transported through such country, from being sold illegally within the jurisdiction of such country to United States Government personnel or their dependents or from entering the United States unlawfully?

No

2. FAA Sec. 481(h)(4). Has the President determined that the recipient country has not taken adequate steps to prevent (a) the processing, in whole or in part, in such country of narcotic and psychotropic drugs or other controlled substances, (b) the transportation through such country of narcotic and psychotropic drugs or other controlled substances, and (c) the use of such country as a refuge for illegal drug traffickers?

No

3. FAA Sec. 620(c). If assistance is to a government, is the government liable as debtor or unconditional guarantor on any debt to a U.S. citizen for goods or services furnished or ordered where (a) such citizen has exhausted available legal remedies and (b) the debt is not denied or contested by such government? No
4. FAA Sec. 620(e)(1). If assistance is to a government, has it (including government agencies or subdivisions) taken any action which has the effect of nationalizing, expropriating, or otherwise seizing ownership or control of property of U.S. citizens or entities beneficially owned by them without taking steps to discharge its obligations toward such citizens or entities? No
5. FAA Sec. 620(a), 620(f), 620D; FY 1986 Continuing Resolution Sec. 512. Is recipient country a Communist country? If so, has the President determined that assistance to the country is important to the national interests of the United States? Will assistance be provided to Angola, Cambodia, Cuba, Iraq, Syria, Vietnam, Libya, or South Yemen? Will assistance be provided to Afghanistan without a certification? No
6. FAA Sec. 620(j). Has the country permitted, or failed to take adequate measures to prevent, the damage or destruction by mob action of U.S. property? No

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7. FAA Sec. 620(1). Has the country failed to enter into an agreement with OPIC?
8. FAA Sec. 620(o); Fishermen's Protective Act of 1967, as amended, Sec. 5. (a) Has the country seized, or imposed any penalty or sanction against, any U.S. fishing activities in international waters?

(b) If so, has any deduction required by the Fishermen's Protective Act been made?
9. FAA Sec. 620(q); FY 1986 Continuing Resolution Sec. 518. (a) Has the government of the recipient country been in default for more than six months on interest or principal of any AID loan to the country? (b) Has the country been in default for more than one year on interest or principal on any U.S. loan under a program for which the appropriation bill (or continuing resolution) appropriates funds?
10. FAA Sec. 620(s). If contemplated assistance is development loan or from Economic Support Fund, has the Administrator taken into account the amount of foreign exchange or other resources which the country has spent on military equipment?
(Reference may be made to the annual "Taking into Consideration" memo: "Yes, taken into account by the Administrator at time of approval of Agency OYB." This approval by the Administrator of the Operational Year Budget can be the basis for an affirmative answer during the fiscal year unless significant changes in circumstances occur.)

No

No

In March 1986, the Government of Sudan made payments to the U.S. to clear debts under this section of the FAA.

N/A

11. FAA Sec. 620(t). Has the country severed diplomatic relations with the United States? If so, have they been resumed and have new bilateral assistance agreements been negotiated and entered into since such resumption?
- The Sudan Government severed diplomatic relations with the U.S. in 1967, but such relations were resumed in 1972. The 1958 Bilateral Assistance Agreement was reconfirmed in 1971 and remains in effect.
12. FAA Sec. 620(u). What is the payment status of the country's U.N. obligations? If the country is in arrears were such arrearages taken into account by the AID Administrator in determining the current AID Operational Year Budget? (Reference may be made to the Taking into Consideration memo.)
- Sudan was not considered to have been in arrears on payments to the U.N. when the Administrator approved the FY 86 OYB.
13. FAA Sec. 620A; Has the government of the recipient country aided or abetted, by granting sanctuary from prosecution to, any individual or group which has committed an act of international terrorism?
14. ISDCA of 1985 Sec. 552(b). Has the Secretary of State determined that the country is a high terrorist threat country after the Secretary of Transportation has determined, pursuant to Section 1115(e)(2) of the Federal Aviation Act of 1958, that an airport in the country does not maintain and administer effective security measures?

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15. FAA Sec. 666. Does the country object, on the basis of race, religion, national origin or sex, to the presence of any officer or employee of the U.S. who is present in such country to carry out economic development programs under the FAA. No
16. FAA Sec. 669, 670. Has the country after August 3, 1977, delivered or received nuclear enrichment or reprocessing equipment, materials, or technology, without specified arrangements or safeguards? Has it transferred a nuclear explosive device to a non-nuclear weapon state, or if such a state, either received or detonated a nuclear explosive device? (FAA Sec. 602E permits a special waiver of Sec. 669 for Pakistan.) No
17. FAA Sec. 670. If the country is a non-nuclear weapon state, has it, on or after August 8, 1985, exported illegally (of attempted to export illegally) from the United States any material, equipment, or technology which would contribute significantly to the ability of such country to manufacture a nuclear explosive device? No

18. ISDCA of 1981 Sec. 720. Was the country represented at the Meeting of Ministers of Foreign Affairs and Heads of Delegation of the Non-Aligned Countries to the 36th General Assembly of the U.N. of Sept. 25 and 28, 1981, and failed to disassociate itself from the communique issued? If so, has the President taken it into account? (Reference may be made to the Taking into Consideration memo).

Sudan was represented at this meeting and to date has not disassociated itself with the communique in question. This action on the part of Sudan has been considered by the U.S. Government in approving the Agency's FY 86 OYB.

19. FY 1986 Continuing Resolution Sec. 541.

Are any of the funds to be used for the performance of abortions as a method of family planning or to motivate or coerce any person to practice abortions?

No

Are any of the funds to be used to pay for the performance of involuntary sterilization as a method of family planning or to coerce or provide any financial incentive to any person to undergo sterilizations?

No

Are any of the funds to be used to pay for any biomedical research which relates, in whole or in part, to methods of, or the performance of, abortions or involuntary sterilization as a means of family planning?

No

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20. FY 1986 Continuing Resolution. Is the assistance being made available to any organization or program which has been determined as supporting or participating in the management of a program of coercive abortion on involuntary sterilization?

No

If assistance is from the population functional account, are any of the funds to be made available to family planning projects which do not offer, either directly or through referral to or information about access to, a broad range of family planning methods and services?

N/A

21. FY 1986 Continuing Resolution Sec. 529. Has the recipient country been determined by the president to have engaged in a consistent pattern of opposition to the foreign policy of the United States?

No

22. FY 1986 Continuing Resolution Sec. 513. Has the duly elected Head of Government of the country been deposed by military coup or decree?

No

b. FUNDING SOURCE CRITERIA FOR COUNTRY ELIGIBILITY

1. Development Assistance Country Criteria

FAA Sec. 116. Has the Department of State determined that this government has engaged in a consistent pattern of gross violations of

No

internationally recognized human rights? If so, can it be demonstrated that contemplated assistance will directly benefit the needy?

2. Economic Support Fund
Country Criteria

FAA Sec. 502b. Has it been determined that the country has engaged in a consistent pattern of gross violations of internationally recognized human rights? If so, has the country made such significant improvements in its human rights record that furnishing such assistance is in the national interest?

5C(2) PROJECT CHECKLIST

Listed below are statutory criteria applicable to projects. This section is divided into two parts. Part A. includes criteria applicable to all projects. Part B. applies to projects funded from specific sources only:
B.1. applies to all projects funded with Development Assistance loans, and
B.3. applies to projects funded from ESF.

CROSS REFERENCES: IS COUNTRY CHECKLIST UP TO DATE? HAS STANDARD ITEM CHECKLIST BEEN REVIEWED FOR THIS PROJECT?

A. GENERAL CRITERIA FOR PROJECT

- 1. FY 1986 Continuing Resolution Sec. 524; FAA Sec/ 634A.

Describe how authorizing and appropriations committees of Senate and House have been or will be notified concerning the project.

Congress has been formally notified and the fifteen day waiting period for obligation expired on April 2, 1986, without objection.

- 2. FAA Sec. 611(a)(1). Prior to obligation in excess of \$500,000, will there be (a) engineering, financial or other plans necessary to carry out the assistance and (b) a reasonably firm estimate of the cost to the U.S. of the assistance?

a) Yes

b) Yes

- 3. FAA Sec. 611(a)(2). If further legislative action is required within recipient country, what is basis for reasonable expectation that such action will be completed in time to permit orderly accomplishment of purpose of the assistance?

No further legislative action is required.

4. FAA Sec. 611(b); FY 1986 Continuing Resolution Sec. 501. If for water or water-related land resource construction, has project met the principles, standards, and procedures established pursuant to the Water Resources Planning Act (42 U.S.C. 1962, et seq.)? (See AID Handbook 3 for new guidelines.)

Virtually all the financing provided under the project for subprojects involving water-related land resource construction will be provided by the Government of Sudan.

5. FAA Sec. 611(e). If project is capital assistance (e.g., construction), and all U.S. assistance for it will exceed \$1 million, has Mission Director certified and Regional Assistant Administrator taken into consideration the country's capability effectively to maintain and utilize the project?

N/A

6. FAA Sec. 209. Is project susceptible to execution as part of regional or multilateral project? If so, why is project not so executed? Information and conclusion whether assistance will encourage regional development programs.

The project focuses on village development problems in specific areas of Sudan and is not susceptible to execution on a regional basis.

7. FAA Sec. 601(a). Information and conclusions whether projects will encourage efforts of the country to: (a) increase the flow of international trade; (b) foster private initiative and competition; and (c) encourage development and use of cooperatives, and credit unions, and savings and loan associations; (d) discourage monopolistic practices; (e) improve technical efficiency of industry, agriculture and commerce; and (f) strengthen free labor unions.

The goal of the project is to make community, village and local organizations more autonomous from the Central Government. To help accomplish this, the private sector will undertake many of the activities previously the responsibility of the Government.

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8. FAA Sec. 601(b). Information and conclusions on how project will encourage U.S. private trade and investment abroad and encourage private U.S. participation in foreign assistance programs (including use of private trade channels and the services of U.S. private enterprise). U.S. technical assistance, commodities and equipment will be used.
9. FAA Sec. 612(b), 636(h); FY 1986 Continuing Resolution Sec. 507. Describe steps taken to assure that, to the maximum extent possible, the country is contributing local currencies to meet the cost of contractual and other services, and foreign currencies owned by the U.S. are utilized in lieu of dollars. See financial plan. Local currency generated through the PL 480 program will be used in lieu of U.S. dollars to finance local costs. The project was designed to limit dollar costs and utilize local currency.
10. FAA Sec. 612(d). Does the U.S. own excess foreign currency of the country and, if so, what arrangements have been made for its release? No
11. FAA Sec. 601(e). Will the project utilize competitive selection procedures for the awarding of contracts, except where applicable procurement rules allow otherwise? Yes
12. FY 1986 Continuing Resolution Sec. 522. If assistance is for the production of any commodity for export, is the commodity likely to be in surplus on world markets at the time the resulting productive capacity becomes operative, and is such assistance likely to cause substantial injury to U.S. producers of the same, similar or competing commodity? N/A

13. FAA 118(c) and (d). Does the project comply with the environmental procedures set forth in AID Regulation 16. Does the project or program take into consideration the problem of the destruction of tropical forests?

- a) Yes
- b) N/A

14. FAA 121(d). If a Sahel project, has a determination been made that the host government has an adequate system for accounting for and controlling receipt and expenditure of project funds (dollars or local currency generated therefrom)?

N/A

15. FY 1986 Continuing Resolution Sec. 533. Is disbursement of the assistance conditioned solely on the basis of the policies of any multilateral institution?

No

16. ISDCA of 1985 Sec. 310. For development assistance projects, how much of the funds will be available only for activities of economically and socially disadvantaged enterprises, historically black colleges and universities, and private and voluntary organizations which are controlled by individuals who are black Americans, Hispanic Americans, or Native Americans, or who are economically or socially disadvantaged (including women)?

No funds have been specifically set aside for such activity. However, of the shortlisted PVOs one of them falls under this category and all the PVOs have been encouraged to sub-contract with economic and socially disadvantaged enterprises.

B. FUNDING CRITERIA FOR PROJECT

1. Development Assistance
Project Criteria

- a. FAA Sec. 102(a), 111, 113, 281(a). Extent to which activity will (a) effectively involve the poor in development, by extending access to economy at local level, increasing labor-intensive production and the use of appropriate technology, spreading investment out from cities to small towns and rural areas, and insuring wide participation of the poor in the benefits of development on a sustained basis, using the appropriate U.S. institutions; (b) help develop cooperatives, especially by technical assistance, to assist rural and urban poor to help themselves toward better life, and otherwise encourage democratic private and local governmental institutions; (c) support the self-help efforts of developing countries; (d) promote the participation of women in the national economies of developing countries and the improvement of women's status, (e) utilize and encourage regional cooperation by developing countries?

The goal of the project is to make community, village and local organizations more autonomous and to increase the development impact of local projects. These villages in western Sudan were ravaged by the 83-84 drought and are among the poorest in Sudan. The principal means of reaching these villages will be through small-scale subprojects that emphasize village participation in project design and implementation. Specific subprojects promoting the participation of women will be undertaken.

- b. FAA Sec. 103, 103A, 104, 105, 106. Does the project fit the criteria for the type of funds (functional account being used)? **Yes**
- c. FAA Sec. 107. Is emphasis on use of appropriate technology (relatively smaller, cost-saving, labor-using technologies that are generally most appropriate for the small farms, small businesses, and small incomes of the poor)? **Yes**
- d. FAA Sec. 110(a). Will the recipient country provide at least 25% of the costs of the program, project, or activity with respect to which the assistance is to be furnished (or is the latter cost-sharing requirement being waived for a "relatively least developed country")? No local currencies under this project will be provided through the PL 480 Title III Program. They cannot be counted as Sudan's contribution for 110(a) purposes since they will also be counted as payments under PL 480 Section 305. However, due to GOS financial constraints, the AA/AFR waived this requirement for this project in the action memo delegating to the Mission the authority to approve this amendment.
- e. FAA Sec. 122(b). Does the activity give reasonable promise of contributing to the development of economic resources, or to the increase of productive capacities and self-sustaining economic growth? **Yes**

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f. FAA Sec. 128(b). If the activity attempts to increase the institutional capabilities of private organizations or the government of the country, or if it attempts to stimulate scientific and technological research, has it been designed and will it be monitored to ensure that the ultimate beneficiaries are the poor majority?

Yes. The project is focused in improving the standard of living and production capabilities of poor rural communities in western Sudan.

g. FAA Sec. 281(b). Describe extent to which program recognizes the particular needs, desires, and capacities of the people of the country; utilizes the country's intellectual resources to encourage institutional development; and supports civil education and training in skills required for effective participation in governmental processes essential to self-government.

The project is designed to work at the village level in determining development priorities. To do this Sudanese technical and administrative expertise will be used to the fullest extent possible. In-country training programs are included in the project for officials involved in the decentralization of government services.

2. Development Assistance Project
Criteria (Loans Only)

a. FAA Sec. 122(b).
Information and conclusion on
capacity of the country to
repay the loan, at a
reasonable rate of interest.

N/A

b. FAA Sec. 620(d). If
assistance is for any
productive enterprise which
will compete with U.S.
enterprises, is there an
agreement by the recipient
country to prevent export to
the U.S. of more than 20% of
the enterprise's annual
production during the life
of the loan?

N/A

5C(3) - STANDARD ITEM CHECKLIST

Listed below are the statutory items which normally will be covered routinely in those provisions of an assistance agreement dealing with its implementation, or covered in the agreement by imposing limits on certain uses of funds.

These items are arranged under the general headings of (A) Procurement, (B) Construction, and (C) Other Restrictions.

A. PROCUREMENT

1. FAA Sec. 602. Are there arrangements to permit U.S. small business to participate equitably in the furnishing of commodities and services financed?
2. FAA Sec. 604(a). Will all procurement be from the U.S. except as otherwise determined by the President or under delegation from him?
3. FAA Sec. 604(d). If the cooperating country discriminates against marine insurance companies authorized to do business in the U.S., will commodities be insured in the United States against marine risk with such a company?

4. FAA Sec. 604(e); ISDCA of 1980 Sec. 705(a). If offshore procurement of agricultural commodity or product is to be financed, is there provision against such procurement when the domestic price of such commodity is less than parity? (Exception where commodity financed could not reasonably be procured in U.S.)

N/A

5. FAA Sec. 604(g). Will construction or engineering services be procured from firms of countries which receive direct economic assistance under the FAA and which are otherwise eligible under Code 941, but which have attained a competitive capability in international markets in one of these areas? Do these countries permit United States firms to compete for construction or engineering services financed from assistance programs of these countries?

No

6. FAA Sec. 603. Is the shipping excluded from compliance with requirement in section 901(b) of the Merchant Marine Act of 1936, as amended, that at least 50 per centum of the gross tonnage of commodities (computed separately for dry bulk carriers, dry cargo liners, and tankers) financed shall be transported on privately owned U.S. flag commercial vessels to the extent such vessels are available at fair and reasonable rates?

No

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7. FAA Sec. 621. If technical assistance is financed, will such assistance be furnished by private enterprise on a contract basis to the fullest extent practicable? If the facilities of other Federal agencies will be utilized, are they particularly suitable, not competitive with private enterprise, and made available without undue interference with domestic programs?

Technical assistance will be furnished by private voluntary organizations through cooperative agreements.

8. International Air Transportation Fair Competitive Practices Act, 1974. If air transportation of persons or property is financed on grant basis, will U.S. carriers be used to the extent such service is available?

Yes

9. FY 1986 Continuing Resolution Sec. 504. If the U.S. Government is a party to a contract for procurement, does the contract contain a provision authorizing termination of such contract for the convenience of the United States?

Yes

B. Construction

1. FAA Sec. 601(d). If capital (e.g., construction) project, will U.S. engineering and professional services be used?

N/A

2. FAA Sec. 611(c). If contracts for construction are to be financed, will they be let on a competitive basis to maximum extent practicable?

Yes

3. FAA Sec. 620(k). If for construction of productive enterprise, will aggregate value of assistance to be furnished by the U.S. not exceed \$100 million (except for productive enterprises in Egypt that were described in the CP)?

N/A

C. Other Restrictions

1. FAA Sec. 122(b). If development loan, is interest rate at least 2% per annum during grace period and at least 3% per annum thereafter?

N/A

2. FAA Sec. 301(d). If fund is established solely by U.S. contributions and administered by an international organization, does Comptroller General have audit rights?

N/A

3. FAA Sec. 620(h). Do arrangements exist to insure that United States foreign aid is not used in a manner which, contrary to the best interests of the United States, promotes or assists the foreign aid projects or activities of the Communist-bloc countries?

Yes

4. Will arrangements preclude use of financing:

- a. FAA Sec. 104(f); FY 1986 Continuing Resolution Sec. 526. (1) To pay for performance of abortions as a method of family planning or to motivate or coerce persons to practice abortions; (2) to pay for performance of involuntary

Yes

sterilization as method of family planning, or to coerce or provide financial incentive to any person to undergo sterilization; (3) to pay for any biomedical research which relates, in whole or part, to methods or the performance of abortions or involuntary sterilizations as a means of family planning; (4) to lobby for abortion?

- b. FAA Sec. 488. To reimburse persons, in the form of cash payments, which illicit drug crops are eradicated? Yes

- c. FAA Sec. 620(g). To compensate owners for expropriated nationalized property? Yes

- d. FAA Sec. 660. To provide training or advice or provide any financial support for police, prisons, or other law enforcement forces, except for narcotics programs? Yes

- e. FAA Sec. 662. For CIA activities? Yes

- f. FAA Sec. 636(i). For purchase, sale, long-term lease, exchange of guaranty of the sale of motor vehicles manufactured outside U.S., unless a waiver is obtained? Yes

- g. FY 1986 Continuing Resolution, Sec. 503.
To pay pensions, annuities, retirement pay, or adjusted service compensation for military personnel? Yes
- h. FY 1986 Continuing Resolution, Sec. 505.
To pay U.N. assessments, arrearages or dues? Yes
- i. FY 1986 Continuing Resolution, Sec. 506.
To carry out provisions of FAA section 209(d) (Transfer of FAA funds to multilateral organizations for lending)? Yes
- j. FY 1986 Continuing Resolution, Sec. 510.
To finance the export of nuclear equipment, fuel, or technology? Yes
- k. FY 1986 Continuing Resolution, Sec. 511.
For the purpose of aiding the efforts of the government of such country to repress the legitimate rights of the population of such country contrary to the Universal Declaration of Human Rights? Yes
- l. FY 1986 Continuing Resolution, Sec. 516.
To be used for publicity or propaganda purpose within U.S. not authorized by Congress? Yes

GOS Request for Assistance

جمهورية السودان الديمقراطية
THE DEMOCRATIC REPUBLIC OF THE SUDAN

وزارة المالية والتخطيط الاقتصادي

Ministry of Finance and Economic Planning

(Planning)

P.O. Box. 2092, KHARTOUM

Cable : (EIMAR)

TELEX: 324



(التخطيط)

ص.ب ٢٠٩٢ - الخرطوم

طغرافيا : (اعمار)

تلکس : ٣٢٤

Khartoum: 17.3.1986

Ref: MF&EP/DRID/A.A./14/6

الخرطوم في :
الموافق :
النمرة :

Dr. William R. Brown
Director
USAID
Khartoum, Sudan

Dear Dr. Brown:

As the GOS project Director for the Regional Finance and Planning Project, I have been most pleased with the process we have jointly undertaken to review the project's previous impact and to chart a new course for development. The proposed approach toward local development, with an emphasis on community participation in project planning and implementation, capitalizes on the lessons we have learned in decentralized planning and finance .

The Government of Sudan strongly encourages USAID's continuing support for the project along these lines. We believe it will play a major role in addressing those needs which communities themselves see as most critical. As these needs are addressed, these communities will have the means to continue helping themselves.

I look forward to our continuing cooperation to implement this important endeavor.

Sincerely,

Abdel Rahman Mohamed Hassan
Director
Regional Development

Evaluation Criteria for PVO Applications

The following criteria will be used to evaluate the PVO applications for award of cooperative agreements. The criteria will be part of the Request for Applications to be sent to PVOs. In their applications PVOs are not expected to delineate specific subprojects within villages. However, sufficient time is available to consult with regional officials and Sudanese experts to identify development needs within a geographic area of concentration and to determine the types of activities that might be appropriate given prevailing ecological conditions.

	<u>Points</u>
1. <u>Organization and Clarity of Application</u>	25
2. <u>PVOs Previous Experience</u>	50
a. Development Experience: Demonstrated experience in designing and implementing projects in developing countries, particularly Africa.	(30)
b. Demonstrated capability to provide home office support, including logistics, recruitment and personnel support.	(20)
3. <u>PVOs Technical Expertise</u>	150
a. Water Resource Development	(30)
b. Agriculture	(30)
c. Small-Scale Private Sector Development	(30)
d. Rural Credit	(30)
e. Projects focusing on the economic status and contributions of women	(30)
4. <u>Expertise of Proposed Long-Term Expatriate Staff</u>	100
a. Administrative skills	(50)
b. Technical skills relevant to proposed program	(50)
5. <u>PVO's Philosophy and Approach</u>	150
a. Attention to "bottom up" planning in designing work plans, identifying subprojects and preparing proposals	(50)
b. Attention to involving communities in project implementation	(50)
c. Utilization of and support for private sector	(30)
d. Awareness and utilization of existing public sector services for activities related to this project	(20)

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6. <u>Program Description</u>	250
a. Responsiveness to technical priorities described herein and discussed at the PVO workshop	(100)
b. Responsiveness to geographic priorities specified by the regional governments at the PVO workshop	(50)
c. Responsiveness to administrative concerns, expressed at the PVO workshop, for PVO collaboration with existing regional and national institutions	(50)
d. Completeness of implementation plan	(25)
e. Adequacy of proposed monitoring mechanisms	(25)
7. <u>Training</u>	75
a. Appropriateness of proposed approach toward formal and informal training for community associations	(25)
b. Special attention to the training needs of rural women given their predominant role in traditional agriculture	(25)
c. Attention to formal and informal training needs of staff	(25)
8. <u>Collaboration with or Creation of Indigenous NGOs</u>	75
a. Completeness of plans to collaborate with an indigenous NGO, or to transfer operations in Sudan to Sudanese Management*	(50)
b. Training plans to strengthen the indigenous group's capabilities	(25)
9. <u>Sensitivity to Social Factors</u>	75
a. Awareness of social, economic and environmental conditions created or exacerbated by drought.	(25)
b. Responsiveness of proposal to the role of women in agriculture	(25)
c. Incorporation of tribal, village and other local organizations into project development plans	(25)
10. <u>Financial Contribution</u>	50
Demonstrated willingness to bring the PVO's own financial resources into Sudan for project implementation	
Total	1,000

* While evaluation points are awarded for the completeness of the plan, the plan itself is a prerequisite for consideration of an application.

Regional Geographic Priorities

The Regional Governments of Kordofan and Darfur have identified 10 districts, five in each region, as the geographic areas in which they would like PVOs to work. Each PVO must focus its application on one of these districts. The PVO will also indicate whether it is willing to work in one of the nine districts it did not select. Should it be necessary to do so, the GOS and USAID may ask the PVO to work in a district other than its first choice in order to maximize the project's geographic coverage. The PVO would then have 30 days to revise its cost proposal; no revision of the technical proposal would be required.

A. Kordofan Region

The Kordofan Regional Government considered the following general factors in selecting its five districts: a) even distribution of development activities between northern and southern provinces; b) population concentration, particularly due to permanent migration after the drought; c) year-round accessibility, including consideration of security factors; d) areas of small-scale rather than mechanized agriculture; and e) access to services in El Obeid. Specific information on each district council is provided below. Each of these areas is considered to be of equal priority.

1. El Obeid District

a. Rationale: Serious threat of desertification; potential to counteract desertification through clay soil cultivation and agro-forestry activities; critical area for gum arabic and potential for restocking the gum belt; potential for horticultural production, cash crops and food grains (sorghum and millet); principal regional marketing center.

b. Other Development Activities in Area: UNICEF health program, AID Rural Health Support Project, AID credit and storage program, CARE forestry project, AID and World Bank agricultural research.

c. Relevant Rural and Town Councils:

- (1) Town: El Obeid North, El Obeid South
- (2) Rural: Um Ishaira, Kayail, Khor Taggat, Aba Hanaz.

2. En Nahud District

a. Rationale: Most densely populated area in the region; highest production area for gum arabic, millet, and water melon; accessible year-round; extensive agro-industrial activities such as groundnut decortication and oil factories.

b. Other Development Activities in the Area: CARE study of water resources; Sudanaid analyses of production systems.

c. Relevant Rural and Town Councils:

- (1) Town: Nahud, Abu Zabad
- (2) Rural: Nahud, Abu Zabad, El Khiway, Ghibaish, Wad Banda, El Udayaa and Saba Gamal

3. El Fula District

a. Rationale: Recent settlement of nomads to sedentary farming; previously ignored in development activities; good transport and accessible year-round; high potential for horticultural production.

b. Other Development Activities in the Area: UNICEF development of zonal health project.

c. Relevant Rural and Town Councils

- (1) Town: El Fula, Lagawa, Babanusa, El Muglad
- (2) Rural: El Fula, Lagawa, El Muglad and Abiyei

4. Dilling District

a. Rationale: High population concentration with many permanent settlers from the north; good marketing center and year-round access; potential for water harvesting on seasonal streams.

b. Other Development Activities in the Area: Agricultural Bank of Sudan (ABS) agricultural credit and storage; World Bank agricultural storage; Sudanaid agricultural extension.

c. Relevant Rural and Town Councils:

- (1) Town: Dilling
- (2) Rural: Habila, El Hamadi, Dalami, Dubeibat, Salara, and El Kungul

5. Um Ruwaba District

a. Rationale: Marketing center; year round access; potential for horticultural crops; high settlement potential; important area for production and marketing of sesame, karkade and gum arabic.

b. Other Development Activities in the Area: Save the Children Fund supplementary feeding and EPI; AID Rural Health Support Project; center for Kosti-El Obeid road construction.

c. Relevant Rural and Town Councils

- (1) Town: Um Ruwaba and El Rahad
- (2) Rural: Um Ruwaba, El Rahad, Um Dom, Wad Ashona and Shirkeila

B. Darfur Region

While the Darfur Regional Government considers the five districts identified for this project to be equally important, they are listed below in the order of priority for initiation of new development activities.

1. Um Keddada District

a. Rationale: Highly affected by drought and desertification; critical water needs; demonstrated interest of local population for soil conservation measures; potential for cash crops such as groundnuts, karkade and water melon seeds; and need for income-generating activities to support social services.

b. Other Development Activities: Italian plans for water supply and hospital maintenance.

c. Relevant Rural and Town Councils:

- (1) Town: Um Keddada
- (2) Rural: Taweisha, El Laeit

2. Meleit District

a. Rationale: In a similar agroclimatic zone as Um Keddada, with a similar rationale for its selection.

b. Other Development Activities: Lower Saxony maintenance of Meleit dam and construction of small dam at Ain Bisaru; UNDP water spreading at Wadi Rakag; Italian plans for maintenance of Meleit Hospital.

c. Relevant Rural Councils: Meleit, El Kuma, Maneiga, El Malha. No town councils.

3. Id El Ghanam District

a. Rationale: Potential for absorbing population growth, both human and animal; potential for development on clay soils in Qoz Dango area; critical water needs.

b. Other Development Activities: British/World Bank plans for range management through Western Savannah Development Project.

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c. Relevant Rural Councils: Although the district has four rural councils, only the councils in Qoz Dango area -- Rehaid El Bindi and Kateila -- will be considered.

4. Jebel Marra District

a. Rationale: Forestry and horticultural potential, critical water needs due to basement complex, tradition for utilizing seasonal water courses, increasing population, tradition of self-help activities.

b. Other Development Activities: EEC through Jebel Marra Rural Development Project in lower plains of the Jebel; Lower Saxony construction of small dams in Golo and Rokero; German support for small-scale forestry.

c. Relevant Rural Councils: Neyertete, Golo, and Rokero. No town councils.

5. Kutum District

a. Rationale: In a similar agro-climatic zone as Um Keddada, with a similar rationale for its selection.

b. Other Development Activities: Italian maintenance of Kutum hospital; German horticulture activities and promotion of date trees.

c. Relevant Rural and Town Councils:

(1) Town: Kutum

(2) Rural: Fatta Barro, Karnoy, Um Baro, Nomadic Council.

PVOs and villages will use the following guide in preparing their subproject proposals under the Regional Finance and Planning Project. The guide will be provided to PVOs with the Request for Applications

General Guide for Subproject Documentation

Project Title/Type:	Total Subproject Cost:
Group Name/Location:	Grant Request:
Local Counterpart:	Community Contribution:
Counterpart's Signature:	
Project Location:	
Date of Submission to Area Council:	
	PVO Name:
	Contact Person:

A. Subproject Purpose and Description

1. Summarize subproject activities and describe how they fit within the development strategy for the district which was approved in your work plan.
2. Describe subproject Purpose, Implementing Group (including its legal status), Target Group of Beneficiaries.
3. General Description of subproject including:
 - a. management systems
 - b. inputs required
 - c. outputs expected at end of project

B. Subproject Background

1. History of proposal development including: type and timing of initial and follow-up contact with community, their involvement in proposal planning, community's priority for proposed subproject in relation to their other priorities and interests.
2. GOS involvement in subproject design or development: GOS staff who visited or discussed proposed subproject, fit with district and regional GOS priorities.

C. Subproject Analysis

1. Economic Analysis
 - a. Management System Description including:
 - i. Governing Body and its composition and nature (elected body? for what term?)
 - ii. Fee Structure and Collection System
 - iii. Banking and accounting arrangements (include who signs checks, financial accounting systems, etc.)

h. Costs

- i. Capital
- ii. Recurrent
- iii. Depreciation
- iv. Cash flow-analysis, during and after term of subproject. Calculate expected profit, as appropriate.

c. Benefits

- i. General Community Benefits (responds to generally recognized high priority?)
- ii. Saleable outputs to recover project costs.
- iii. Communities willingness to contribute to project (as a measure of the benefits they perceive).
- iv. Employment generation, income levels raised, etc.

d. Market Feasibility (at proposed fee structure for water systems, local or export market demand for income-generating activities, etc.).

- i. Comparison with current fee structure, as applicable (e.g. for water systems).
- ii. Expected market size and marketing channels.
- iii. Marketing constraints and how to address them.

3. Environmental Analysis:

- a. Environmental conditions of the area, emphasizing: pasture condition, vegetation cover, and soil type(s). Where existing waterways, for example, are being rehabilitated, indicate how existing environmental degradation, if any, will be properly managed to stabilize and improve conditions.
- b. Potential for economic development to create growth centers and not merely service centers. For water systems, for example, community willingness to link water resources to forestry or horticultural subprojects.
- c. Community awareness of environmental conditions and willingness to participate in efforts to control degradation.
- d. Specific conditions that must be met before or during subproject implementation, such as limiting grazing around waterways or building fences around nurseries, in order to justify continuing assistance.

4. Sociocultural Analysis

- a. Impact on and involvement of women.

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- b. Degree to which subproject strengthens:
 - i. Local capability in provision of services relating to better nutrition, health benefits, etc.
 - ii. Increasing production, processing, or nutritive value of food.
 - iii. Potential for income generating activities through introduction of labor (or time) saving devices or processes.
- c. Whose interests are hampered by implementation of the subproject and whether their input is critical.

5. Institutional Analysis

- a. Who will be responsible for subproject (and their legal status)? What is the composition of this body? If it is an elected body, what is the duration of their terms?
- b. Communities willingness to share costs and administer subproject (as evidenced by resolution being passed at village council meeting, etc.) Amount of funds (in labor or in kind contributions) put up by community for capital and recurrent costs.
- c. Training requirements to accomplish institutionalization including: type and timing of training, who gives and receives training, source of funds.

6. Technical Analysis and Implementation

- a. What will be gained from project in terms of additional water supply, land under irrigation, additional seedlings planted, vegetable production, etc.?
- b. Additional engineering design requirements, their source and cost.
- c. Material and equipment that will be needed.
- d. Source of equipment and construction material.
- e. Delivery time of materials and equipment to the site.
- f. Cost of material and equipment.
- g. How the construction will be done (i.e. village labor, private or public sector construction company).
- h. Construction schedule.
- i. Who will supervise construction?

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- j. Operation and maintenance costs broken out in terms of 1) labor to operate, 2) fuel, 3) minor spare parts that might need to be replaced every four months. and 4) major spare parts.
- k. Who will do major repairs?
- l. Training requirements, both on the job and formal, with special involvement of women.
- m. Proposed disbursement and procurement procedures and controls on these.
- n. A description of how the PVO and the community intend to monitor the activities described above.

D. Evaluation Plan

- a. Schedule of planned accomplishments and target dates.
- b. Data as to conditions at the start of the project and as expected at periodic intervals until the project ends.
- c. Evaluation approach and schedule.

E. Financial Plan

Budgets should be calculated by estimated cost per quarter year for the life of the subproject. The following components should be included.

- 1. Personnel Costs 1/ (Local and Expatriate)
- 2. Training Costs 1/
- 3 Commodity Costs (Emunerate)
 - a. Locally procured
 - b. Imported goods

1/ Does not include technical assistance costs of the PVO or its consultants. These should be described separate from subproject costs.

- 4. Other Costs
 - a. Office Supplies
 - b. Equipment Rental
 - c. Fuel
 - d. Spare Parts
 - e. Transportation
 - f. Credit Fund

Sub-Total: Grant Request

- 5. Community Contribution
 - a. Labor
 - b. In kind
 - c. Other

Subtotal: Contribution

Total Subproject Cost

F. Reporting

Indicate how data on subproject progress and finances will be incorporated into quarterly reporting requirements for the Regional Finance and Planning Project.

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The following checklist will be sent to PVOs with the Request for Applications and must be completed and returned with the applications to be considered for a cooperative agreement. USAID/Khartoum will forward the checklist to Nairobi for review by the Regional Environmental Officer and the Regional Weed and Pest Advisor. They will decide on any necessary follow up actions.

PESTICIDE USE CHECKLIST

Please complete the following checklist if you have indicated that pesticides will or might be used in the project. This applies to agricultural projects involving trees or food production; livestock projects; or health projects in which control of, for example, mosquito, schistosomiasis, or the tsetse fly is an objective. Return one copy of this checklist to USAID with your application..

1. Tick all ways in which pesticides will be used.

	<u>By Project Staff</u>	<u>By Project Recipient</u>	<u>Others (specify)</u>
Demonstration	_____	_____	_____
Research	_____	_____	_____
Training	_____	_____	_____
Production	_____	_____	_____
Vector Control	_____	_____	_____
Others (list)	_____	_____	_____

2. Tick the technical expertise of the people to be handling pesticides:

	<u>Staff</u>	<u>Project Recipients</u>	<u>Others (specify)</u>
Well-trained	_____	_____	_____
Moderately trained	_____	_____	_____
Not trained	_____	_____	_____
Other (explain)	_____	_____	_____

3. Pesticides are needed to control pests on (tick one or more):

- _____ Crops
- _____ Livestock
- _____ Other; please specify: _____

4. Can your staff identify the pests? _____ Yes

_____ No

5. Do you know what pesticides are needed? _____ Yes

_____ No

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6. List pesticides needed indicating each commodity (crop type, livestock type, tree, etc.), and specify pests (name of specific insects, diseases, weeds, storage pests, etc.), needing control, using the format shown below and following the example given. Place a "?" if you don't know the information. (Add extra pages if needed.)

EXAMPLE

<u>Commodity</u>	<u>Pest</u>	<u>Pesticide</u>	
		<u>Common Name</u>	<u>Trade Name</u>

7. Pesticide Storage Facilities

a. Do you have a storage facility designated on the project site solely for pesticides?

_____ Yes, describe:

_____ No

b. Does your project need to build a storeroom for pesticides? _____ Yes

_____ No

8. Safe Use of Pesticides

a) Do you have a place to mix the pesticide?

_____ Yes, describe:

_____ No

b. Do you have a protective clothing (e.g. gumboots, coveralls, gloves, masks, eye protection)? _____ Yes

_____ No

c. Do you have a measuring and mixing equipment? _____ Yes

_____ No

d. Do you have a supervisor in the project designated to oversee all pesticide use operations? _____ Yes, Who?:

_____ No

e. Describe how you plan to dispose of pesticide containers?

f. Does your staff know first-aid for pesticide poisoning? _____ Yes

_____ No

9. Application Equipment

a. Describe equipment you will be using to apply the pesticide.

b. Is there a trained person in the project whose job will be to maintain application equipment? _____ Yes

_____ No

10. General Pest Control Concerns

a. Have you analysed whether pesticide use is affordable, can be adequately managed and supervised by the people, and whether there are associated risks in your project area? Yes

No

N/A

b. Will your staff be training other people on pest control and use of pesticides? Yes

No

c. Is a description of necessary materials, training methods, and follow-up included in your project paper? Yes

No

11. Literature Needs

Have you included literature needs in your proposal designating subjects of interests? Yes

No

12. Tick areas where you need assistance:

	<u>Consultancy</u>	<u>Training</u>
Pest identification	<input type="checkbox"/>	<input type="checkbox"/>
Pesticide choice	<input type="checkbox"/>	<input type="checkbox"/>
Designing pesticide store	<input type="checkbox"/>	<input type="checkbox"/>
Handling pesticides (mixing, application, disposal)	<input type="checkbox"/>	<input type="checkbox"/>
Application equipment	<input type="checkbox"/>	<input type="checkbox"/>
Integrated pest management	<input type="checkbox"/>	<input type="checkbox"/>
Other (specify):	<input type="checkbox"/>	<input type="checkbox"/>

13. Have you budgeted for:

Consultancies	<input type="checkbox"/>	<input type="checkbox"/>
Pesticide choice	<input type="checkbox"/>	<input type="checkbox"/>
Protective clothing	<input type="checkbox"/>	<input type="checkbox"/>
Measuring and mixing equipment	<input type="checkbox"/>	<input type="checkbox"/>
Training (designate activity)	<input type="checkbox"/>	<input type="checkbox"/>
Pesticides	<input type="checkbox"/>	<input type="checkbox"/>
Application equipment	<input type="checkbox"/>	<input type="checkbox"/>
Literature	<input type="checkbox"/>	<input type="checkbox"/>
Training materials	<input type="checkbox"/>	<input type="checkbox"/>
Other (specify)	<input type="checkbox"/>	<input type="checkbox"/>

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Attachment 9

CONSTRUCTION BUDGETS FOR WATERYARD REHABILITATION,
TUBEWELLS WITH HAND PUMPS, SHALLOW WELLS AND HAFIRS

Introduction

During the course of the project it is expected that villages working with PVOs will identify activities that will require engineering assistance and ultimately construction. Activities in this area include wateryard rehabilitation, tubewells with handpumps, hafir rehabilitation, and hand dug wells with or without handpumps. Since the goal of the project is to make villages more autonomous and responsible for choosing their own development activities, the specific mix and location of activities will be deferred until PVOs have spent time identifying village priorities.

In most cases, particularly with the wateryards, the project will focus on rehabilitating existing facilities rather than constructing new ones. Since the extent of each rehabilitation will vary from one wateryard to the next, cost estimates for each type of subproject can be stated only in general and illustrative terms. Drilling costs will vary depending on soil conditions, depth to water table, remoteness of the site or whether the public or private sector does the construction. Without knowledge of how many wateryards or hafirs will be rehabilitated, tubewells or hand dug wells constructed, let alone where they will be located or who does the construction, the project's overall cost estimate must be based on the level of financing to be made available for PVO agreements, subprojects and administrative costs. The requirements of Section 611 (a) of the Foreign Assistance Act for firm cost estimates and technical plans will be met through the process for review of PVO applications and subprojects described in the text.

To facilitate the technical and financial review of subproject proposals, this annex presents general budgets that approximate what a wateryard rehabilitation, tubewell with handpump, hand dug well and hafir rehabilitation would cost. Each general budget also indicates the kind of information that would be required from PVOs in order to judge the reasonableness of the specific subproject cost estimates. There will probably be very few "typical" activities and costs can be expected to vary significantly from site to site.

Wateryard Rehabilitation Costs

A wateryard is a facility that includes a borehole driven to a depth of up to 250 meters, a diesel engine (in western Sudan typically a Lister), and a reciprocating pump (typically an Edico). Water is pumped to a tank from where it flows to a series of taps. There might be separate facilities for stock watering.

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The pump house is enclosed in a separate building while a fence encircles the whole complex to control access. Water is pumped for up to eight hours per day and an average usage would be 15-30 cubic meters per day for a village of 2000.

Typical problems with boreholes are siltation, worn well screens, rising main collapses, worn leathers between the sucker rod and rising main, improperly balanced pumping arms, worn belts and engine failures. A hypothetical budget for a wateryard rehabilitation follows:

Wateryard Rehabilitation Costs

	\$	LS
Engine/Gear Box Spares	4,500	2,500
Construction Materials & Parts	4,050	3,000
Rising Main & Sucker Road	2,200	1,225
Salaries & Allowance for Crew	0	11,500
Fuel, oil and lubricants	1,600	8,800
	-----	-----
	\$ 12,350	LS 29,525
Depreciation on servicing rig	1,000	2,500
	-----	-----
Total	\$ 13,350	LS 29,525

Note: Cost estimates are, with the exception of the depreciation of the servicing rig, adopted from a World Bank Report on the Western Savannah Project - Phase 2 Project Preparation Report and are average costs spread over the rehabilitation of 234 engines/pumps. Costs can be expected to vary from these figures depending on the condition of the borehole, pump and diesel engine. How the depreciation of capital equipment is handled will also affect the cost. A typical rehabilitation, when a tank and fencing are included, could reach \$ 25,000.

In order to review the reasonableness of the cost estimate by the village information and costs should be included for:

- 1) parts that will be needed for the borehole, pump, engine, tank and water distribution system;
- 2) quantities and unit costs of these parts;
- 3) source of the parts and manufacturer;
- 4) who will do the rehabilitation, that is, whether it will be a public or private sector contractor;
- 5) what construction or well servicing equipment will be used, how much fuel will be consumed;
- 6) unit costs for equipment rental and fuel;
- 7) manpower mix and daily cost for various labor skill levels such as engineer, mechanic, laborer;
- 8) construction schedule;

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Hand dug wells with or without Handpumps

For budget purposes one can assume a cost of \$ 175 per meter of depth in sand & gravel soil, and up to \$ 400 per meter in rock. A hand pump with drop pipe and sucker rod would add about \$ 400 to the total cost of the well. The following list includes the types of tools, equipment and labor that typically would be needed to construct a hand dug well.

<u>Lining the Well</u>	<u>Constructing the Apron</u>	<u>Installing the Pump</u>
<u>Materials</u>	<u>Materials</u>	<u>Materials</u>
Cement	Cement	Drop Pipe
Sand	Sand	Plunger Rod
Gravel	Gravel	Pipe Connectors
Reinforcing bars	Anchor Bolts	Rod Connectors
Tying Wire	Forms-material	Teflon Tape--
Forms	Nails	Suction pipe
Nails	String	PVC Solvent
	Pipe Section	Grease
	Straw, burlap	
	Reinforcing bars	<u>Tools</u>
	Tying Wire	Adjustable Wrench
	Planking & Joints	Strap Wrench
		Pipe Wrench
<u>Tools</u>	<u>Tools</u>	Heavy Rope
Hammer	Pliers	Tape Measure
Screed	Hammer	Pipe Clamp
Trowel	Screed	Hack Saw
Shovel	Trowel	Wire Brush
Bucket	Shovel	Pipe Threader
Pick	Bucket	Pliers
Tape Measure	Wire Brush	Punch
Wire Brush	Wood Saw	Hammer
Wire Cutter	Square	Pulley
Hack Saw	Rebar Bender	Tripod
Pliers	Pick	
Dewatering pump	Tape Measure	<u>Labor</u>
	Marker	Unskilled Worker
	Level	Skilled Mechanic
	Wire Cutter	
	Hacksaw	
	<u>Labor</u>	
	Skilled Mason	
	Unskilled Worker	

The village and PVO in their proposal, should show the amount of material, its unit cost and total cost for lining the well, constructing the apron and installing the pump. Labor costs should be broken out separately since they will form a large component of the cost. The tools

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that will be used also should be indicated.

Drilled Boreholes

A typical budget for a drilled borehole including labor, drilling supplies, fuel, amortization of equipment and the hand pump with connecting rods and rising main follows:

Drilled Borehole 55m Depth

Labor - survey, construction, user education, testing, strata chart preparation, siting and drilling.	\$2,000
Supplies - casing, drill bits, drive shoes, etc.	650
Operation of rig	
a. Fuel (percussion rig) - assume 8hrs/d x 11 days x liters (l)/hour x \$0.50/ (l)	836
b. (Water truck) 4 hrs/d x 11 days x 26 (l)/hr x \$0.50/(l)	572
c. (Support vehicles) 4h/d x 11 days x 19 (l)/h x \$0.50/(l)	418
Amortization of equipment	750
Hand pump with rising main, connecting rods	600
Total	<u>\$5,800</u>

These costs are based on a 55m deep borehole. For budget purposes one can assume about \$100 per meter of borehole drilled. The key cost variable is the drilling rate. In this analysis a rate of five meters per day is assumed. If that can be increased costs would drop, particularly fuel costs. The analysis also assumes a percussion rig. If a rotary rig is used production rates would be higher but amortization costs would increase also since the capital investment is higher.

The PVO and village should include the expected drilling rate in their proposal. The proposal should also include the following information broken down into total number of units, unit costs and total costs:

- 1.) Labor including siting, drilling, survey, construction, strata chart preparation.
- 2.) Drilling supplies.
- 3.) Equipment needed along with fuel estimates for each piece of equipment.
- 4.) Amortization costs of equipment.
- 5.) Type and cost of hand pump with rising main, connector rods and apron.
- 6.) Apron Construction.

Hafirs

Hafirs are depressed, artificially excavated basins usually in impermeable clay, with inlet and outlet facilities, to provide seasonal storage of water that is principally used for livestock. The area is usually fenced to control access to the site.

The cost of hafir rehabilitation is primarily one of earthmoving with heavy equipment. A typical cost estimate for earthmoving is about \$1 to \$2 per cubic meter cut and disposal (usually to build the banks up around the hafir). The cost is primarily dependent on whether the soil is dry or wet and the distance to the disposal site. The following are typical costs for equipment, spare parts and fuel consumption rates:

<u>TYPE OF EQUIPMENT</u>	<u>FUEL CONSUMPTION GAL PER HOUR</u>	<u>CAPITAL COST</u>	<u>LUBRICANTS & SPARE PARTS</u>	<u>DEPRECIATION (10 Years)</u>
Bulldozer D8L, 335 HP	10	\$ 180,000	\$ 27,000	\$18,000
Scraper - Grader, 330 HP	15	275,000	41,000	27,500
Dumpers - 20 Ton Capacity	5	26,000	4,000	2,600
Motor Graders, 125 HP	5	65,000	9,500	6,500
Draglines	15	265,000	40,000	26,500
4 WD Vehicles	2	17,500	2,600	2,750
Tractors & Trailers	4	45,000	7,000	4,500
Water Tankers	4	20,000	3,000	2,000
Trucks with Trailers 15 Ton	8	20,000	3,000	2,000

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The largest uncertainty is the rate at which the earth can be excavated and disposed. This will be site specific. When reviewing a proposal for hafir rehabilitation, if the costs are greater than the \$1 to \$2 per cubic meter range, than one should closely examine what mix of equipment will be used, number of hours it will be operated per day, assumptions as to the rate of excavation, fuel consumption requirements and daily charges for the equipment to cover depreciation and profit. The above table can be used as a guide.

Following is the schedule for the Khartoum sessions of the PVO Workshop held from January 5-10 in preparation for this Amendment. Minutes from the Khartoum, El Obeid and El Fasher sessions are available from USAID/Khartoum.

PVO Workshop Schedule

Regional Finance and Planning Project

S U N D A Y

January 5, 1986

GRAND HOTEL - CONFERENCE HALL

09:00	Introduction	
	Regional Sponsors:	<u>H.E. Gen. Abu El Ghasim Yousif Adlan</u> Governor, Darfur Region <u>H.E. Gen. Mustaffa Mahmoud</u> Governor, Kordofan Region
	USAID Welcome	<u>William R. Brown</u> Director, USAID
10:15	Coffee Break	
10:30	Regional Finance and Planning Project : Previous Experience, Revised Objectives, and Planned Implementation Moderator:	<u>A/Rahman Mohd. Hassan</u> , MFEP Dir. of Regional Development <u>Richard Macken</u> , USAID, Project Development Officer <u>Ali Abdulla</u> , MFD Consult & Development & Business Digest/Khartoum
12:00	Coffee Break	
12:30	GOS Experience in Decentralization: 1. Philosophy and Background 2. Administrative and Financial Issues in Regionalization 3. Self-Help Traditions Moderator:	<u>El Ageb El Tirefi</u> , U. of K. <u>A/Rahman Geili</u> , Dir. Public Transport, Gen. Commissioner's Office <u>Yagoub Abdulla</u> , Institute of Environmental Studies <u>Fouad Eid Ali</u> , Dir. Chamber of Centralized Govt. Affairs
2:00	End Morning Session	
<hr/>		
5:30	Environmental and Developmental Issues in Project Design	<u>Mohamed Sammani</u> , Institute of Environmental Studies
6:30	Coffee Break	

- 6:45 Agricultural Credit in Sudan
1. Informal Credit: The Shell System
2. Agricultural Bank of Sudan
- Moderator:
- Ahmed Humeida, Univ. of Ktm.
Khidir A/Khalim, Asst. Managing
Dir. Ops. Agricultural Bank of
Sudan
Dirdiri A/Wahab, Deputy Under
Sec. Min. of Agriculture
- 7:30 . Private Sector Potential : Meeting
Sudanese Entrepreneurs
(Informal Session)
- Moderator:
- Fareed Atabani, Sudanese
Consultations Bureau

Note: Some speakers may be subject to change.

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6:45 Coffee Break

7:00 Donor/NGO Activities in Western Sudan
Moderator:

Dr. Sayed Zaki, Undersecretary,
Planning, Ministry of Finance &
Economic Planning

8:15 Reception/Buffer

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The following criteria were used to select the 10 PVOs who attended the January 1986 Workshop on Local Development in Western Sudan.

Evaluation Criteria

Our CBD advertisement required that the expressions of interest indicate previous experience (especially in Africa) and organizational philosophy. Thus, 80% of the evaluation points are awarded specifically to these criteria. The remaining points are allocated to Technical Capability (16%) and Familiarity with AID Procedures and Regulations (4%). Although the CBD advertisement does not specifically ask for details on these criteria, they are subcategories of overall experience and are clearly stated in the advertisement as issues of interest to AID. When evaluating the PVOs, please keep a brief set of notes explaining your ranking on each criterion. These notes must be turned in with your final score sheet.

- I. Previous Experience in Developing Countries 150
- Although it will be difficult to assess the quality of experience, we can allocate points according to years of experience as shown below. If a PVO demonstrates exceptional experience that merits a point ranking above its experience in years, please explain the decision clearly in your notes.
- A. 10 years and above (121-150)
 - B. 7-10 years (91-120)
 - C. 4-7 years (61-90)
 - D. 0-4 years (0-60)
 - E. Qualitative Judgement (0-150)
- II. Experience in Africa 150
- Our preference is for development over relief experience, but we should give credit for both. We should also give specific credit for experience in Sudan since such PVOs will be further along on their learning curves in understanding Sudanese culture, bureaucracy, and outlooks toward development.
- A. Development Experience (75)
 - B. Relief Experience (40)
 - C. Experience in Sudan (35)

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III. Organizational Philosophy

500

Our advertisement specifically indicated that we were interested in village participation in project planning and implementation. We also indicated a need for local contractual services, which suggests a role for the private sector. Two other issues of concern are that a) PVOs see themselves as administrative and organizational facilitators at the village level rather than the implementors of project activities and b) PVOs maximize the use of Sudanese in their program. The latter points are not weighted as heavily as the others since they are not discussed in the advertisement.

A. Village/local participation in planning.

(150)

If a PVO indicates that beneficiary participation or local participation in planning is central to its organizational philosophy and so illustrates with specific examples, allocate a full score.

If a PVO discusses the importance of local participation but does not demonstrate how this approach is made functional through projects, allocate about 100 POINTS. Allocate 75 points for an implicit awareness of the importance of involving local groups in project planning. Use your own judgement for PVOs that fall somewhere inbetween these parameters, but be sure to make notes justifying your choice.

B. Village/local participation in project implementation.

(150)

The same guidelines as in A above apply.

C. Use of private sector.

(100)

Allocate a full score for explicit emphasis on using the private sector to provide contractual services to facilitate project implementation. Allocate 75 points for a general discussion of the private sector's role in development. Allocate 50 points for an implicit intent to involve the private sector in project activities.

D. Perception of PVO role as administrative/organizational catalyst with training emphasis. (50)

Allocate full points for references to counterpart training in the field and for an explicit statement on the PVO serving as an organizational catalyst rather than as a source of services that could be provided by the Sudanese public or private sector. This issue is a bit amorphous. Our interest is to have PVOs work with villages and local groups to create a demand for Sudanese services rather than provide these services themselves. Allocate 25 points for references to counterpart training.

E. Use of country nationals on PVO staff. (50)

Allocate full points for an explicit policy statement on hiring country nationals as much as possible. Allocate half points for implicit references to hiring local staff.

IV. Technical Capability 160

The illustrative project activities in the CBD advertisement fall into the categories of water resource development, agricultural development, and rural credit. The advertisement's emphasis is on water projects.

A. Expertise/experience in water projects. (80)

B. Expertise/experience in agricultural development. (40)

C. Expertise/experience in rural credit. (40)

V. Familiarity with AID Procedures and Regulations 40

To the extent that a PVO has previously worked with AID, it will facilitate our job in explaining procedures and regulations. Lack of AID experience, however, should not act as a deterrent to establishing new relationships with PVOs, so the evaluation points are kept minimal in this screening stage.

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