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**Assistance to  
Decentralization  
in Sudan:  
A Strategy  
Paper**

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ASSISTANCE TO DECENTRALIZATION IN SUDAN:

A STRATEGY PAPER

This strategy paper explores USAID's commitment to assist decentralization in the context of the Sudanese environment. After outlining the main decentralization issues that obtain today, and the obstacles to progress, the Regional Development Support Fund (RDSF) is evaluated as an assistance vehicle. Suggestions for improving developmental impact of the RDSF and similar funding approaches are offered. To provide those interested with some historical perspective, a brief survey of the decentralization movement is included as an appendix.

DECENTRALIZATION ISSUES

The Case for Decentralized Government. This is well known and needs little elaboration. Sudan is a very large but thinly populated country. The land area is about 967,500 square miles, while the 1983 census preliminary results put the population at 20,564,364. This gives a population per square mile of only 21. Approximately 80 percent are widely scattered settled rural or nomadic people. In the Sudan there are 16 major languages and 56 ethnic groups. Overshadowing this diversity is the tension between an arabized Muslim north and a non-Arab, non-Muslim south. Integration is discouraged by inadequate communications and transport facilities, as well as by such natural barriers as the desert and the Sudd.

Under such circumstances, there is a strong case for decentralized government. Central authorities cannot know or understand local needs and problems. Ethnic and cultural diversity implies the need for diversified public sector services and these can best be supplied on an area, or perhaps regional, basis. As a general principle, the more decentralized the decision-making the more sensitive it will be to local needs and preferences and the more diversified will be the pattern of services supplied.

The need for decentralization has long been recognized, but, as Appendix I shows, attempts to achieve it have not been especially rewarding. Since 1951 numerous acts and decrees have tended to achieve decentralization in form rather than in substance. Meaningful devolution of power has occurred in lesser areas, but in such key functions as finance, planning, legislation, and party politics, the relations between the center and the subnational units continue to be dominated by the center. In the best tradition of hydraulic societies, the bureaucracy in Khartoum has a clear bias toward authoritarianism and central control. Attempts at decentralization thus far have been followed by recentralization, through such means as resisting the transfer of able civil servants to the lower levels of government, control of finance, defensive changes in procedures, and control over relations with external agencies. Consequently, efforts to decentralize have produced confusion and institutional instability. Dissatisfaction with the result of each change has led to new institutional changes, new dissatisfactions, and so forth.

Why Decentralization Has Not Worked. The root cause of the evident policy and institutional instability is resource imbalance. While Sudan is relatively well endowed with natural resources (arable land, mineral resources, etc.), it suffers from human resource deficiencies. The shortage in modern skills can be gauged in terms of the following indicators. According to recent World Bank estimates, 80 percent of the adult population are illiterate (in the south the rate is about 90 percent). High level manpower (managers, professionals and technicians) account for less than 3 percent of the labor force. Nearly 70 percent of the labor force are employed in agriculture, which still is characterized in most regions by traditional practices. The traditional sector still accounts for 1/3 of G.N.P.

The Sudanese population is very young, 47 percent are under 15 years of age, but access to education is still quite limited. The pupils enrolled in primary school as a percent of the 7 to 12 years population age group are 45.6 for boys and 34.3 for girls. Enrollment ratios are 26.5 for boys and 18.2 for girls at the intermediate level, and only 14.7 and 7.2, respectively, at the secondary level. Thus education is reserved for a small minority. Sudan's lack of modern skills can only be redressed by widening opportunities for all social classes and regions, yet spending for education (1979/80) accounts for only 1.7 percent of the central government's current expenditures. A change of priorities is a necessary first step toward meeting this basic obstacle to development.

The scarcity of modern skills is reflected in managerial problems and low productivity. These in turn lead to the lack of economic opportunity, the tendency of existing skills to migrate, the low rate of saving, and the shortage of capital.

The urban educated class of the three towns, Khartoum, North Khartoum and Omdurman, were the leaders of the independence movement and they have dominated affairs since. Their negative attitude toward the traditional leadership in the hinterland can be explained in terms of the intellectual gulf that separates them. While the friction between these two groups is understandable, it has proved to be costly. The alienation of traditional authority has denied rural Sudan its natural leadership, impaired local tax collection, and contributed to the general problem of inept rural administration.

It is not surprising that an elitist educational system produces a small educated class whose values and ambitions are very different from the bulk of the population. The impatience of the urban educated class with economic backwardness and traditional institutions leads them to use their positions of influence to induce change through sudden policy changes, dramatic actions, and sweeping decrees. But because of the narrowness of the skill base, these tactics tend to produce confusion with little improvement of substance. This is why decentralization

of Sudanese administration has not worked heretofore. Dissatisfaction with the workings of one set of local government institutions has led to radical reform and experimentation with another set. As a result the structure has become more pyramidal and, in desperation, the center has clung to its power all the more. Attracted by power, administrative skills collect at the center and, given their scarcity, the center tends to hoard them. Having little confidence in the capacity of rural cadres to manage the scarce resources it must supply, the center relies on trusted political appointees to control regional allocations and at the same time makes little attempt to match resources with population needs or constitutional responsibilities at the lower levels of government.

GOS Objectives. The GOS is now engaged in a long term effort to get its macroeconomic house in order. This involves reducing its own recurrent budget deficit, reducing the growth in money supply, and increasing productivity and exports, in order to reduce inflation, the balance of payments deficit, and the burden of the external debt.

Effective decentralization would serve these ends. Greater self-reliance on the part of regional and local government would reduce the burden they now impose on the central treasury (about 30 percent of recurrent spending). More efficient resource allocation and investment decisions based on comparative advantage

would increase rural productivity and income, and thus contribute to the general welfare of the nation at large. To do this, tax collection will have to be improved without stifling enterprise, regional budget systems will have to be improved and employed, and an efficient process of project identification, preparation, appraisal, and implementation, involving both area councils and regional governments, will have to be established. An extensive training program for area council executive officers and treasurers, and selected regional officials would be needed to underwrite these institutional innovations.

Given the urgency of the economic situation, it may be assumed that the GOS now has ample incentive to push for real devolution; the problem is that it lacks the resources to establish the underlying conditions needed for success. In this regard, the commitment and the needs are clearly stated by Dr. Yousif Mikhail Bakhit, decentralization advisor to the President, in his recent paper, Decentralization in the Democratic Republic of the Sudan (Khartoum: Chamber for Decentralized Government Affairs). Among the areas in which foreign assistance is needed he mentions help in setting up regional planning departments, in identifying and establishing productive projects, in establishing a bank for regional development projects, in training the staff of the Chamber of Decentralized Government Affairs, in developing a central-regional finance system, and in setting up administrative

and technical training programs in the field of decentralization. There is no reason to doubt that these are an expression of the felt needs of the Presidential Office.

USAID Commitments. USAID/Khartoum has expressed a clear commitment to assist the decentralization process. In response to Dr. Yousif Mikhail's call for foreign backing, AID proposes to provide high level consultancies on intergovernment functional relations, assistance in setting up a management information system, and cooperation in training administrative cadres in district councils and regional governments. Furthermore, AID recently has demonstrated effective readiness to provide substantial grant assistance to the economic development of the new regions. The LS 20 million Kordofan Rainfed Agricultural Grant and the LS 120 million Regional Development Support Fund provide ample evidence of AID interest and effective commitment.

The Regional Development Support Fund, because of its scale, is especially important. If applied well, the RDSF can be a valuable means for strengthening the institutions of decentralized government and a positive force in rural development. If it is not applied well, it can disrupt the fragile institutions now in place, waste resources, reinforce the venal tendencies of the officials involved, and disrupt the programs of other assistance donors. Given the prevailing conditions in the regions, a program that proposes to inject an average of LS 40 million a

year into the district councils of all regions has the potential for being the engine of either progress or retrogression.

#### CURRENT BOTTLENECKS IN THE DECENTRALIZATION PROCESS

There are at least five critical problem areas that now hinder the decentralization process. These are interrelated in the sense that improvement in any one would facilitate progress in others. These problem areas are briefly reviewed below.

Legal Clarity. The law is fairly clear in defining the responsibilities and prerogatives pertaining to the central government, but less clear on the functions of the regions. Regional assemblies have the power to legislate on regional matters but the National Assembly has final authority. Regional assemblies are forbidden to encroach on such national prerogatives as national defense, foreign affairs, immigration, public audit, the judiciary, communication and transport, interregional water supply and the national electricity network, currency and coinage, international trade, national economic institutions, underground wealth, national and regional election institutions, education planning, and any other matters regulated by national legislation. The law is not clear in the area of public service functions; there is no distinction made between the responsibilities of central, regional and district level governments in the fields of health, education, transportation, agriculture and industry.

This lack of clarity is a source of confusion and uncertainty for all levels of government. Uncertainty also arises from the fact that the tasks of the central ministries are not granted in the constitution, but rather by presidential decree. Sudden changes in central ministerial duties in a pyramidal structure create confusion that percolates downward through the lower levels.

Functional Ambiguity. The uncertainty as to legal authority makes it difficult if not impossible for a reasonable distribution of responsibility and resources to be worked out between the various levels of government. The notion that resources have to be commensurate with responsibility, if responsibility is to be met, does not appear to be widely accepted. These problems could be reduced by administrative regulations but there is no indication yet that these are forthcoming.

Finance. Given the lack of legal clarity and the resulting functional ambiguity, financial confusion follows systematically. The lack of an effective budget process and the associated confusion and waste at the regional level of government has been written about and discussed extensively by now, so that reiteration here is not necessary. It should be noted in passing, however, that the real financial authority below the central level are the regional governors. They, with a few trusted ministers, control the allocation of public resources at the regional and lower levels of government. The power of the governors is derived from the

President and their ability to extract resources from the central level depends on the strength of these ties. It is for this reason that the attachment to the present grant allocation process by bargaining is so strongly held. If this assessment is correct, the evolution of orderly processes of resource allocation that are conducive to real development will be slow.

Personnel. As already pointed out, the scarcity of adequately trained people lies at the heart of the decentralization dilemma. If skills were more abundant there would be less incentive to hoard them at the central level. If there were more optimism and opportunity at the regional level, ambitious young men would not resist regional assignments. Greater responsibility could be devolved to the lower levels of government, or at least the case for not doing so would be weaker, if their skill deficiencies were not so painfully obvious.

At the present time there are reported to be only two people in the planning department of the Eastern RMFEA and three in Upper Nile. In the Northern and Darfur Regions there are only about ten people with college training in either RMFEA. In Kordofan, a vigorous recruitment drive has produced a planning staff of seven, but morale is said to be low because of lack of incentives and prospects for advancement. Bahr El Ghazal and Equatoria seem relatively well off in terms of numbers, with planning staffs of 12 and 13 respectively, but there are only

two or three each with experience. Although the details of its staffing are not available at this writing, the Central Region is reported to be the best endowed region in terms of skills and organization. In general, the picture at the regional level is one of rudimentary organization and great skill deficiency.

At the district council level conditions are worse. Although information about the councils is sketchy, and the risk of over-generalization is great, it is reasonable to conclude that some councils exist only on paper, and among the rest numerous committee members are illiterate. On the other hand, some chief executive officers are reputed to be relatively experienced and able officials.

There is a discernable state of hostility existing between councils and regional level officials. This was made clear in seminars held by the SRFPP Project in El Obeid and Wau for district officials, as well as in private discussions with officials in Equatoria and elsewhere. Local and district officials resent having to pass meagre tax resources along to the regional level, from which they allegedly receive less back in the form of transfers. There are numerous stories of local teachers and medical workers not being paid for months on end, and of equipment, books and so forth never being replenished. In essence, local and district officials resent their lack of budget autonomy and their general subservience to the regional level.

Politics. The Sudanese are instinctive centralizers and natural empire builders. Any power devolved from the center is immediately consolidated at the next level or reabsorbed by the center. The fundamental law of politics is: power seeks its highest level.

This is borne out in the history of the decentralization movement. (See appendix). There is the long term evolution from simple parallel central and local structures to a single, complex pyramidal structure. In the 1970s such power as was devolved from the center gravitated to the provincial level just beneath it. Today subnational power is being collected in the hands of the regional governors. The trend now is for governors and their regional ministers to replicate the presidential/cabinet power structure that dominates the national level.

#### USAID ASSISTANCE STRATEGY

Assuming that the current discussion concerning the RDSF represents the Mission's assistance objectives for decentralization and preferred mode of operation, an assessment of this program and its relation to the environment of decentralization is provided below. The purpose of this exercise is to suggest some alternative approaches which, in the light of history and experience, might better serve the cause of decentralization.

The RDSF may be described in outline form as follows:

- Purpose - To improve living standards and generate additional regional income for development.
- Assistance Mode - Cost sharing in self-help projects through grants.
- Target Group - District councils and their constituencies.
- Channel - Bank transfers to district councils through participating regional governments.
- Terms - Grants provided on a sliding scale of participation and according to specific criteria. Scale (%) of grant participation: grain storage - 90; water for animals - 80; feeder roads - 70; transport cooperatives - 60; village water - 50; public service buildings - 30.
- Selection criteria: recurrent cost covered by revenue; pay off time; size of preinvestment cost; size of beneficiary population.
- Accountability - Review of invoices by a chartered accountant assigned by the MFEP and evaluation of district council performance by regional planning officers.

This is an astute and innovative approach to development assistance. Its attempt to inject funds at the grass roots level and to give district councils a greater role in allocating resources is admirable, and its emphasis on financing income generating projects is well placed. Its focus on self-help projects ensures local commitment and raises the probability of project success. The attempt to bypass as many layers of bureaucracy as possible is well founded from the point of view of narrowly defined administrative efficiency. Finally, the use of chartered accountants to strengthen accountability is an excellent idea.

Some Problems and Proposed Solutions. The success of this approach in a developmental sense, however, is problematic. So much depends on the impact these funds will have on the day-to-day work of regional and district officials. Relative to the rudimentary capacities of these institutions, LS 5 million a year is a very large amount of investment capital. Whether we like it or not, Sudanese administration is wired for a top-down flow of resources and instructions, and a sudden attempt to inject resources in a bottom-up way will surely short circuit the fragile system that is now evolving. There is communications slippage and friction between central and regional levels and between regional and local levels, but field reports from the SRFPP pilot regions indicate that new linkages are being evolved and efforts are being made to strengthen them. Developmentally speaking, this evolution needs to be encouraged, not disrupted. The history of decentralization shows that the Sudanese need to develop steady habits and regular, consistent ways of doing things.

The propensity to centralize is deeply ingrained in Sudanese administration and this fact needs to be recognized in designing assistance programs. Consider for a moment the power and status of regional governors. It is by no means clear that the RDSF can get started effectively without the understanding and cooperation of the governors, the officials who make the regional allocative decisions in the present setup. It is only realistic to involve

the governors in the program at the outset. This can be done by making RDSF funds contingent on the governors specifying general development goals and priorities for each region. The resulting dialogue between governors and their cabinets would be beneficial to all concerned, not least the governors themselves. The availability of clear priorities would enhance the effectiveness of the finance and planning functions at all levels of sub-national government.

Another problem of a different sort has to do with the sliding scale of rates of cost sharing. This implies a set of USAID priorities that may not always mesh with regional comparative advantages, scale economies, or the capital absorptive capabilities of the various regions. A region whose comparative advantage lies in cattle would be penalized in potential funding as compared to another whose comparative advantage was actually in grain production, especially if grain storage facilities are more capital intensive than bore hole drilling. If regional priorities are allowed expression in the RDSF, presumably comparative advantages would be reflected in resource allocation.

Even though all regions will get equal allocations the first year, their subsequent allocations depend on how well their district councils spend the first allocation. This approach will give a tremendous advantage to the more mature and well organized councils of the Central region, and perhaps a few in Kordofan and

the Eastern region. Most will do poorly the first year. A program such as this presupposes an intensive training and organization effort, but this is lacking except in the target regions of SRFPP, and even there efforts have been concentrated at the regional level.

There is also the problem of economies of scale. It is quite possible for a larger project executed on the regional level to cost say three times as much as a smaller project done on the district council level, but at the same time benefit a target population five or ten times larger. These kinds of gains should not be ignored. Road projects, water resource development, and health and education services are areas where economies of scale may be important.

Finally, one of the goals of the RDSF is to assist regional governments generate additional income for development. This is a very worthy goal but one that may prove to be illusive. Unless the forthcoming reliance on the zakat has a revolutionary effect on voluntary compliance, tax collection will have to be strengthened, if extra personal income and economic activity are to make much difference as far as regional revenue is concerned. Enterprise earnings of district councils could make a contribution to regional revenue but such earnings will likely be small. Most project proposals on the district council level will probably have to do with the generation of intangible service benefits rather

than marketable production.<sup>1/</sup> The production of services does improve the standard of living but it may not be feasible to price and sell them. It is not plausible, for example, to meter and price village water supplies. The limited access toll road is a way of marketing highway benefits but this is not suitable for rural Africa. At best, we may expect cost sharing projects to be proposed in the areas of health, education, water supply, and simple roads and structures, perhaps with associated fees, taxes or user charges to cover recurrent costs. But even these kinds of proposals on a cost sharing basis may be few.

There are, however, some fairly simple remedies for these problems. In addition to involving the governors and their cabinets in setting program priorities for their regions, a share of program resources for regional governments should be provided for regional projects. If, for example, two-fifths of each annual allocation were made available to the regional level, there would be an opportunity to reap economies of scale and to generate some regional revenue with the production of marketable commodities. But even at the regional level there remains the problem of managerial deficiency. The history of public enterprise at the provincial level of government is not encouraging.

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<sup>1/</sup>Incidentally, a substantial amount will be spent on extra vehicles and fuel because the participation of regional representatives in project preparation and evaluation at the local level will require a great deal of additional travel.

A recent suggestion by Tom Eighmy provides a means of dealing with the problem of inefficient public management. The terms for making grants for marketable product enterprises would include a proviso that proposals should be for joint enterprises with private sector management for profit, or that government lease the facilities financed by the grant to private operators. In this way regional government would receive an income stream in the form of profit shares or rental income.

To make the program fairer for all regions, consideration should be given to permanently earmarking funds for all regions, and allowing those presently ill prepared to utilize them more time to develop absorptive capacity. Given their deficiencies, one year is a very short time. Knowing they will lose by starting slowly, there will be the tendency to undertake more than they are capable of doing effectively, with more waste being the result.

Equity would also be served by allocating funds on the basis of population, rather than an equal amount to each region irrespective of the size of the client population. As it is now, LS 5 million granted to each region means that the Northern Region will be getting LS 4.617 per inhabitant, whereas the Central Region will only be getting LS 1.264 per person. Equal per capita grant support for all regions would be fairer, i.e. funds should be distributed in proportion to regional shares

in the total population. Adjusting for per capita income differences would be fairer still, but since income figures are controversial, this would not be feasible at present. On the other hand, enough is known about regional taxation to include an adjustment to reward increases in tax effort.

The incorporation of these proposals should increase the chances of regional revenue generation, the cost effectiveness of the program, the cooperation of regional governments in district council development, and the fairness or equity of the program. Reading between the lines, however, one knowledgeable in regional administration still sees chaos. The missing elements are a discernable administrative process and a training/technical assistance component.

#### DRLD AND SRFPP POTENTIALS

The DRLD. At present the work of the Directorate of Regional and Local Government (DRLD) is centered on the GOS development budget. The development budget is divided into two parts: a national projects component and a regional projects component. Regional projects usually account for 15 to 20 percent of the development budget and it is this element that is the concern of the DRLD.

In the DRLD each region is represented by an inspector. Each year at budget preparation time the inspectors visit their

respective regions, review conditions there and return to Khartoum with the regions' project proposals. In Khartoum these proposals are debated by technocrats and politicians, including regional authorities, and through this bargaining process project selection is made. The resulting budget then goes to the People's National Assembly for debate and possible revision. When passed by the assembly the budget document becomes law and regional development funds are transferred through the banking system.

It is fair to say that the capabilities of these DRLD inspectors are not being fully utilized. All but one have bachelor's degrees; one has a French Ph.D., as does the DRLD director. All have attended postgraduate training programs abroad in economic development, planning techniques, and so forth. In a relative sense, their skill level is high. What seems to be lacking is a sense of achievement and pride in what they do. Most seem to be aware of the deficiencies of the system in which they work. They realize that the project preparation, appraisal and selection process is weak. Although ongoing projects are given priority, followed by new projects that supply inputs to ongoing projects, income generating projects, and essential services projects, they readily admit that there is really no valid appraisal process at the present time.

Clearly the DRLD is capable of doing more in the decentralization process. For example, they could take a more active role in screening projects before they reach the national political level in Khartoum. To contribute to this function, the SRFPP is committed to producing a concise readable project development handbook, which will set forth procedures to follow in preparing, selecting and implementing projects. Although the express purpose of this activity is to accelerate the utilization of the SRFPP model projects by self-help, district level projects, the availability of the handbook should contribute to an expanded role for the DRLD as well. Ideally the DRLD should develop into a skill reservoir to be available on call for assistance by regional and district officials.

The DRLD also has potential value in serving as a mechanism of accountability in foreign funded projects. In the case of the SRFPP financed Kheiran Project, as an illustration, accountability has not been much of a problem. Stages of implementation were funded by the DRLD in tranches released for each stage on project inputs from the previous stage. Although there was some initial confusion in getting the process started it has worked well since.

The EEC's Microprojects Fund will utilize the services of the DRLD in implementation, to the extent that the DRLD will participate with regional officials in the selection of projects,

according to EEC criteria, execute the release of funds, monitor implementation, and provide the mechanism of accountability in ways similar to those used for Khejran. The EEC's microprojects are to be proposed by the district level and financed according to the formula: one third local, one third regional government, and one third EEC.

The EEC approach is relatively simple and uncomplicated because it is based on the use of a well established national institution that is already linked to regional government. There is no reason to suppose, however, that this approach will not suffer from the same manpower deficiencies at the subnational levels as will AID's approach.

In the final analysis, the DRLD should be a useful implementation vehicle for the RDSF. Under Sudanese law, the central government is responsible for the use of foreign assistance funds. Using the DRLD to provide an implementation process and a channel for accountability would meet this requirement. Collaborating with the DRLD would reduce the need for AID to deal directly with numerous regional and district governments, which otherwise would be expensive and time consuming for project managers, if not physically impossible. In sum, the DRLD could supply the institutional framework and administrative process that now seem to be missing. There remains the lack of a training and technical assistance component.

The SRFPP. In the past six months the organization and management of Regional Planning Departments in Equatoria and Kordofan have progressed rapidly, so that today their capabilities are of a much higher order than they were, say one year ago. This progress is due to the fortunate coincidence of able and ambitious directors and the two SRFPP field advisors. If relatively large scale, nationwide AID funding of regional and local development projects is to proceed without waste and confusion, this combination will have to be repeated in all nine regions. Equally important, a pool of technical expertise will have to be made continuously available to the district councils.

Training needs at the subnational levels are vast. At the very least, the RDSF should be coupled with a training program designed to close the skill gap of those functions that are most essential to the project cycle. While its resources are relatively small, the planned activities of the SRFPP are already supportive of the RDSF, and could be expanded within its LOP to provide stronger reinforcement.

During the next six months SRFPP work plans include numerous activities that will contribute to the success of the RDSF in SRFPP's pilot regions. First, there is the already mentioned project development handbook. This handbook will provide step by step procedures to follow in investigating feasibility, designing,

appraising, and implementing projects in rural environments. The document will be written with district councils in mind and the method and organization of the handbook will be based on direct field research and inquiry in the target regions. Field testing and training in use will follow. The intent is to produce a document that will be applicable in all district councils of the Sudan. A successful outcome of this endeavor will be of direct and immediate benefit to the RDSF and similar funding efforts to come.

In the field of training, strengthening grants have been proposed for the Institute of Accountancy Studies and the Academy for Administrative Sciences in Khartoum, as well as the Regional Accounting Training Center in Juba. Negotiations are now in their final stages for these institutions. Through training in these institutions, plus courses already scheduled with the Institute of National Planning in Cairo and the Development Studies Research Center, University of Khartoum, it is expected that approximately 100 participants will receive training in the next six months in such subjects as project preparation and management, elementary bookkeeping, budgeting, and general administration. This kind of training is vital to the success of the RDSF and similar funding programs that are on the horizon for the next five to ten years.

The problem is that the scope and resources of the present SRFPP are too limited to provide the scale of support required by nationwide decentralization support. A new enlarged program in training and research should be designed and implemented as soon as possible if it is to have any significant effect during the life of the RDSF.

According to present arrangements the SRFPP will phase out beginning this October when the present technical assistance contract expires. Given the time involved in preparing a successor project, the training and research needed to back up the RDSF will be inadequate. The result of this phaseout will be a seriously imbalanced approach to decentralization assistance: a relative abundance of capital, combined with a severe shortage of complementary human resources.

After the contractor phaseout in October there still will be substantial resources remaining unused in the SRFPP. Given anticipated SRFPP resource utilization rates, there will be 19 person months of long term technical assistance and at least 10 person months of short term consultancy, as well as approximately \$500,000 in contract funds remaining after 10/3/84. In view of the resource imbalance implied by the RDSF it is only prudent to consider the option of using these resources to bridge the gap between the phaseout of the SRFPP and such time as a more

balanced program of assistance to decentralization can be launched. The steps to consider in a SRFPP bridging strategy are:

1. Extend the DAI contract to the December 31, 1985 LOP and expand its scope to include finance training.
2. Utilize the fourth TA position by recruiting an experienced public finance/budget process professional.
3. Extend the scope of the SRFPP to include all regions.
4. Utilize the long term TA contractors as mobile consultants who would work with all regional governments in designing finance and planning training programs for regional government employees, district council executive officers and selected council members to enable them to utilize AID funds in efficient projects.
5. Utilize ties already established with Sudanese institutions to implement an intensive training program with particular emphasis on the rapid buildup of capacity at the district council level of government.
6. Utilize existing short term TA funds to sustain or augment the activities described in 4 above.
7. Utilize the DRLD cadre of inspectors to serve as trouble shooters in designing and implementing small scale, self-help projects. Incentive bonuses would be paid from project funds for work performed at district or village council levels.

8. Explore the possibility of establishing a special relationship with the MFEP's Project Preparation Unit, whereby its personnel might provide TDY consulting services on behalf of the SRFPP at district and village levels. TDY salaries and incentives would be met from project funds.
9. Be prepared to supplement the project pound account in the unlikely event that it should be necessary.

It is important to note that, depending on the mix of TA time employed, the proposed strategy can be implemented at zero marginal dollar appropriations cost.

Summary. The decentralization movement in the Sudan has been characterized by a high degree of institutional instability. Institutional reform has been followed by dissatisfaction, more institutional tinkering, and further dissatisfaction. The present framework represents a reasonable balance between the forces of centralization and the need to decentralize. It is a Sudanese solution to Sudanese problems and deserves a chance to work. The natural process of institutional evolution should be allowed time to do its work without further upheaval by decree or other forms of interference. Foreign assistance donors should encourage the evolutionary development of the administrative process by conformable rather than disruptive intervention. We should work to make the process more efficient, to streamline it, to lubricate it, but we should not disrupt it.

As a case in point, RDSF can be made more process conformable by a few relatively minor adjustments. What the RDSF and similar project funding exercises in the field of decentralization assistance more urgently need is a companion project designed to assist the unprepared and understaffed subnational levels of government in efficiently utilizing assistance funds in genuine development projects. A reoriented SRFPP with extended technical assistance provides the most reasonable and readily available means for bridging the gap between the initiation of RDSF and the time a more comprehensive administrative support program can be put in place. The continued use of technical assistance would generate knowledge that could be profitably employed in designing new assistance programs and an attractive feature of this approach is that, in terms of additional contract dollars, it can be accomplished without cost. The alternative is an imbalanced approach to decentralization assistance.

APPENDIX

A PERSPECTIVE ON DECENTRALIZATION  
IN THE SUDAN

The need to decentralize the administration was recognized by the British after World War I in the report of the Milner Commission to Egypt. This contained the suggestion that a centralized bureaucracy was wholly unsuitable for the Sudan, and subsequently indirect rule through a combination of tribal leadership and advisory municipal councils was introduced. In 1937 local government was revamped along the lines of British municipal government with authority delegated from the Governor-General to councils under district commissioners acting as ex-officio chairmen. Standing committees were responsible for finance, education, town planning, public works, and general purposes. Councils had their own budgets and their service obligations included health, education, sanitation, roads and ferries, water supplies, and similar services. Tribal leaders continued to be predominant, however, and this led to increasing discontent among the better educated urban Sudanese.

The post war years have witnessed a series of changes in scope and nature of local government. The Local Government Ordinance of 1951 provided the legal basis by which councils would become corporate bodies, with their own elected chairman and councils, in a series of evolutionary steps. Provincial Governors appointed nonelected council members in the first stages of the process, but the Act's intent was that eventually all members would be elected. The local services rendered by

the councils were to be financed by assigned taxes, including (1) animal tax, (2) land tax, (3) date tree tax, (4) ushur, levied on agricultural produce of rain-fed land, (5) poll tax, (6) dwelling tax, and (7) entertainment tax, and certain minor fees. Local councils were permitted to borrow only with the consent of the Civil Secretary. Poorer councils received grant assistance to enable them to provide a minimum standard of service.

According to reports appearing as early as 1954, the rapid localization of the civil service was accompanied by a marked lowering of the technical and administrative standards, as inadequately prepared people were moved into positions of responsibility. This decline in standards was accelerated by the heedless and unstudied changes in the structure of government that took place in 1956. With independence, the powers of the Governor-General were enumerated into 117 articles of Sudanese law and divided among the Council of Ministers, the various individual ministers and the Chief Justice. As a consequence of this unstudied allocation of responsibility some ministries had irrelevant powers added to their functions and all were burdened by powers and functions that were ill-defined. In the new setup, provincial governors became provincial commissioners; some saw themselves as being responsible for local councils, while others did not. A serious lack of coordination among the layers of government was the result.

A new layer of government was added by the Provincial Administration Act of 1960. The Act established provincial councils as corporate bodies responsible for supervising local governments within the provinces. These councils had the power to pass their own annual budgets, as well as the budgets of the local councils under them. Provincial councils were given authority in such fields as education, culture, social affairs, public health, public works. For revenue they were assigned business profits taxes, selected royalties, excise taxes, and profits from the sugar monopoly. In addition they received central government grants on a per capita basis, plus grant-in-aid at the rate of 20 percent of actual outlays for health and education services. Provincial councils could not issue debt without the approval of the Minister of Local Government. These innovations provided the outlines of a pyramidal structure of administration with local councils as the base and the central government at the apex, with provincial councils in between.

As an expression of the May revolution, the declared intentions of the Local Government Act of 1971 were to put power in the hands of the people, to extend decentralization, accelerate development, and to replace traditional leadership. In effect it strengthened the pyramidal structure of government by adding new layers. With the new arrangements of 1971, the base was expanded to include village councils, nomad councils,

residential area councils, market area councils, and industrial area councils. Over these were people's rural local government councils and people's town councils. Above this layer were People's Province Executive Councils (PPECs), over which were the province commissioners. At the center, the Ministry of People's Local Government presided over this structure. Below the central level, power was concentrated in the hands of the Commissioners and the PPECs. Only the PPECs were corporate bodies with budgetary authority. The other intermediate and base councils were the creatures of the PPECs. Aside from central transfers, the revenues of the PPECs were tax and fee referrals from the local councils, plus any earnings from public enterprise.

In practice, the new administrative structure failed to achieve its purposes. Although the number of central ministries was reduced, and some functions reassigned to the provincial level of government, effective power was absorbed by the Ministry of People's Local Government and financial dependence on the center increased.

One clear effect of the bureaucratic expansion under the 1971 Act was the accelerated growth in the cost of administration relative to local revenue collections, with consequent increase in the central subsidies required by local government. In terms of central grants-in-aid to local government, the data below provide indications of this effect:

<u>F.Y.</u>	<u>Nominal Grants</u> (L.S.MM)	<u>CPI</u> (1975=100)	<u>Compound Rates of Annual Growth</u>		
			<u>Nominal Grants</u>	<u>CPI</u>	<u>Real Grants</u>
1962/63	4.0 <sup>1</sup>	38.2			
1970/71	13.5 <sup>1</sup>	48.2	16.4	2.9	13.5
1975/76	58.0 <sup>1</sup>	100.0	33.9	15.7	18.2
1980/81	270.7 <sup>2</sup>	233.3	36.1	18.5	17.6

- Sources:
1. Mohamed El Amin Abdalla Abbas, "Economics of Local Government in Sudan and National Development" (Thirteenth International Summer Seminar, University of Economic Science, Berlin, G.D.P., 1976), p. 20.
  2. John F. Due, "Report on Financial Aspects of Decentralization in the Democratic Republic of the Sudan" (USAID/Khartoum, 1981), p. 33.

The IMF's Sudanese consumer price index is included above so that growth in real (inflation adjusted) grants can be inferred, as well as the growth in nominal or current value grants. The data show that the growth in nominal grants was more than twice as fast after the 1971 Act as it was in the years just before it, and that the growth in nominal grants continued to accelerate on through 1980/81. The purchasing power of the pound fell rapidly after 1970/71, however, so that the growth in the real resource value of grants was increasingly less than their face value. Even so, the growth in real value grants (growth in nominal grants minus growth in prices) accelerated between 1970 and 1975, although there was a slight slow down in the growth of real grants as inflation accelerated after 1975.

These data confirm the popular view that the burden imposed by local government on the central treasury burgeoned after 1971. This growth is an important factor in the mounting central government deficits that occurred during the period.

In spite of this rising flow of resource transfers from the center, the level of services rendered by the lower layers of government stagnated. In practice, poor communications hindered policy coordination and implementation, the great number of councils created confusion concerning responsibility and accountability, and central resistance to decentralization sometimes led to interference and administrative bottlenecks. The continuous need to negotiate budget balancing transfers contributed to disorderly finance, sporadic project implementation, and policy uncertainty. The alienation of traditional leadership reduced the effectiveness of tax collection at the local level, thus increasing dependence on the central transfer.

At the local level, councils were understaffed and lacking in technical capabilities. This was the result of a general skills deficiency and the tendency for available talent to gravitate to the provincial level. As the local councils lacked budget autonomy, and received transfers from the province level on a piecemeal basis; project implementation suffered. Popular participation remained low and, at both the province and local levels, an imbalanced relationship between responsibility and resources obtained.

Discontent with this state of affairs led to public discussion and debate, culminating in the Regional Government Act of 1980 and the People's Local Government Act of 1981. Together, these two acts represent yet another attempt to balance authority and responsibility between national, intermediate and local levels of government. The new regional governments represent an entirely new layer of government, one that largely subsumes the powers of the provincial commissioners and the PPECs. The latter were abolished by the 1981 Act and their powers and responsibilities were transferred to the regional governors and ministers. Under the Regional Government Act, regional people's assemblies were authorized legislative powers, including the right to override a governor's veto. According to the 1980 Act, regional revenue sources are limited to public enterprise income, unspecified taxes, loans, and central government grants. In practice the latter are the major source, in most cases accounting for at least 70 percent of regional revenues.

Besides abolishing the PPECs, the 1981 Act created a number of district councils. These are corporate bodies with their own budgets. Their functions appear to be similar to those of the pre-1971 provincial councils. The district councils are empowered to establish people's local councils and to delegate such powers and financial resources to them as may seem appropriate.

In the area of finance, there is still a great amount of confusion and uncertainty concerning the equitable distribution of responsibility and resources between regional governments and district councils. In several northern regions, for instance, taxes such as ushur and local property taxes are ultimately collected by regional taxation departments, to the great consternation of district officials. In the southern regions the situation is even more confused. It is reported, for example, that in Dinka areas the former annual eight pound head tax on males has been converted into a fifteen pound head tax on females and collected several times a year by Anyanya II.<sup>1/</sup>

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<sup>1/</sup> This background survey of efforts to decentralize government in the Sudan relies primarily on Mukhtar Alassam, Decentralization in the Sudan (Ministry of Culture and Information: Khartoum, 1979) and Malcolm Norris, "Sudan" Administrative Versus Political Priorities in Phillip Mawhood (ed.) Local Government in the Third World (Chichester: John Wiley and Sons, 1983).