

UNCLASSIFIED

**AGENCY FOR
INTERNATIONAL
DEVELOPMENT**



SUDAN

**COUNTRY DEVELOPMENT
STRATEGY STATEMENT**

FY 82

BEST AVAILABLE

January 1980

UNITED STATES INTERNATIONAL DEVELOPMENT COOPERATION AGENCY
WASHINGTON, D.C. 20523

This strategy statement has been prepared by the AID field mission. It is prepared annually and used for planning purposes in the field and in Washington but is neither officially approved nor disapproved by AID/Washington. It does not represent official Agency policy.

THIS STRATEGY STATEMENT HAS BEEN PREPARED BY THE
A.I.D. FIELD MISSION. IT IS PREPARED ANNUALLY AND
USED FOR PLANNING PURPOSES IN THE FIELD AND IN
WASHINGTON. IT DOES NOT REPRESENT OFFICIAL AGENCY
POLICY.

**

*

TJL/12

SUDAN

COUNTRY DEVELOPMENT STRATEGY STATEMENT

January 1980

USAID/Sudan

TABLE OF CONTENTS

	<u>Page No.</u>
Executive Summary and Key Issues	1
A. Summary	1
B. Key Issues	2
I. Analysis	4
A. Analytical Description of the Poor	4
1. Overview	4
2. East Central Region	6
3. Western Region	9
4. Southern Region	11
B. Causes of Poverty	13
1. Overview	13
2. Socio-Cultural Factors	15
3. Macroeconomic Factors	16
a. Economic System	16
b. Economic Profile Data	18
c. Public Sector Finance	19
d. Present Financial Crisis	20
4. Factors of Production	22
C. Progress and Commitment	23
1. Overview	23
2. Sectoral Analyses	24
a. Agriculture	24
b. Health	26
c. Population	27

d. Human Resources	28
e. Employment	31
f. Environment	32
3. Growth with Equity	33
4. Human Rights	34
5. Interregional Influences	34
D. Host Country Planning	35
E. Absorptive Capacity	36
F. Other Donors	37
II. Strategy	39
A. Goals	39
B. Objectives and Targets	40
C. A.I.D. Assistance Strategy	41
1. Overview	41
2. Appropriate Technology	44
3. Sectoral Analyses	44
a. Agriculture	44
b. Health and Population	46
c. Human Resource Development	47
d. Communications and Transportation	48
e. Southern and Western Sudan	49
4. Economic Crisis	49
5. Women in Development	51
6. Private Voluntary Organizations	51
7. Centrally Funded Projects (CFP)	52
D. Constraints	52
III. Justification of the PAPL	53
A. Development Assistance	53

B. Program Assistance	54
1. Commodity Import Program (Economic Support Fund)	54
2. P. L. 480 Title III	54
C. Staffing Implications	55
Table--Proposed Assistance Planning Level	56

EXECUTIVE SUMMARY AND KEY ISSUES

A. Summary

The Government of the Democratic Republic of the Sudan (GOS) will be on the horns of an economic development dilemma of serious proportions throughout the five year coverage of this analysis. One horn is the GOS' severe financial crisis and the need to take decisive steps to resolve it; the other is the political and economic destabilizing effect of the pent up and growing demand for the consumer goods, industrial raw materials and social services whose availability is reduced by the GOS' treatment of the financial crisis. The GOS is acutely aware of this situation and is attempting to resolve it by: (1) implementing the conditions of an Extended Fund Facility with the International Monetary Fund; (2) obtaining debt rescheduling from creditors; (3) increasing the productivity of foreign exchange earning agricultural activities, through the rationalization of pricing policies; (4) liberalizing foreign exchange regulations to encourage greater utilization of existing foreign exchange earnings and existing industrial productive capacity; (5) seeking increased donor financing with a higher proportion of program to project assistance; (6) restricting new donor project assistance to high priority activities underway or in which the donor can fund both the foreign exchange and local currency costs; and (7) cutting back on planned, but not implemented, development activities. The GOS has made the resolution of the financial problem its number one economic priority, recognized the long-term nature of the problem, and begun the resolution process. (While it is true that oil has been discovered in the Sudan, it has not been found in quantities which lead us to expect that it will have any meaningful financial effect during the planning period of this CDSS.)

While cognizant that GOS support for the Israeli-Egyptian Peace Treaty has generated Congressional support for increased U.S. development assistance to the Sudan, the strategy proposed in this "statement" demonstrates that a sound development basis exists for the recommended A.I.D. program. To assist the GOS resolve its financial crisis, continued Program Assistance is proposed in the form of Commodity Import Programs (CIP) and P.L. 480 Title III. Bilateral Project Assistance activities, featuring local currency support generated from CIP, P.L. 480 and Sector Support Projects, will focus on the poorer Southern and Western regions and the agriculture, rural development, alternative energy and health sectors. Continued participation in AID/W financed population programs and non-project training programs is also recommended, as well as the utilization of Private Voluntary Organizations and Title XII institutions in project implementation.

The recommended mix of activities is designed to complement GOS financial and program concerns, including the restrictions imposed by the IMF's Extended Fund Facility. New activities are limited in order to permit consolidation of existing development investments and to avoid absorptive capacity problems. However, the proposed program is flexible and can accept and replicate positive results from ongoing pilot projects--a predominant element in the existing program--which may mature during the next few years.

B. Key Issues

1. A.I.D. policy urges the most direct application of economic development interventions of the Basic Human Needs (BHN) genre to the poor majority in the absence of overwhelming justification for alternative forms of assistance. The strategy recommended in this CDSS contains a significant element of BHN activities, but argues that the provision of program assistance

in the form of Commodity Import Programs and P.L. 480 Title III is justified to support the GOS' assignment of highest development priority to the resolution of its financial crisis. In addition to showing that program assistance to ameliorate the GOS financial crisis is a dominant feature of other donor assistance and that an appropriate role exists for A.I.D. in this area, the proposed strategy argues that the local currency generations of these program assistance activities will be utilized primarily to address BHN concerns. Acceptance of this argument has long term implications for the allocation of resources over the span of this CDSS.

2. The USAID/S Development Assistance project portfolio is dominated by technical assistance activities of a "pilot" and/or "experimental" nature. In the process of creating a new program following an hiatus in the economic assistance relationship, it has been essential to find out how to structure development activities so that they will achieve anticipated objectives within the diverse regions, ethnic concentrations, and cultural and religious groups of which the Sudan is composed. In short, the USAID/S program is heavily involved in adaptive development research. Furthermore, during the period of this CDSS many of these pilot and/or experimental activities will begin to mature and consideration will have to be given to their replication. Thus, this CDSS argues for increased funding levels during the latter years of the planning period.

3. USAID/S is cognizant and supportive of A.I.D.'s policy admonition to concentrate development assistance resources in a limited number of sectors or geographical areas in order to more effectively influence change. However, the enormous size of Sudan and the wide dispersal of the poor within it, the limitations of the absorptive capacity of governmental units for technical assistance, the comprehensive nature of the development problems, and the

small size of A.I.D.'s assistance resources relative to the magnitude of the problem and its financial requirement impede a neat program concentration. This CDSS argues that the predominant program focus of USAID/S on the geographical areas of the South and West and the sectoral areas of health and agriculture/rural development is responsive to A.I.D. policy, and that seemingly divergent activities in alternative energy, non-project training and physical infrastructure are also consistent with the primary focus at a higher level of program abstraction.

4. With its current focus on macro-economic financial problems, the GOS is hard pressed to provide the manpower and local currency resources to support BHN technical assistance-oriented project activities of the type favored by A.I.D. The ability of BHN-type activities to attract local funding and staffing is likely to decrease significantly further when the GOS places into effect its proposed Regional Autonomy Program during the middle of 1980. Nevertheless, these activities lay the critical groundwork for an anticipated utilization of resources when the GOS financial crisis is resolved and the new Regional Governments begin to receive the resources required to implement their economic development leadership roles. During this present period of financial drought, A.I.D. must be prepared to work under the most difficult of circumstances, finance local costs, and work with limited numbers of counterparts in some instances. This CDSS argues that program continuation and expansion under these abnormal conditions is justified.

I. Analysis

A. Analytical Description of the Poor

1. Overview. With a per capita income of about \$300, Sudan is one of the worlds relatively least developed countries. Since

the wealthiest 20% of the population have over 49% of the income, the majority of Sudan's estimated population of 18.3 million persons are poor; the uneven spread of the wealth means that there are at least ten million poor living near or in poverty.

To address this problem, the GOS is planning to carry out a "Regional Autonomy Program" by mid 1980. Essentially, it will create four Regional Governments along the lines of the existing Southern Regional Government. As a long term instrument for introducing "upward planning" into the system, the program should have a profound effect. Its immediate impact, however, will be to lay a new mantle of responsibility on a bureaucracy having little or no practical ability to govern at present--particularly in the West. Obviously, this will further complicate the development process for donors.

With the new regional considerations in mind, we have profiled the residents of the three basic regions* of the country (as grouped prior to the institution of the proposed four region division) in terms of their development experience, current condition, and development prospects. This analysis shows that past development has led to a concentration of modern sector activities in the East Central Region and neglect of the development problems and opportunities in the traditional agriculture areas of the Western and Southern Regions. The existing development of the investment in

* Regional Definitions (Provinces):

East Central: Kassala, Red Sea, White Nile, Upper Nile, Blue Nile, Khartoum and Gezira.

Southern: Jonglei, Bahr El Bhazal, East Equatoria, Lakes and WestEquatoria.

West: Southern Darfur, Northern Darfur, South Kordofan and North Kordofan.

(Northern Province is generally not grouped due to lack of data and its relative lack of significance in the analysis. Under the new GOS regional plan, it will be included in the Western Region.)

the irrigated and mechanized agricultural schemes of the Nile River areas makes continued intensive investment in these areas economically attractive, while the West and South, as measured by access to basic health, education and agricultural services, contain the "poorest of the poor" and are unattractive to investors. Efforts to redress this disparity between regions should serve to provide growth with equity, as well as lay a groundwork for the promotion of future economic growth.

While Sudan is predominately a rural, agriculture-oriented country, the problem of the urban poor has arrived. Khartoum and environs contain about 60% of Sudan's total urban population, which is about 20% of the total population. Furthermore, through internal migration the area is growing at a rate of 5-7% per year. In the South, the urban growth rate has been over 10%. While urban areas have a higher level of health and educational services, continued urban growth is straining available resources and services.

2. East Central Region. Approximately eight million people, or 44% of Sudan's total population, live in the East Central Region, mostly in an area along the Nile River in the north and between the Blue and White Nile Rivers in central Sudan. The area benefits from the concentration of developmental inputs on modern irrigated and rainfed agriculture schemes. These schemes, operating through resident tenants* and migrant seasonal labor, produce the major export and consumption crops, i.e., cotton (56% of all exports), wheat,

* The land is owned by the Government and worked by tenants, although some tenants are sufficiently wealthy from outside sources that they employ sharecroppers.

sorghum and groundnuts on average holdings of 20 acres. The area also includes the principal urban centers, the Khartoum metropolitan area and Port Sudan.

Two development issues dominate the region: (1) productivity and yield declines on the mechanized irrigated agricultural schemes threaten export earnings and force the concentration of additional resources on ongoing activities to protect existing investments; and (2) socio-economic factors have resulted in a decline in the availability of seasonal migrant laborers at peak harvest periods. A study of the migration issue should be available soon; it will be important for economic planning and for determining the needs of migrants.

The East Central Region, especially Khartoum Province, has less inadequate health and education services than the South and West. Primary school enrollment in the 7-12 age group is 90% for urban areas and 30-35% in rural areas, i.e., three times the rate in the West and six times the rate of the South. Disparities in enrollment by sex are consistent throughout the country; literacy for males over age ten was 27%, but only 6% for females in 1970. The three eastern provinces of Khartoum, Blue Nile and Kassala had 62% of the primary schools in 1973.

Health conditions in the East Central Region are typical of many less developed countries. The infant mortality rate is 67-82 per thousand and life expectancy is 45.8 years. The major diseases are schistosomiasis and malaria, with "man-made malaria" attributable to lack of vector control in irrigation schemes now endemic. Health services are relatively more accessible in the East Central Region. It has 58 of the country's 133 hospitals, with the most sophisticated hospitals and medical training centers being in Khartoum. The region also has 64% of the health centers,

dispensaries and dressing stations. Data concerning the location of health services relative to population concentrations is not available, but the East Central Region's significantly greater access to communication infrastructure implies that health services are more accessible than in the South and West. It appears, moreover, that the equity of accessibility to health services has not been a factor in setting health priorities.

From the data cited above, it appears that the general quality of life in the East Central Region is superior, particularly in the urban areas. Incomes in urban areas are higher than in rural areas, although average household income for 40% of urban households is under ₦S 1200* (approximately ₦S 200 per capita) and the per capita cost of living is estimated at ₦S 262. Thus, 40% of the urban population lives at the margin of poverty, or below it. The labor force participation rate for urban males is 88%, but only 9% for females. Unemployment is low, 4 to 5% for males and .5 to 1.5% for females. A better definition of the role of women and their need for access to social services and productive opportunity is a requirement for addressing further the needs of the urban poor.

Rural residents also benefit from the concentration of services in the East Central Region. Per capita rural income ranges from ₦S 180 to ₦S 236. The excess of average expenditures (₦S 180 to ₦S 248) over income is indicative of close ties to urban areas, where incomes exceed expenditures.

The prospects for development in the East Central Region are linked to the success of ongoing modern sector agricultural projects. In general,

* 1 ₦S = \$1.25 for most transactions, but 1 ₦S = \$2.00 for certain official transactions.

the population of this region, except for the urban poor (especially women) and migrant workers, will benefit as these large schemes achieve their economic goals. Equity issues relating to the relative distribution of income among the various schemes deserve attention, but concern for the poor must focus on the more significant long term implications of differences between the majority of "modern farmers" in this region and the "traditional farmers" of the West and South.

3. Western Region. The four western provinces cover an area of approximately 877,000 square kilometers, or nearly 1/3 of all Sudan. With an agricultural economy--groundnuts, sesame, cotton, sorghum and gum arabic are the cash crops, the area supports a population of approximately five million sedentary cultivators (70%), migratory pastoralists (18%) and villagers (11%). In addition, the area supports some 18.5 million sheep, goats, camels and cattle having an imputed capital worth of £S 230 per capita. The human population is growing at over 2% per year, resulting in rapidly increasing settlement near limited water resources and environmental damage from poor land use practices.

Average annual income in the region is £S 98-153, with 80 to 94% of households below £S 200. This absolute poverty in monetary income is mitigated somewhat, however, by the subsistence agriculture practices of the populace. Annual expenditures approximate income, so any savings are accumulated outside the monetized economy (probably in livestock). Unemployment is relative low for rural males (3.5%) and almost non-existent for females (.1 to 1%) urban and rural. Urban males, however, have a higher rate of 5 to 6%.

Access to water is the prime consideration of both the cultivator and pastoralist in the region. Declines in rainfall in the past ten years

leading, in some cases, to irreversible desertification have forced pastoralists to migrate to the more accessible water holes or towns (irrigation schemes in many instances) for water and/or cash labor. Despite this high degree of geographic mobility, kinship patterns and bonds appear to provide socio-cultural stability to the individual extended family. However, increasing numbers are settling near stable water supplies and overutilizing the land. The complexities of this social infrastructure and its environmental/population interactions requires localized and experimental approaches to the design of agricultural development activities.

Economic development of the Western Region has been of relatively low priority until recently. Several projects currently in preparation and in the early stages of implementation are designed to provide basic transport facilities and support for marketing livestock production. In addition, agricultural schemes--several run by the private sector--are promoting mechanized cash crop production. Hopefully, these projects will contribute to more appropriate land use practices, regulation and extension of water resources, and the establishment of infrastructural groundwork for future developmental activities.

Updated mortality and morbidity data are not available, the incidence of reported malaria is second only to Blue Nile Province, and reported cases of parasitic diseases, gastroenteritis and malnutrition are high. Water related diseases are endemic, although interventions to control vectors and improve domestic water supplies could do much to change this situation. The region has 26 hospitals, 145 dispensaries and 123 dressing stations; this amounts to 18%, 23% and 19% respectively of the national total of these facilities for about 27% of Sudan's population. In North Kordofan Province, the physician/population ratio is 1/41,500. Further, the pastoral lifestyle

of the region carries special health risks because of the increased susceptibility to contagious disease among such close-knit groups and the logistic problems inherent in delivering preventive and curative health services to a mobile population such as this one.

In 1979 the primary school enrollment rate for children age 7-12 was between 19 and 23%. In 1974 only 11 to 15% of Sudan's secondary students were in the West. The illiteracy rate is 94% for females and 72% for men. Furthermore, the difficulty of delivering educational services to a mobile population indicates that the situation will not improve in the near future.

4. Southern Region. The most significant development factor in the Southern Region is negative—the 17 year civil war. During this period development projects initiated prior to and immediately after independence virtually disappeared, e.g., transportation and communications systems, agricultural programs and educational and health facilities—including a number of A.I.D.-financed schools of which the predominant remnants are structural steel skeletons. Over 200,000 residents fled to neighboring countries, while another 500,000 fled to the bush and a scattered pattern of subsistence agriculture. With the Addis Ababa Accord of 1972, massive return migration occurred to create resettlement difficulties for the newly formed Regional Government. The infrastructure and social services gaps remain today and are further exacerbated by many thousands of refugees from Ethiopia, Eritrea and Uganda.

Characterized by ethnic diversity, the South is faced with population-wide developmental issues. Animal husbandry and subsistence agriculture support 80% of the population on average holdings of three acres per family. However, the disruption of community farming heritage and burnt or neglected land detracts from even the most modest agricultural production efforts. The

lack of access to markets prevents the generation of cash incomes from the sale of agricultural produce and a lack of economic incentive depresses agricultural production.

Per capita income is £S 80, or less than half the national average. Despite having nearly 25% of Sudan's population, the South enjoys less than 10% of the medical facilities and has the highest rate of parasitic diseases and malnutrition in the country. The 90% illiteracy rate and the primary school enrollment ratio of 22% portend an unskilled labor force for at least the near future.

The region's 650,000 square kilometers, about 30% of the country, encompass varied geographical/climatic regions. Neither the swampy east, the southern rainforest, nor the western plateau is suited for the large agricultural schemes found in the East Central Region. The immediate priority of the Southern Regional Government is agricultural development at the grassroots level, with emphasis on small scale farming (as distinct from subsistence) and animal husbandry in order to achieve self-sufficiency and raised incomes for the 90% of the inhabitants who are rural. Research, training, farm-to-market access, technical inputs and extension services are essential in order to promote cash cropping and the marketing of livestock (local custom and low value restrict offtake to about 3% of the 10,000,000 head of livestock in the region).

Census analysis indicates a crude activity rate of 30% in the South, low by most standards and most likely due to under measurement of female employment (measured at 16.6% in rural areas as compared to 86.7% for males). Female roles in the South are similar to those in other tropical African cultures; women perform extensive agricultural labor as well as reproductive and domestic tasks.

Although unemployment is lower in urban areas (Juba, 6%) than in rural areas (16%), continuing migration to the urban areas from the region's western and eastern provinces--as well as from Zaire, Uganda, Ethiopia and the Central African Republic--at a rate of nearly 10% has strained resources and services to the breaking point.

The post-war returned migrants of fertile age are affecting the 3% annual birth rate of the region, regardless of the mortality and fertility conditions which constrain population growth: mortality is 100 per 1000, infant mortality is 100-140 per 1000, and infertility is high due to disease and malnutrition. There is no doubt that health services are inadequate; a quarter of Sudan's population is serviced by 7.2% of the health centers, 15.7% of the dispensaries and 19.8% of the dressing stations.

At present the lack of infrastructure is the most significant impediment to the South's development; agricultural areas cannot be reached, foodstuffs and livestock cannot be delivered, and communication and transport facilities are virtually non-existent. Thus, the evidence suggests that development activities in the Southern Region must be carefully limited to deliberate and methodical interventions at the grassroots level.

B. Causes of Poverty

1. Overview. Sudan's poverty has its basic roots in historic and cultural patterns. The Sudan is not so much a country as a geographical region designated as a political entity. This lack of natural unity has limited Sudan's sense of social and economic "Nationhood" and the duties and rights thereby implied.

The economic development of the Sudan has been retarded by the country's size and the high cost of reaching a widespread population. Natural resources to encourage economic exploitation are limited, with the irrigated areas along the Nile being the most valuable. However, the development

of these areas has led to skewed investment and income distribution and little attention being given to the problems of the less richly endowed South and West. In addition, heavy Government investment in financially unsuccessful development schemes abetted by a socialist economic system have led to a present day financial crisis of major proportions.

Virtually from independence in 1956 until 1972, civil war between the North and South retarded economic development and the accumulation of national wealth. The end of hostilities provided the stability required for development, but recovery from the massive destruction of physical and human resources, particularly in the South, has barely begun. In addition, natural communications barriers to the South and West combine with the relatively easier access and significantly variant political and religious interests of the North and East to exacerbate development inequities.

Finally, GOS ownership of the land, virtual control of the inputs to production, and emphasis on mechanized capital intensive Government schemes have limited the development scope of the agricultural entrepreneur. Recent policy changes to eliminate multiple foreign exchange rates and Government subsidies mitigating against domestic production, as well as new programs to encourage dry land production by traditional farmers, however, are reducing, to some extent, the disparities in income distribution between participants and non-participants in Governmental production schemes. Since the infrastructural investment costs for programs designed for traditional farmers are relatively modest, investment in such programs should lead to more rapid profitability and ease the overall financial cost of agricultural development.

2. Socio-Cultural Factors. The Sudan is composed of some 56 distinct ethnic groups, although only 26 of the 115 languages spoken are considered major. Culturally, 1/3 of the population is Arab--|predominantly in the North and East Central Regions. The lack of unity and national purpose resulting from this potpourri of individual interests and concerns is a major cause of Sudan's poverty.

The best example of the deleterious effect of this ethnic and cultural diversity is the 17 year civil war between the North and the South. Another is inter-tribal warfare, which breaks out most often in the South. Religious conflict between the major Islamic, Christian and Animist groups is not overt, but its influence is felt in the drafting and application of law. The selection of varying official languages for education and governmental operations indicates ethnic sensitivity.

To some extent, the emphasis of the GOS on devolving governmental operations to the control of four Regional Governments, along the lines of the Southern Regional Government, by the middle of 1980 is an attempt to reduce inter-regional friction. The failure of the GOS to follow a development with equity philosophy to date, and the unlikelihood that the present financial situation will permit the GOS to do so in the near future, however, somewhat negates the effectiveness of the decentralization policy. Similarly, the diversity of topography and climatic zones, productive opportunities, and transportation and communication infrastructure exacerbate regional differences. In any event, there is no residual doubt that the ultimate economic and political power of the Sudan rests in the East Central Region.

The international migration of skilled labor out of Sudan is both a cause and an effect of poverty. The availability of greater economic

opportunity in the Arabian Gulf countries, primarily, strips the Sudan of important human resources. Recognizing that it cannot effectively halt this exodus and that the remittances these workers return to Sudan are an important source of foreign exchange, the GOS has attempted to regulate the situation by negotiating limiting agreements for professional and skilled labor with some of the recipient countries. Often these agreements contain provisions which provide a financial incentive to assure that the migrants return to the Sudan and devote some of their productivity to it. This human resource loss, however, will not begin to ameliorate until Sudan's economy generates such financial rewards as to reduce the incentive to migrate.

3. Macroeconomic Factors

a. Economic System. Despite a rich and varied natural resource base which offers good prospects for economic development, Sudan is one of the world's least developed countries and has a rating of only 35 on the Overseas Development Council's physical quality of life index. Although pre-independence conditions, exogeneous world economic conditions and the 17 year civil war are prime causes of this situation, it is also clear that post-independence management of the economy has made a heavy contribution.

The Nimeiri Government initially emphasized "Centralized State Socialism", and until 1973 economic relations were heavily skewed toward the Eastern Bloc socialist countries. The effect was to deter private investment and to focus Government resources on the "modern" sector. A pattern of proportionately heavy investment in irrigation and mechanized agricultural schemes prevails. The rather inefficient management of the Government schemes and economically irrational exchange and production policies have acted as a disincentive to rapid growth. Taxes and duties have tended to fall upon agriculture producers and favor the commercial/

industrial sectors. They have also tended to favor capital intensive activities at the expense of employment and import substitution, rather than exports. The problems of the traditional agriculturalist in his own environment have been largely ignored. For many years there was almost no investment in the transportation activities required to provide him with access to markets and governmental services.

The GOS has also dominated the industrial sector (3.7% of formal employment and 10% of GDP). Government has controlling equity in many of these endeavors, and most of them are operating with large deficits due to the lack of competent management, skilled labor, spare parts, raw materials and access to markets. In too many cases, enterprises have been located in remote areas to create employment opportunities, where they exist as under-utilized monuments to poor economic planning. Such governmental corporations as those for vegetable oil, shipping and river transport, cotton ginning, railways, road transports, etc., suffer from these problems.

Recently, however, the GOS has modified its economic approach significantly in collaboration with the IMF. Although this move has been forced by an overwhelming financial crisis, it appears that the very event of the crisis has convinced many in the GOS that a more capitalistic private sector oriented economy is required to resolve the root cause of the present economic malaise. While economic reforms such as devaluation and liberalization of foreign exchange controls have already taken place to effect this changed economic order, it is too early to determine if they will work.

b. Economic Profile Data

i	GDP at current prices (1978/79) £S 2.608 Billion			
	Agriculture	35%		
	Trade and Finance	25%		
	Government & Service	15%		
	Manufacturing	10%		
	Other	15%		
ii	Central Government Finances (1978/79 in Millions of £S)			
	Total Revenues		611	
	Total Expenditures		-796	
	Current		(572)	
	Development		(224)	
	Other Operations (including public corporations)		- 32	
	Government Deficit		-217	
	Financing		217	
	External		(97)	
	Domestic Bank Borrowing		(120)	
iii	Balance of Payments (1978/79 in Millions of U.S. \$)			
	Exports (f.o.b.)		605	
	Imports (c.i.f.)		- 1,310	
	Services and Transfers (net)		210	
	Current Account Deficit		-495	
iv	Reserve Position (December 1978 in Millions of U.S. \$)			
	Gross Reserves		28.4	
	Net Foreign Assets of Banking System		-577.3	
	Reserves equal a .26 months of average imports			
v	External Debt Outstanding (in Millions of U.S. \$)			
		<u>1974</u>	<u>1976</u>	<u>1978</u>
	Total	903.5	1,605.3	2,076.1
	By Type of Creditor			
	Supplier's Credits	74.9	277.6	287.7
	Financial Institutions	230.0	336.0	547.9
	Multilateral Institutions	142.9	237.5	396.2
	Bilateral Loans	455.7	754.2	844.3

c. Public Sector Finance. The government sector includes the GOS and local government at the provincial and regional levels, although only the GOS has significant revenue sources. Local governments receive transfers amounting to about 25% of total GOS current expenditures. The GOS fiscal year runs from July 1 to June 30; the current budget is prepared within the Ministry of Finance and National Economy, while the development budget originates in the Ministry of National Planning. The fiscal performance of the GOS through 1976/77 was characterized by rapidly growing deficits which, coupled with declining foreign financing, resulted in increased domestic bank financing. Since then, significant efforts have been made to reverse the trend. Various factors accounted for the deficits, including lower international prices for Sudan's exports and the failure of revenues to grow as anticipated. In 1977/78 the GOS introduced restrictive measures in consonance with the IMF and brought about a sharp drop in the overall deficit; current expenditures grew by only 2% while development expenditures increased by 20% for an overall growth rate of 7%. The 1978/79 budget was formulated in the context of the Government's stabilization program and called for limiting bank financing to £S 120 million. However, shortfalls in revenues and foreign loans forced this ceiling to be exceeded.

The basic structure of the budget has been relatively constant, with taxes on goods and services and international trade accounting for 66% of tax revenue. The tax system as a whole has shown little response to GNP changes. Taxes on imports account for some 40% of total revenue. Taxes on exports provide about 5% of revenues, although recent changes in the export tax on cotton will reduce this significantly.

Defense and security account for about 16.5% of current budget expenditures. Social services make up about 7.5% of the current budget, with transfers to

local government (24%) and general administration (38%) being the major expenditure items. Debt service is over 8% of current budget expenditures, or slightly more than social services.

Development expenditures rose rapidly during the early 1970s and continued to rise through 1977/78, in spite of severe restrictions recently in the availability of external financing. Expenditures on agriculture and irrigation averaged about 26% of total development expenditures during the period 1974/1975 - 1978/1979, while outlays on industry, mining, electricity and water accounted for 30%, and transport and communications expenditures comprised 23%. The remaining 21% went for such items as social services and GOS contributions to--and recurrent costs on--externally assisted development projects.

While increased development expenditures are anticipated in the remaining years of the Six-Year Plan (1977/78-1982/83), the financial problems now being faced make these expenditures unlikely. The new three-year outlook (1978/79-1980/81) will probably limit development expenditures to the completion of ongoing projects, rehabilitation of completed projects, and expansion of infrastructure. Thus, the less than equity oriented trend of development expenditures toward the modern sector will continue in the near future, and the less developed traditional sector will continue to suffer.

d. Present Financial Crisis. Sudan's current economic difficulties have their origins in a 1973 GOS decision to make improvement of the nation's inadequate transport infrastructure and agri-business sector its first development priority, rather than increased cash crop production. In addition, wheat, groundnuts and sugar production were to be increased. The rationale for the change was the prevailing high international market price

for cotton exports, groundnuts (as a high value export), and wheat and sugar imports. Existing yield levels of cotton on reduced acreage plus groundnut exports at high international prices were to have financed the transportation infrastructure, while wheat and sugar were to have an import substitution effect.

However, in 1974 Sudan began having trouble marketing cotton due to the worldwide recession, and the country's trade account deteriorated. This encouraged increased wheat, groundnut and sugar production to diversify the export base and substitute for imports. Financial disincentives to cotton production encouraged the crop production shifts. As a result, however, cotton production and yields declined; output declined by nearly 50% between 1974 and 1976, and earnings declined sharply as well. While wheat production initially increased, production and yields subsequently declined due to poor seed; inadequate land leveling, irrigation, and fertilization; late sowing; weeds; harvesting delays; and consumer-oriented pricing policies-- the producers may have chosen not to be good wheat farmers. Groundnut production suffered initially by acreage shifts to wheat, but subsequently recovered due to production in the West. However, the remoteness of this area made marketing virtually impossible and a large part of the crop was lost. Further, the production of all major crops suffered from flooding in 1978.

Efforts to achieve self-sufficiency in sugar production have fallen behind schedule. Cost overruns and the unavailability of financing for refining equipment limit present capacity to 50% of domestic requirements.

In summary, the GOS policy shift was achieved at great cost; the incentive pattern created is inconsistent with Sudan's comparative advantage in cotton and groundnut cultivation. Development expenditures in the effort rose from \$125 million to \$500 million equivalent, these costs had to be financed from

external and domestic loans (domestic bank financing rose from \$30 million to \$370 million equivalent between 1975 and 1977), and the resulting inflation has raised the consumer price index by an annual average rate of 25% since 1976. Similarly, the average annual deficit in the balance of payments has gone from \$27 million equivalent between 1971-1974 to \$487 million in 1976, \$495 million in 1978 and an estimate of \$475 million in 1979.

Net disbursements from foreign loans and other capital inflows have not been sufficient to cover the current account deficits, so the GOS' foreign exchange holdings have declined severely. Between 1974 and 1978 they declined by \$100 million, and the arrears on external debt repayments arose. At present they are over \$1 billion. Thus, the GOS is in an economic development dilemma. Hopefully, this will be resolved by the ongoing economic reform program being carried out with IMF assistance, including financial policy reform, debt rescheduling and a reordering of development priorities in a more prudent manner.

4. Factors of Production. Many of Sudan's economic and development problems can be related directly to the GOS' policy of government-led, government-controlled development. Supply and demand principles have been tinkered with so that individuals have little choice in determining what is in their own economic best interest. Government ownership of all land, despite the relative assurance of strong tenant rights is the best example. Particularly on irrigated schemes, farmers have little choice of what to grow because controls on irrigation water, machinery, seed, fertilizer and other agricultural inputs are also controlled by government. In 1971 the GOS began to modify its policies somewhat to encourage greater private enterprise. After another lapse to government control in the middle to late 70s, it appears that government policies are again encouraging private enterprise; currency

exchange controls have been made less onerous, private firms and individuals may have bank accounts in foreign exchange, and foreign exchange is more readily obtainable from banks. If this policy reaches individual farmers, it may do much to improve yields, as well as increase the area put to production of cash crops for domestic consumption and export.

C. Progress and Commitment

1. Overview. At the macroeconomic level, Sudan's overall performance has been mixed and spasmodic, largely due to periodic GOS policy and economic development priority changes. Real GDP growth from 1967-1971 averaged about 2.5%, or just about the growth in population. Between 1971 and 1979 GDP grew at an average rate of 4-5%, but this included periods of marginally negative growth (1978/79) and of growth as high as 12% (1977/78). Changes have also occurred in the composition of GDP. Since the early 1970s the share of agriculture and livestock in GDP has declined from 40% to 35%, while manufacturing has risen from 9% to 10%. Commerce and finance grew with the economy, maintaining about a 25% share of GDP. The fastest growing sector has been government and other services, which now accounts for about 15% of GDP.

Sudan's export earnings grew at an average of 10% between 1975 and 1979, although this reflects substantial world market price increases and volume did not increase appreciably. The proportion of exports to GDP fell from 14% to 7% between 1971 and 1978.

Imports averaged about \$1 billion between 1975 and 1977, but grew to \$1.2 billion in 1978 and are estimated to have reached \$1.3 billion in 1979. Between 1974 and 1978 the proportion of foodstuffs declined from 24% to 14% and the share of machinery and manufactured goods increased from 41% to 57%. The share of raw materials remained relatively constant. Most of the increase in imports was financed by increases in unrequited transfers, which rose

from \$101 million in 1975 to an estimated \$270 million in 1979. Tax revenues increased by an average of 9.5% per year since 1975, but the tax structure is regressive. The majority comes from international trade and goods and services. Recent policy changes concerning cotton export taxes and multiple exchange rates may change the structure significantly.

Net capital inflows declined from \$424 million in 1975 to \$65 million in 1978 due to reduced drawing on foreign loans, while debt amortization remained constant at an average of about \$63 million per year. Despite the reduction in drawings, new commitments averaged about \$500 million per year, with bilateral aid loans constituting over 50% of this amount. Total disbursed and outstanding external debt rose from \$1.6 billion in 1976 to \$2.1 billion in 1978. Because of problems with project administration and implementation, disbursements have slowed. The overall maturity level of this debt has shortened recently, and this has contributed to the existing repayment and arrearages problem.

While development expenditures in the 1960s nearly equalled current budget expenditures, in 1978/79 they are budgeted at about 23% of total budgeted expenditures. Although development expenditures nearly doubled between 1974/75 and 1978/79, further immediate increases are jeopardized by the present financial crisis of the GOS. Recognizing the realities of this situation, the GOS has reassessed the strategy of its ongoing and overly ambitious Six-Year Plan and adopted a revised three-year Public Investment Program (PIP).

2. Sectoral Analyses

a. Agriculture. Agriculture dominates Sudan's economy; it contributes 35% of GDP, 95% of exports and a livelihood for 80% of the population. The key feature of past agricultural development is its dualism. Investment has been heavily concentrated in modern sector irrigation and rainfed mechanized

farming schemes in the East Central Region, where increased production of groundnuts, wheat and sugar have been added to cotton and sorghum. Basic domestic food needs are being addressed and exports have increased, but this has been accomplished only by area expansion--yields have actually declined. The traditional sector, with little government assistance, has contributed to exports of livestock, groundnuts, sesame and gum arabic through a developed market infrastructure in northern Sudan; its further development is hampered by limited service institutions, being confined to a strip along the Nile in the North, by a deteriorating environment in the West, and poor infrastructure and socio-economic problems in the South.

With large amounts of underutilized land, accumulated agricultural expertise, and a large potential market in neighboring Arab countries, Sudan is in a good position to capitalize on the large amounts of foreign investment available and expedite its agricultural development process. However, a new strategy will be required if sustained development with equity is to be shared with larger numbers of the populace. Four particular issues will require attention: the need for increased productivity; the production choice between various crop and livestock enterprises; improved equity; and the nature of required fiscal and organizational reforms. Past strategy has been liberal in its use of land and water resources, but Sudan is approaching the limit on its use of Nile waters under the 1959 Water Sharing Agreement with Egypt. This will necessitate greater efficiency on existing schemes, the raising of yields and greater allocations to research and development.

Immediate improvements in the traditional sector can be obtained from improved livestock and crop marketing, but sustainable farming systems will require a longer term effort in land management, adaptive research, and improved infrastructure. An initial effort is required to reverse the

ecological degradation of the western savannah, followed closely by improved farming systems and income opportunities for traditional farmers and pastoralists.

The modernization of the livestock industry should start in the traditional sector, as this sector owns the majority of the country's stock. A modern meat export industry, for which external funds may be available, will depend on improved offtake and marketing from traditional herds. This would ease the grazing pressure, increase domestic meat availability, raise foreign exchange earnings, raise pastoralist incomes, and encourage better breeding.

Expanded agricultural development will require organizational and institutional reform. However, the sheer size of Sudan makes a nationwide agricultural extension service impractical at this time. Services need to be developed around focal points of high potential. Past development has been concentrated on a few large projects run by government corporations to the neglect of the small-scale entrepreneur. This balance should be corrected by emphasizing smaller scale development opportunities, e.g., fruits and vegetables, dairy and poultry or coffee and tea (as is already underway in the South). With this, efforts must be made to harness local initiative. Central Government must provide greater operating autonomy to Local Government.

If the GOS is able to turn the agriculture sector around in consonance with the Six Year Plan, agriculture should grow at a rate of 5-6.5% per year, and a substantial strengthening of Sudan's foreign exchange earnings from agriculture should ensue. Over a ten year period, tax income should rise from 5% to 10% of value added, 300-400,000 farm families (1.5 - 2.4 million people) should have risen above the absolute poverty line, and the further deterioration of Sudan's ecology should be arrested.

b. Health. With malaria, tuberculosis and schistosomiasis being endemic and various other gastronomic and nutritional problems being prevalent, Sudan

faces enormous tasks in the Health Sector. The GOS places highest priority on its anti-malaria program. Eradication will not be possible for years, but it is hoped that the incidence can be reduced in rural areas by spraying. Benefit-cost analysis suggests this expenditure is justified on economic and social grounds.

Major emphasis is also given to the Primary Health Care program. This program follows an excellent plan prepared with WHO assistance. Underway in most areas, nine months training is given to locally selected health care workers, who return to their village or nomadic group with supplies. Within the village unit they perform an important role as instigator and resource person for nutrition, environmental sanitation, and preventative and curative medicine services.

Despite the availability of good health services relative to much of the developing world, Sudan has an equity problem in their distribution. Most of the health resources are in the urban areas of the East Central Region. For example, the nationwide population to hospital ratio is 1/1,021, but to the rural population it is 1/2,574. Similarly, 59% of urban dwellers have access to potable water, but only 26% of rural residents have such access.

c. Population. Although Sudan's land resources are extensive and population density is low--averaging 5.9 persons per square kilometer and .9 acres of arable land per person, prospects for economic and social development are affected significantly by population dynamics. Sudan's population is estimated at about 18.3 million (other estimates range from 14.5 to 23 million) with an annual growth rate of 2.5%--a doubling of the population in 20-25 years. Growth rates vary by province, with the lowest rates in the South (a reflection of earlier war conditions, extraordinary high mortality and out migration) and the highest in the East Central Region. The crude birth and death rates are 48 and 18 respectively. Overall life expectancy is 46 years at birth. Average

completed family size is 6.7, with a high of 7.9 in the central Nile provinces, and a low of 5.3 in the southeast.

The age structure of the population is sharply pyramidal, with 44% under age 15 and 54% under 20. The ratio of economically active population to those under 15 and over 64 is 88%. Forty percent of women are in the reproductive age group, and increasingly large cohorts are entering their fertile period. Thus, the population will grow rapidly even if the fertility rate declines in the short term, and extreme pressure will be put on already inadequate health and education services, as well as the future dynamics of the labor force.

Available land and productive opportunity in agriculture reduces the pressure of population growth in Sudan, but the economy is affected by the implications of fertility and mortality on the health of mothers and children. Unnecessary health risks are being experienced and, thus, the quality of life is lowered and efforts to improve the status of women are constrained. The Sudanese health community and the Ministry of Health recognize the benefits and importance of child spacing--including the role of family planning in achieving it. Family planning services have been promoted privately since 1965 and the GOS supports limited population planning activities within its facilities to the extent requested by patients.

In conjunction with the UNFPA, the GOS is planning a \$12 million census project for 1982. Recognizing the need for better demographic, economic and social data for development planning, the Ministry of Health is acting to improve vital data registration and health data collection mechanisms. Results of the World Fertility Survey for Sudan are now being analysed and should be available in mid 1980.

d. Human Resources. Sudan has three major human resource problems: international migration; internal migration; and women. Migration patterns are

not well documented or understood, but the international migration of Sudanese to the Arabian Gulf States is a significant development issue. In May of 1978 an estimated 250,000 Sudanese were working abroad in the Arab States--some 1.3% of the total population. However, their number included 20% of the staff of the nation's leading university, 70% of its medical graduates and 35% of its graduates from the School of Hygiene. Those abroad also included 25% of the government statisticians employed in 1975 and large numbers of stenographers, typists, punchcard operators, bookkeepers, mechanics, etc. who are needed at home right now. At least 1/3 of all Sudanese medical doctors are assumed to be outside of the country.

Internal migration is even more complicated. Rural/urban migration has created poverty around many cities and towns, but the seasonal migration of farm labor has become a key constraint in modern sector agricultural productivity. Traditionally, western pastoralists migrated to the East to help harvest on the major mechanized production schemes. As efforts continue to develop agricultural production in the West and increased social services are provided, however, the availability of western labor is declining. The mobility of western laborers must be a major consideration for planners of land use policies, desert stabilization programs and livestock production schemes.

Empirical data are scarce, but concerns about the role and status of Sudanese women are salient. A March 1979 symposium on Women in Development, sponsored by A.I.D., provided a public forum for discussion of these issues. Women are lay participants in the sociological, economic and cultural systems determining health and educational status of the population, and they play significant roles in agricultural production. Accordingly, steps to improve their status are important not only for the promotion of basic human rights, but also to ensure the effectiveness of development interventions in all sectors.

Ignored in typical labor form statistics (only 9% of all women participate in the labor force according to recent data), women do play important productive roles in all regions of the Sudan. However, as discussed at the WID symposium, women are not a homogeneous group and their needs vary by region and economic class. The traditional relationship of women to the household can change as community level development takes place. Women are entering the economy in the East Central Region, where the transformation to modern agriculture is occurring, and are gaining access to the benefits of improved agricultural production by becoming tenants. However, the process is slow and cultural barriers to female participation in activities outside of the house are strong in Sudan's Islamic setting.

Women also benefit and contribute to the growth of modern agro-industries in the East Central Region, e.g., sugar and textile production projects. Women represent 48% of the total labor force at the Wad Medani Spinning and Weaving Co. The positive effects of these changes are reflected in educational statistics. In Gezira, 47% of women surveyed had received some education compared to the nationwide female literacy rate of 6%.

Women in the traditional agriculture sector are much more restricted by traditional norms and mores and the lack of social service facilities, but they play important productive roles. Females are responsible for cultivation while males are grazing cattle elsewhere. They provide upwards of 60% of all agricultural labor on small subsistence farms, in addition to their home maintenance and child care responsibilities.

Of particular concern in the South are the lifestyle problems of rural women who left during the war, have now returned to an urban life in towns and villages, and need assistance in creating new strategies for coping and status improvement. Similarly, efforts to rationalize water resources in the Western Region could benefit by improved design from an understanding of

the work women perform.

Women's productive and child bearing roles are also important to development strategy formation. High fertility and infant mortality rates show that women face unnecessary risks due to limited access to family planning and basic maternal and child health care. Women's preeminent role in health and nutrition must be considered in designing development interventions, as well as their role in food preparation and as a decision maker and designer of household consumption behavior.

Formal education is skewed strongly toward the urban centers. Nationwide, 34% of the 7-12 year olds are in primary school, but the composition is 64% of urban eligibles and 19% of rural eligibles. Of those attending, about 67% are male. At the secondary level the same general situation maintains: 11% in attendance nationwide, but 40% urban, 3% rural, and only 7% female. The teacher pupil ratios for primary and secondary schools are 1/39 and 1/17 respectively. The nationwide literacy rate is 15% (28% male and 6% female).

Overall, the Sudan has made impressive progress in education, particularly in respect to other African nations. More progress will be needed to meet the increasing need of the future and to shift education from preparation for higher education to the practical needs of everyday life. Some consideration is being given to making primary school appropriate as a terminal program for most students.

e. Employment. Depending on the definition of female labor, Sudan's labor force varies between 4.7 and 8.3 million. Females make up about 11% of the labor force, and over 36% of children under 11 are productive--mostly in rural agriculture. Agriculture employs about 75% to 80%, with 3.7% in manufacturing and 11.9% in services. Unemployment is low, under 6%, but somewhat higher in the urban areas and in the Southern Region.

The flow of workers to the Arab Gulf countries has caused a shortage of professionals and skilled and semi-skilled workers and created a difficult political and economic problem. The effect is to reduce the rate of development and Sudan's absorptive capacity, raise foreign exchange availabilities from remittances (while reducing GDP) and enhance upward labor mobility. These contradictory effects make the net effect hard to measure. Few Sudanese stay abroad for a career so Sudan benefits to some degree. However, the potential problem arising when resident nationals begin to assume the jobs now held by Sudanese and the Sudanese are forced to return to the Sudan is still unaddressed.

Development in the Western Region is reducing the availability of migrant workers to labor on the agricultural schemes of the East Central Region. This raises the alternative of increasing the level of mechanization in these schemes. At issue are the equity considerations of additional scarce capital being invested in the East Central Region versus raising the wage incentive to migrant workers.

Urban sector employment is dominated by Government. Government has tended to guarantee university and secondary school graduates a job. Throughout the Sudan, undue consideration for employment seems to be given to academic preparation, even for unskilled workers. The hiring and promotion practices of Government are in need of review, as are the overstuffed conditions of Ministries and Government corporations.

The industrial work force is small (3.7% of the population), but beginning to develop a typical union-oriented attitude toward ownership. The workings of the private sector labor market are even less well understood, although they are tied closely to small family-run operations.

f. Environment. Environmental issues are of particular importance to Sudan because its own development is so severely constrained by northern and western deserts and the southern swamp and rain forest. Both result in harsh

and relatively unproductive living conditions. In addition, they severely inhibit communication.

In the desert areas overgrazing and careless land utilization patterns are resulting in desert encroachment into once productive areas. With the immediate application of soundly designed programs, this desertification can be overcome and productivity restored. Development efforts along these lines are being analysed at present.

The southern swamp along the Nile provides a health hazard to all efforts at productive activity. A project to cut a canal through this area, effect the stabilization of its boundaries, and create new areas for agricultural production is now underway. It should have a tremendous economic impact, bringing economic development opportunities, access and social services to the area for the first time. A corollary to the draining of the swamp will be the addition of vast quantities of Nile water for downstream irrigation programs, which are now beginning to feel a water shortage.

3. Growth with Equity

Development plans notwithstanding, no clearly defined strategy--complete with financial and balance of payments analysis and sector/regional allocations--exists within the GOS for achieving growth with equity. However, the issue is a matter of such public knowledge, interest and discussion that it is possible to describe many of the elements which must go into such a strategy. Many of these have been mentioned earlier, e.g., the skewed investment in the East Central Region along the Nile and the aggregation to the modern sector of most of Sudan's stock of social, economic, and physical infrastructure. With negligible unemployment, the thrust of a strategy balancing growth and equity must focus on increasing the productivity of labor on an equitable basis. Some redistribution can be achieved directly through improved health and educational delivery systems, but a prime purpose of public investment must be

to create the opportunity for low income producers to improve their economic performance.

With much uncultivated arable land, export markets for agricultural surpluses, and large potential inflows of investment capital, Sudan enjoys favorable medium to long term development with equity prospects. The key variable now is the extent to which the present financial crisis will permit the investment of scarce GOS development resources outside the East Central Region.

4. Human Rights

The most recent Human Rights Report to the Congress concludes that Sudan's Human Rights record is good, especially considering the standards of the region and the extreme poverty of the country. With the ending of the civil war, the South has had real autonomy. The Central and Regional Governments are working together well. Similarly, genuinely successful efforts have been made to reach an accommodation with opposition elements within the country, including the Communists. Virtually all political prisoners have been released and many prominent opposition figures have moved into the Government. Parliamentary elections have been held and opposition candidates won overwhelmingly in the South. However, complete freedom does not exist and there is far to go before women or all tribal and ethnic groups have fully equal rights. Poverty itself retards progress. Nevertheless, the current regime is not tyrannical and the rule of law largely prevails.

5. Interregional Influences

Mideast politics and economics influence the Sudan more than the African scene. The Nile waters provide the livelihood to both Sudan and Egypt and vitally link these two countries together. As a predominantly Moslem nation, Sudan considers itself part of the Arab world. Arab aid and private investment dominate financial inflows under these headings, and Arab demand for labor is a major influence on the Sudanese economy. Conversely, economic relations with

the African countries are minimal, as neighboring African economies essentially compete with rather than complement the Sudan.

D. Host Country Planning

The development planning performance of the Government of the Democratic Republic of the Sudan (GOS) during the decade of the 1970s has been mixed. The second Five Year Plan (SFYP) (1971-1975) assigned first priority to the agriculture sector, but in 1973 the GOS issued an Interim Action Program (IAP) which made the strengthening of transportation and communications infrastructure the highest development priority and assigned second priority to increasing the domestic production of wheat, sugar and textiles. This proved economically disastrous; world demand and prices for Sudan's exports (mainly cotton) decreased during the worldwide recession of 1974 and the country's trade account deteriorated.

In June 1977, the IAP was succeeded by the current Six Year Plan (SYP) (1978-1983). The SYP proposed capitalization on the new infrastructure achieved under the IAP and gave highest priority to the development of agricultural self sufficiency. Cotton acreage was reduced to accommodate increased wheat and groundnuts. Financial incentives encouraged this shift in production. This strategy also proved disastrous; cotton production declined and resultant loss of revenue contributed significantly to the present \$1 billion accumulation of debt arrearages.

By 1978 the GOS realized that major changes in economic and financial policies were needed to stabilize the economy, including a revised development strategy and IMF financial assistance. A Public Investment Program (PIP) revised the SYP. Its strategy is to: (a) complete existing projects as quickly as possible; (b) rehabilitate completed projects with declining productivity (especially those which are export-oriented); (c) expand national

infrastructure; and (d) allocate new soft external loans and grants to items (a) and (b) above. The PIP provides for a 16% lower level of investment and a heavier concentration on transport, telecommunications and power. Although self-sufficiency in wheat will remain an objective, the PIP will place heavier emphasis on cotton and groundnut production--commodities in which Sudan has a greater comparative advantage in world markets.

The IMF assistance program of 1978 required more basic and difficult policy changes. The Sudanese pound was devalued by 25 percent, disincentives to cotton production were modified, and other crop subsidies were removed. In addition, limits were set on bank financing of the GOS budget. A more comprehensive three year Extended Fund Facility (EFF) was negotiated with the IMF in 1979. The EFF further restructured cost/price relationships of key agricultural crops, reorganized cropping production patterns, and provided for the rehabilitation of agricultural production and processing infrastructure.

In 1980 the GOS expects to embark on an Export Action Program (EAP) to increase foreign exchange earnings on agricultural exports. The EAP, supported by a \$62 million program credit from the IBRD and European Development Fund, is expected to combine with various debt rescheduling exercises to lay the groundwork for economic recovery. The GOS has bolstered the EAP's chances of success by undertaking a new series of economic policy revisions within the past few months, including a further 42% currency devaluation. Potentially, however, the most significant of these policy revisions, although the most difficult to measure in the short run, is the turn away from socialism and toward a more capitalistic free enterprise economy.

E. Absorptive Capacity

Due to skilled and professional manpower shortages and GOS financial limitations, economic assistance to the Sudan must be carefully tailored to

avoid the absorptive capacity problems. The inadequacies contributing most to absorptive incapacity are lack of counterparts for project implementation and training, funds to meet recurrent costs, and transport and communication to permit economically viable development to occur. These problems have been particularly acute for the GOS as the mix of program to project assistance has declined since the mid 1970s. This shift, which also contributed to the present financial crisis, has begun to reverse slightly, and program assistance-type economic aid continues to be one of the best ways to avoid the absorptive capacity problem.

The Extended Fund Facility which the GOS has negotiated with the IMF also affects the absorptive capacity problem, as it sets limits on domestic bank financing and on the Central Government's budget. These limitations can be avoided through local cost financing, but the problem of recurrent cost financing still remains an issue. Over time, of course, this problem will recede as the economic reform of the financial position of the GOS occurs. In the longer run, too, transport/communications and manpower problems will decline in importance as much infrastructure now underway or contemplated is completed and the work force begins to build up greater numbers of trained personnel.

F. Other Donors

The donor community in Sudan consists of some 60 members, including 25 bilateral donors, 15 non-governmental organizations, 4 multilateral organizations and 12 agencies of the UN family. The Arab bilateral and multilateral donors provide the largest amount of assistance. Detailed information on the estimated \$200-300 million per year of balance of payments support the Arab donors provide is unavailable. In project aid loans, the Kuwait Fund has provided \$156 million since 1962, the Saudis have

provided \$95 million since 1975, and the Arab Fund for Economic and Social Development has provided \$88 million since 1974.

The World Bank is the largest western donor, with an annual program recently of about \$70 million (\$438 million since 1958--47% in agriculture and irrigation and 37% in transport and communication). The EEC, Sudan's most important trading partner (50%), completed a four year aid package in 1978 of some \$83 million--36% to transport and communication, 31% to rural development and 24% to education. The Federal Republic of Germany (FRG) has provided approximately \$435 million since 1958 (75% for infrastructure), including \$51.4 million in 1979. In 1978 the FRG converted its program from loans to grants, including conversion of all prior year loans. The Netherlands provided \$22 million in 1979, 40% for technical assistance, plus an additional \$21 million for balance of payments support.

Within the UN family, the UNDP has provided nearly \$35 million since 1972; the World Food Program contributed \$7.6 million in 1979 and has planned to provide \$14 million in 1980; and UNICEF has \$12 million invested in ongoing nutrition, education and social welfare projects.

Smaller, but significant donors include the African Development Bank, Egypt, Abu Dhabi, Ireland, Norway and Japan. Rumania and North Korea are the largest donors of a number of Eastern Bloc donors, whose aid has diminished considerably since 1971/72.

Generally, donor project emphasis corresponds closely with Sudanese priorities, with most aid going into agriculture and infrastructure vis-a-vis human resources and social services, although rural development is being emphasized more than industrial development.

Although not fitting the conventional definition of donor, western bankers and suppliers have provided large amounts of financial assistance through commercial loans and commodity credits. This activity has diminished

with the increasing onset of Sudan's financial crisis. The United States is not heavily involved, although the U.S. Export-Import Bank has resumed selected activities in a small way--U.S. business investment is estimated at \$40 million.

Within the GOS, the Ministry of National Planning (MONP) is the focal point for donors, although its competency in technical matters is limited. The MONP maintains loose control over the establishment of national priorities, but makes no attempt to overtly coordinate inter-donor relationships.

A Consultative Group exists. Although it has no fixed meeting schedule, a session is planned for the first quarter of FY 1980. Informally, the "western" bilateral donors loosely attempt to coordinate their activities, and there appears to be increasing interest in the joint financing of projects (particularly in the South). Neither formally nor informally, however, have the Arab financiers shown any willingness to consider donor coordination. While it is difficult to do more than speculate at this point, it seems likely that the extreme financial difficulty in which the GOS now finds itself will tend to increase GOS internal coordination of donor assistance at the same time that donors expand their own communications with each other.

II. Strategy

A. Goals

USAID/S identifies with the GOS comprehensive development goals, as stated in President Nimeiri's January 28, 1977 address on the Six Year Plan (SYP), of "...development and progress, guided by a balanced ambition for welfare and an honourable life in an environment of social justice". The SYP itself states, "Principally, the Plan aims to achieve an accelerated and balanced growth in the Sudanese economy combining development with social equity. The social equity

objective is considered extremely important since it implies development and progress in all regions and for all people". These goals continue to be valid despite the 1978 reordering and modification of the GOS strategy to achieve them. Operationally, USAID/S has adopted the goals of assisting the GOS achieve its development goals in those areas where A.I.D. assistance is an appropriate instrument, helping sustain the thrust and momentum of Sudan's development efforts until the GOS is capable of self-financing them, and alleviating poverty and seeking greater social and economic equity for Sudan's poor majority--particularly those in the traditional sector of the Western and Southern Regions. USAID/S' goal strategy is to support the GOS financial reform program, as negotiated with the IMF, and implement an integrated package of projects, and P.L. 480 activities aimed at Sudan's rural agriculture and health sector.

B. Objectives and Targets

The objectives and targets established in the SYP were generally recognised to be overly optimistic. For this reason the GOS revised them in late 1978 through the adoption of a three year Public Investment Program (PIP). The PIP recognized that financial ability, rather than want of commitment, would be the constraining factor. Thus, the PIP provides for a 16% lowering of investment (from £S 1,161 million to £S 973 million). The effect is to reduce the services sector by 7% and increase the transport sector by 10% within the new investment total. In addition, the PIP anticipates a 6.4% average annual growth of GDP, as opposed to the 7.5% rate proposed in the SYP. Domestic inflation is projected at 18% per annum, and projected growth rates of significant indicators include: government consumption, 6.5%; private consumption, 6.7%; gross capital formation, 12.1%; exports, 11%; and imports, 10%.

Despite the more pragmatic approach of the PIP, USAID/S has misgivings about the allocations given to certain sectors and, thus, has elected to be very

selective in choosing GOS objectives and targets to support. In some cases this means an unwillingness to participate at all.

C. A.I.D. Assistance Strategy

1. Overview. Having resumed operations in the Sudan only a few years ago after a long hiatus, the predominance of USAID/S' attention has been focussed on the primary questions of "What to do?" and "How to do it". To some extent, the former question is spelled out by A.I.D. policy, but the adaption of policy to the particular circumstances of Sudan has required imagination, flexibility in the selection of development instruments, and patience in bringing the mutuality of A.I.D. and GOS development interests together. Careful review of the USAID/S project portfolio will disclose the integrating three threads of "traditional rural sector", "experimental and pilot nature", and "social and economic equity", which constitute the major elements of the USAID/S strategy.

As the previous analysis has shown, the traditional rural sector has not shared equitably in past GOS allocations of development resources. In a scarce resources climate, this sector cannot justify additional development investment on its production record. Further, it will not be able to do so, in this "catch 22" situation, until provided the resources to realize its productive potential. A.I.D. will attack this situation by supporting GOS projects which have low capital costs and provide appropriate technology to rural farmers and pastoralists in the traditional sector, or improve the quality of life in a manner to allow the rural poor majority to improve their productivity and incomes. Agronomic and animal husbandry research, pilot production schemes to test and adapt research, environmental protection of a fragile ecology in areas of real and potential desertification and poor land utilization, training of extension workers, provision of access to markets and delivery of social services, delivery of basic health services, and development and delivery of appropriate alternative energy technology are all mutual

and reinforcing elements of the needs of the rural poor and the GOS programs assisted by A.I.D.

The crux of the USAID/S strategy is to attack the social and economic inequities identified in the "Analysis", e.g., the wealthiest 20% have 49% of the income, 64% of the health centers serve the 44% of the population in the East Central Region, the majority of development resources are invested in the East Central Region, etc. The method of attack is to implement a carefully selected package of intersectoral activities designed to reach a targeted group (traditional rural poor farmers and pastoralists) in the areas where they are being least equitably treated (the South and West). The content of the package of intersectoral activities is crucial; the experimental/pilot nature of many of the present projects in the USAID/S portfolio lends itself to the process of selecting the right package of activities. The end product, however, is a multifaceted, but coordinated attack to the target population with a package of interventions which are mutually supportive and sustaining. Thus, it is our thesis that a traditional rural farmer will increase his productivity if he has access to a profitable market and the proper production inputs, is healthy, and finds the added income useful in terms of responding to existing or new social service availabilities. Further, we believe this farmer will choose to become more actively involved in the development decisions being made about his locale and be responsible to activities A.I.D. is supporting to raise the participatory involvement of the rural poor in the development process.

Although a prime consideration of all USAID/S activities, a fourth USAID/S program element, economic stability, applies most directly to the program assistance/balance of payments interventions in the A.I.D. portfolio of activities. This element, and the resources it commands, addresses the incontrovertible knowledge that a bankrupt government cannot afford to carry out economic development, no matter how little it can afford not to do so.

Further, it is recognized that the need for A.I.D.'s program assistance activities is transient relative to the long-term nature of development in Sudan's traditional rural sector.

The vast majority of projects in the existing portfolio have just recently reached the implementation stage. Because most are of a limited experimental or pilot nature, however, during the next five years they will produce the empirical data required to determine the propriety of the development interventions selected to date and to create a new generation of "full scale" project activities even more appropriate. Careful analysis and evaluation of these ongoing activities will be required to assure that the lessons learned are the right lessons, and that these in turn are indeed applied appropriately to new projects. From this set of circumstances, it follows that program levels during the initial years of the planning period will remain relatively constant. New ventures will be limited to additional pilot activities of a nature relating to the existing strategy, or to activities based on the appraisal of terminating or completed projects. For the most part, however, this will be a period of consolidation, assessment, and revision of ongoing activities.

During the latter portion of the planning period the proposed program level will rise significantly as the answers to the question of "how to do it?" become clearer. Thus, there are definite financial implications created by the experimental and pilot nature of the present project roster. In addition, during the latter part of the planning period it will be possible to re-evaluate USAID/S strategy and determine if A.I.D. assistance is reaching the right beneficiaries, with the proper degree of collaboration with the GOS, and in the proper sector.

However, at present there are no plans to diverge from a strategy of helping to provide social and economic equity to the rural poor of the

traditional sector, with prime emphasis on the Western and Southern Regions, the agriculture and health sectors, and individual activities which remove constraints (or enhance the success) of activities in these areas of concentration.

2. Appropriate Technology. This subject cuts across the entire development spectrum, but A.I.D. assistance will be limited to support of GOS efforts to institutionalize an ability to meet the alternative energy needs of the poor as well as to the inclusion of appropriate technology concerns throughout our portfolio of project activities.

Given the high capital cost of development interventions in the modern agricultural sector, it will be many years before the poor rural majority can expect to participate in it. It is also appropriate to ask if they should participate in it. At least for the period of this analysis, USAID/S believes that the traditional agriculture/rural sector can be provided a similar opportunity for the social services and access to increased productivity and incomes through the application of appropriate technology and low cost alternative energy sources. Our strategy is to support the institutional infrastructure of the Sudanese organization which is carrying out adaptive research on technologies applicable to rural peoples, as well as their social and cultural acceptability to the direct beneficiaries. Again, this intervention is directly related to the same beneficiary group and development strategy as the remainder of the USAID/S program.

3. Sectoral Analyses

a. Agriculture. Investment in agriculture will be 27% of all investment, down from the 38% budgeted in the Second Five Year Plan. The overall growth rate of the agriculture sector is expected to be 6.5%. The major components of this increase will be wheat, sorghum, groundnuts, meat, sesame and cotton.

Ongoing projects will receive 37% of plan investments, with 63% going to new activities.

The SYP states that "Special attention will be given to research on un-irrigated crop production by setting up a network of research stations in the Western Provinces". A.I.D. will assist this effort. Similarly, A.I.D. will assist in ... "the long-term aim of integrating livestock into crop production"... and projects for the development of traditional farming.

A.I.D. will help alleviate poverty of traditional agriculturalists by promoting income generating production activities, improving agricultural research and extension, assisting efforts to protect the fragile environment of the Western Region from further ecological degradation, and developing alternative energy sources appropriate for the rural poor. These are consonant with GOS objectives to increase per capita income and agricultural production and exports, achieve self-sufficiency in food production, preserve natural resources, and promote modernization of the traditional agriculture sector.

Agriculture is the predominant sector of Sudan's economy, but its rural traditional element serves little macro-economic service other than to supply migrant labor to the modern agriculture sector and permit an ostensibly employed workforce to subsist on the edges of poverty. USAID/S believes that this represents the stagnation of an extremely valuable productive resource. Thus, the ongoing and proposed A.I.D. program for Sudan's rural traditional sector focusses on efforts to improve the productivity (and incomes) of rural farmers without moving them into the modern sector.

To do this, USAID/S has chosen to use Integrated Rural Development (IRD) projects in various locations, predominantly on an experimental or pilot basis, to develop the knowledge needed to effect changes in the system. In most cases, these projects have been employed, or will be employed, in the South and West, where the majority of the poor reside.

To supplement the IRD concept, adaptive central government research efforts will be assisted in the South and West, as well as extension agent training and services delivery in the same areas. Similarly, efforts will be directed at protecting the ecology of the land resources, on which the rural farmers and pastoralists earn their living, from desertification, and to provide appropriate alternative energy sources and technology.

All of these efforts are interrelated. More than this, however, they are part and parcel of A.I.D.'s larger concern for providing the social services which improve the quality of life beyond access to increased amounts of financial resources. The provision of primary health care services, greater grassroots participation in the allocation of development resources, and improved access to markets and social services constitute ends not usually considered a part of the agriculture sector, but which A.I.D. is attempting to achieve for traditional sector rural residents.

b. Health and Population. The GOS wishes to promote the qualitative and quantitative improvement of health services. Emphasis will also be given to raising the numbers of professional medical personnel, i.e., nurses, midwives, and doctors. A.I.D. assistance, however, will be limited to the SYP's priorities for "The implementation of a program of primary health care based on dispensaries", "The distribution of health services throughout all provinces", and "Joint medical services, which includes curative as well as preventative services, are to be provided for deprived rural areas".

A.I.D. strategy is to support the GOS Primary Health Care Program (PHCP) through projects in the North and South. Although the PHCP is an integrated activity addressing a wide spectrum of preventative and curative problems--including nutrition, A.I.D.'s assistance is specifically addressed to the application of the PHCP in the rural areas. This approach assures that A.I.D.

resources are reaching the rural poor target population, as well as the same target population as our agriculture and integrated rural development projects.

Since the various private family planning associations of Sudan generally operate through Ministry of Health facilities, A.I.D.'s support of these organizations and the PHCP is mutually reinforcing. In turn, the combination provides the delivery system for yet another social service to the rural poor-- one of particular importance to females and young children. The objective of A.I.D. involvement in family planning activities at this point is less the curtailment of the rate of population growth, as the spacing of births to improve the chances of mother and child survival and a continued healthy life.

c. Human Resource Development. The GOS is seeking full enrollment of all children of primary school age and elimination of functional illiteracy by 1990. The SYP target is 87% of all males and 62% of females of age seven in school by 1982/83, and the reduction of illiteracy from 80% to 30% for both sexes between ten and 45 years of age. USAID/S believes these goals are optimistic, and will assist only with elements of the literacy program and the provision of general training activities. Despite the seriousness of external migration, high functional illiteracy, and the inequity in formal education, USAID/S has no plan for further formal involvement in Sudan's system of school operation. However, consideration will be given to opportunities to effect change in the educational policy and philosophy of the GOS. While a few limited activities are now underway, notably a low cost PVO grant aimed at improving higher education for women and a PVO project aimed at illiteracy in the South, primary A.I.D. involvement in the sector will be limited to interventions having a direct impact on rural traditional farmers, e.g., training extension workers.

An obvious addition to this strategy, of course, is the project-related training included as an integral part of A.I.D. assistance projects,

including a specific (if very limited) "training only" project for providing higher educational opportunity for individuals in development related subject areas in which A.I.D. is not otherwise involved. A less obvious exception to the strategy is a provision for specialized training activities in instances involving some special economic or development related priority in which the United States has some unique training capacity. These latter activities require justification outside USAID/S' general development strategy.

d. Communications and Transportation. During the plan period the total investment for rail, road, air, river, and ocean transport, plus tele-communications and posts and telegraphs will be £S 500 million. New projects will receive £S 230 million, while £S 60 million will complete ongoing projects and £S 180 million will come from the private sector. However, A.I.D. assistance will be limited to assisting with roads in the South and West, and help for the railways and shipping corporations from PL 480-generated local currency.

This sector has been mentioned previously as one of Sudan's highest priority constraints to the economic development of rural Sudan. Access to markets and social services are key to improving rural quality of life and economic opportunity. Thus, USAID/S strategy calls for selected involvement in road improvement where a direct relationship can be established with the traditional rural farmer who constitutes the primary beneficiary of the strategy. This strategy is consonant with GOS concerns and allocations of development resources. Of concern to A.I.D., however, will be the need to assure that our involvement has equity implications, and is not further investment support for the already over-consuming modern agriculture sector. By focussing attention on the transport problems of the South and West, this pitfall can be avoided in most instances.

e. Southern and Western Sudan. As emphasized in the "Analysis", the rural poor of the traditional sector are predominantly in the South and West. As they are the principal beneficiaries of our strategy, it must (and does) place first priority on projects in these locations. Because these areas are difficult to reach, and living and working facilities are negligible, our efforts in these areas are both difficult and expensive. Similarly, it is very difficult to obtain the data required to determine the feasibility and appropriateness of any particular development intervention. The experimental nature of ongoing projects will ease this difficulty, but it will continue to take more time and effort than might normally be expected to prepare good projects. Thus, program expansion in the South and West, despite obvious need and desirability, will not show significant growth until the latter part of the planning frame.

Development in the South poses a quantum jump in difficulty, even in comparison to the West. The 17 year civil war not only destroyed physical infrastructure, it destroyed the social fabric of life for nearly two generations of southern residents. Thus, despite the institution of a USAID/S regional office in Juba, A.I.D. finds it difficult to move forward because the bureaucratic and human infrastructure capable of transforming raw resources into productive enterprise is too thin to provide a significant absorptive capacity. As the USAID/S regional office gets the measure of this problem, a special series of additional projects, attacking the same range of sectors and target groups that constitute the USAID/S strategy, will be developed with design emphasis on the special problems of the Southern Region.

4. Economic Crisis. The "Analysis" makes clear the "stranglehold" that the present financial difficulty of the GOS has on Sudan's economic development. Similarly, it makes clear that the GOS is involved in appropriate activities

to resolve this problem over an extended period, but that some realignment of donor resource transfer techniques will be required if the problem solving program on which the GOS has embarked is to succeed. It is fitting that A.I.D. provide assistance to help Sudan overcome this crisis, since it is the most pressing issue now facing the GOS, and its resolution is the most critical constraint to economic development in all sectors.

A.I.D. assistance to this problem will take two program assistance forms. A Commodity Import Program will provide foreign exchange resources to meet important import gaps, i.e., to help the GOS meet its export and import substitution goals and generate the additional productivity required to meet debt obligations, as well as incipient demand for a wider range of consumer goods. This A.I.D. activity will also lead to job creation and increased per capita income. To make a telling contribution to the problem, however, assistance of this form will be required for the life of this planning document.

The other program assistance form is financing of wheat imports under P.L. 480 Title III. This five-year program will substitute for the scarce foreign exchange otherwise required for wheat imports. More importantly, however, is the relationship and support this activity provides to the GOS' own activities to promote domestic wheat production. The lack of a requirement to repay the cost of the wheat, as long as the development objectives on the use of sales currencies are met, make the program a net resource transfer of significance. The underlying objective of inducing increased domestic wheat production also fits neatly with the USAID/S rural beneficiary strategy. However, the dynamic nature of the food production and food policy nexus stress the importance of periodic reexamination of food issues, as required by the P.L. 480 Title III Agreement.

5. Women in Development. Not surprisingly, women constitute at least 50% of the rural poor in the traditional agriculture sector and a similar amount of the USAID/S target beneficiary group. Beyond this, they constitute a prime subgroup because they are so inequitably treated. Regardless of their predominant role in the productivity of traditional agriculture, the primacy of their reproductive, child rearing, nutrition, family budget allocation roles, and their basic rights as human beings, they are being treated in an inequitable manner. Not only are they exposed to the additional health hazards of child bearing and rearing, but they are denied equal opportunity for access to education and other social services, and family planning information is limited in availability.

The strategy for A.I.D. intervention in this problem area, given the strong Islamic cultural and religious restrictions placed on females, must be both effective and minimally offensive (subtle). For the most part, it is USAID/S strategy to handle the issue as an important element within all the activities of the program. Direct assistance to private family planning associations is representative of the exception to this strategy. Furthermore, we believe the strategy to be effective; the interrelationships between agriculture and primary health care activities is improving the quality of life for women.

6. Private Voluntary Organizations. The difficulty of movement within the Sudan, the high cost of supporting projects in outlying areas, and the limited absorptive capacity of many proposed projects in the rural areas provide a particularly good opportunity for the utilization of the special capacities of Private Voluntary Organizations (PVOs). It is an integral part of USAID/S strategy to use PVOs where they can contribute to A.I.D. strategy in areas where it would be economically unviable or physically

difficult for USAID/S to operate, particularly due to the small value of the intervention involved. In addition, PVOs provide a means for addressing legitimate development or humanitarian concerns in which A.I.D. might not otherwise chose to become involved, e.g., P.L. 480 Title II, school feeding and indigent relief programs.

7. Centrally Funded Projects (CFP). USAID/S benefits significantly from a series of CFPs in which we participate, particularly in the health and population sectors. CFPs permit us to participate in and obtain useful insights about interregional activities which could not be sustained on a bilateral basis. We look forward to a greater utilization of this development resource and to closer cooperation with the developers of these activities in anticipation that fuller exchanges of views will be mutually beneficial.

D. Constraints

As noted previously in this document, the greatest present constraint to Sudan's economic development is the ongoing financial crisis. Although great effort is being made to attack the issue, its resolution will extend beyond the operating period covered by this analysis. Other significant constraints include lack of trained manpower, lack of transportation and communications infrastructure, and lack of long-term policies within which to plan economic development. Throughout this paper the manpower and transport problems have been stressed over and over; little more can be said, except that they are problems receiving great attention and being treated by the GOS about as well as could be hoped.

The same cannot be said of the failure of the GOS to establish a long-term policy framework on which to base a development strategy. As this CDSS has pointed out frequently, the GOS has wavered between the East and West, between socialism and capitalism, between private enterprise and government ownership, etc. This lack of concentration is understandable,

given the political and economic uncertainties being faced by the GOS. However, such an understanding does not compensate in any way for the real economic expense of the lack of steady policy guidance.

Within the past two years the GOS has modified its policies significantly in response to negotiated agreements with the IMF, culminated by the introduction of a "New Economic Program" six months ago. Our preliminary review indicates this program to be worthy of support. Although justification exists for A.I.D. assistance to Sudan in any event, we believe that the "New Economic Program" provides significant added validity to our proposed strategy.

III. Justification of the PAPL

A. Development Assistance

The PAPL for Sudan follows a logical sequence of project development, in turn established on a sound basis of need and capacity. Through 1983 the proposed levels consist mainly of the yearly increments of the ongoing pilot and experimental activities initiated in the late 1970s, as supplemented by a limited number of additional projects aimed at the same target group. These additional projects will have the same experimental and pilot nature, be within the same sectors of concentration and represent activities necessary to complete the USAID/S integrated problem solving approach, but they are projects requiring longer term planning in order to properly design. With their implementation, the proposed USAID/S strategy will be firmly in place, and it will be possible to evaluate its prospects in perspective. Similarly, by 1983 it should be possible to draw firm conclusions about the success of the GOS in surmounting its current financial difficulties and determine when it will be able to absorb a greater portion of its own development financing. During the 1981 through 1983 period, USAID/S requirements for new obligational

authority will be relatively static, except for the maintenance of parity with inflation.

From 1984 through 1986, the A.I.D. budget levels for Sudan will grow significantly. During this period the proposed strategy calls for the establishment of a new generation of projects. These will be projects designed during the 1982/83 period with the same sectoral, regional, and beneficiary concentrations as the existing program. However, they will be full blown interventions based upon the knowledge gained from the pilot/experimental activities of the present portfolio. By definition, they will be larger and require increased resource transfers; by virtue of experience, they will be better conceived and designed.

B. Program Assistance

1. Commodity Import Program (Economic Support Fund). During the planning period covered by this CDSS it is anticipated that the GOS, in concert with the IMF, will begin to make inroads on the financial problems which impinge so acutely on Sudan's economic development at present. We do not believe, however, that the need of the GOS for program assistance will diminish during this period. Thus, we have included ESF requirements for additional Commodity Import Programs (CIP) throughout the plan period. The levels proposed approximate the value of the present CIP, adjusted for inflation. We believe the continued funding of CIPs to be critical to the overall success of the USAID/S development strategy.

2. P. L. 480 Title III. The present five year Title III program terminates in 1984. Because we believe that the agriculture production programs of the GOS will not have progressed to the point where additional cereal imports are no longer required, the PAPL proposes an additional three year Title III program. Obviously, this judgement lends itself to easy confirmation, as it arises at the margin of the planning period.

C. Staffing Implications

With only a few key exceptions, USAID/S has achieved its proposed staffing level ceilings. When this ceiling is reached, hopefully within the next few months, USAID/S should be in an adequate position to meet the program requirements of the PAPL through 1983. Although it might be desirable, perhaps even necessary, to adhere to these levels throughout the entire planning period of this CDSS, it would be presumptuous to attempt to make such a commitment now.

FISCAL YEARS (\$ MILLIONS)

C A T E G O R I E S	1982	1983	1984	1985	1986
<u>1. DEVELOPMENT ASSISTANCE</u>					
<u>AGRICULTURE</u>					
PROJECT GRANTS	14.5	22.0	35.0	37.5	38.0
<u>HEALTH</u>					
PROJECT GRANTS	11.0	15.0	14.5	19.0	24.0
<u>EDUCATION/HUMAN RESOURCES</u>					
PROJECT GRANTS	1.0	2.0	2.5	5.5	8.0
<u>SELECTED DEVELOPMENT PROBLEMS</u>					
PROJECT GRANTS	<u>9.0</u>	<u>8.0</u>	<u>8.0</u>	<u>13.5</u>	<u>15.0</u>
<u>DEVELOPMENT ASSISTANCE TOTAL</u>	35.5	47.0	60.0	75.5	85.0
<u>2. ECONOMIC SUPPORT FUND</u>					
COMMODITY IMPORT PROGRAM	50.0	55.0	60.0	65.0	70.0
<u>3. P. L. 480</u>					
TITLE I/III	20.0	20.0	20.0	20.0	20.0
TITLE II	<u>2.3</u>	<u>2.6</u>	<u>3.0</u>	<u>3.0</u>	<u>3.5</u>
<u>P.L. 480 TOTAL</u>	<u>22.3</u>	<u>22.6</u>	<u>23.0</u>	<u>23.0</u>	<u>23.5</u>
<u>GRAND TOTAL</u>	107.8	124.6	143.0	163.5	178.5