



EUROPEAN COMMISSION

DG DEVELOPMENT

Horn of Africa, East and Southern Africa, Indian Ocean and Pacific
Director

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NOTE TO THE MEMBERS OF THE EDF COMMITTEE

EMERGENCY PROCEDURE

Subject: Country Strategy Paper for the SUDAN for submission to the 372nd meeting of the EDF Committee (21-22 October 2002)

It has not been possible to implement EC development assistance in the Sudan since March 1990 due to concerns about a lack of respect for human rights and the resumption of hostilities in the south of the country.

In November 1999 the EU and the Sudan engaged in a Political Dialogue aimed at addressing these concerns as well as those related to terrorism and the Government of the Sudan's relations to neighbouring countries. The first purpose of this dialogue was to pave the way for a gradual normalisation of relations between the EU and the Sudan.

This renewed dialogue was initially foreseen for one year; however, in view of progress achieved in the areas of terrorism and of relations with neighbouring countries, the EU decided to continue the dialogue, focussing on democracy and rule of law, human rights and the peace process.

During the EU Troika mission of 7/9 December 2001 mutual commitments for 2002 were agreed in the above-mentioned areas covered by the dialogue. Two of those EU commitments - within the Commission's competencies - were:

- "to notify by February 2002 the amount available for the Sudan under the 9th EDF", and
- "to prepare, together with the authorities of the Sudan and civil society, a Country Strategy Paper by the end of 2002".

The first EU 2002 Commitment was fulfilled through the notification letter from Commissioner Nielson to the President of the Sudan on 22 January 2002, in which the 9th EDF allocation was notified and the Government invited to determine, together with the Commission, the priorities for programming for all Sudan.

Since that date, the Commission initiated the dialogue with the Government, with Non-state actors both in the North and in the South and with the SPLM/A, in order to prepare the Country Strategy Paper and National Indicative Programme.

RECENT DEVELOPMENTS

On 20 July 2002 the Government of the Sudan and the SPLM/A signed the Machakos Protocol at the end of the first round of Peace Talks under the auspices of the IGAD.

Although the Government of the Sudan recalled their peace negotiators on the 2nd of September, it is expected that the negotiations will resume in the coming weeks.

In line with the Council conclusions on the Sudan of 17th June 2002 (copy attached), which foresee putting greater emphasis on the search for peace in Sudan, the EU is discussing ways to respond quickly to the conclusion of a peace agreement, which could be envisaged before the end of 2002.

In view of the expectations and positive developments, the Commission would like to seek the opinion of EU Member States on the proposed strategy for Sudan in the 372nd EDF Committee where the draft CSP will be submitted by urgent procedure.

REPUBLIC OF THE SUDAN
—
EUROPEAN COMMUNITY

COUNTRY STRATEGY PAPER

AND

NATIONAL INDICATIVE PROGRAMME

FOR THE PERIOD

2002-2007

**The Government of
the Republic of the Sudan
Ministry of International Co-operation**

The European Commission

The Government of the Republic of the Sudan and the European Commission hereby agree as follows:

- (1) The Government of the Republic of the Sudan, (represented by <name and title>,) and the European Commission, (represented by <name and title>,) hereinafter referred to as the Parties, held discussions in <place> from to with a view to determining the general orientations for cooperation for the period 2002 –2007. <Optional> *The European Investment Bank was represented at these discussions by <name and title>.*

During these discussions, the Country Strategy Paper and an Indicative Programme of Community Aid in favour of the Republic of the Sudan were drawn up in accordance with the provisions of Articles 2 and 4 of Annex IV to the ACP-EC Partnership Agreement, signed in Cotonou on 23 June 2000. These discussions complete the programming process in the Republic of the Sudan.

The Country Strategy Paper and the Indicative Programme are annexed to the present document.

- (2) As regards the indicative programmable financial resources which the Community envisages to make available to the Republic of the Sudan for the period 2002-2007, an amount of €135 million is foreseen for the allocation referred to in Article 3.2 (a) of Annex IV of the ACP-EC Partnership Agreement (A-allocation) and of € 20 million for the allocation referred to in Article 3.2 (b) (B-allocation). These allocations are not entitlements and may be revised by the Community, following the completion of mid-term and end-of-term reviews, in accordance with Article 5.7 of annex IV of the ACP-EC Partnership Agreement.
- (3) The A-allocation is destined to cover macroeconomic support, sectoral policies, programmes and projects in support of the focal or non-focal areas of Community Assistance. The Indicative Programme under chapter 6 concerns the resources of the A-allocation as well as uncommitted balances of former EDFs, for which no projects and programmes have been identified under the respective National Indicative Programmes. It also takes into consideration financing from which the Republic of the Sudan benefits or could benefit under other Community resources. It does not pre-empt financing decisions by the Commission.
- (4) The B-allocation is destined to cover unforeseen needs such as emergency assistance where such support cannot be financed from the EU budget, contributions to internationally agreed debt relief initiatives and support to mitigate adverse effects of instability in export earnings. The B-allocation shall be triggered according to specific mechanisms and procedures and does therefore not yet constitute a part of the Indicative Programme.
- (5) Pending the entry into force of the Financial Protocol of the ACP-EC Partnership and within the framework of the present Country Strategy Paper and Indicative Programme, financing decisions for projects and programmes can be taken by the Commission at the request of the Government of the Republic of the Sudan, within the limits of the A- and B-allocations referred to in this document and under the condition that sufficient resources are available under the general reserve of the eighth EDF. The respective projects and programmes shall be implemented according to the rules and procedures of the eighth EDF until the entry into force of the Financial Protocol for the Ninth European Development Fund.

- (6) The European Investment Bank may contribute to the implementation of the present Country Strategy Paper by operations financed from the Investment Facility and/or from its own resources, in accordance with Articles 3 and 4 of the Financial Protocol of the ACP-EC Partnership Agreement <(see Paragraph ... for further details)>.
- (7) In accordance with Article 5 of Annex IV to the ACP-EC Partnership Agreement, the National Authorising Officer and the Head of Delegation shall annually undertake an operational review of the Indicative Programme and undertake a mid-term review and an end-of-term review of the Country Strategy Paper and the Indicative Programme in the light of current needs and performance. The mid-term review shall be undertaken within two years and the end-of-term review shall be undertaken within four years from the date of signature of the Country Strategy Paper and the National Indicative Programme. Following the completion of the mid- and end-of-term reviews, the Community may revise the resource allocation in light of current needs and performance.
- (8) The agreement of the two parties on this Country Strategy Paper and the National Indicative Programme, subject to the ratification and entry into force of the ACP-EC Partnership Agreement, will be regarded as definitive within eight weeks of the date of the signature, unless either party communicates the contrary before the end of this period.

Signatures

For the Government of the Republic of Sudan

For the Commission

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PART A
CO-OPERATION STRATEGY

EXECUTIVE SUMMARY

EC formal assistance could not be implemented in the Sudan since March 1990, due to concerns about lack of respect for human rights and democracy, and to the civil conflict. In November 1999, the EU and the Sudan engaged in a formal Political Dialogue, aimed at addressing those concerns. In December 2001, the two parties agreed on the need to pursue and intensify the Dialogue, in the framework of Article 8 of the Cotonou Agreement, while at the same time aiming at gradual normalisation of relations, conditional upon progress with the commitments for 2002 agreed with the Government during the EU Troika to Khartoum in December 2001. The assessment of progress in the dialogue should be done by the end of 2002.

The Sudan, the biggest country in Africa, has been confronted with a civil conflict which started in the mid fifties and has profoundly divided the country. Its consequences have been extreme: it is estimated that two million people have died since 1983; more than four million have been displaced; livelihood and cultural identities have been destroyed; the environment is being degraded; human rights violations have been massive; many regions of the Sudan have been marginalised. Consequently, large segments of the population have lost their capacity to cope themselves with their livelihoods, while more than two generations have lost their chance for education.

Serious opportunities for peace now exist, and there is an increased international focus on the Sudan. On 20 July 2002, a framework for a peace agreement was signed by the Government of Sudan and the Sudanese People Liberation Movement/Army (SPLM/A) in Machakos, Kenya, within the IGAD-led process reinforced by international observers. Open-ended negotiations started on 12 August 2002 to achieve comprehensive peace agreement.

That is the background against which this Country Strategy has been prepared. It is centred on supporting the quest for a just peace, as well as addressing root causes of the conflict, while recognising that democracy, good governance and the improvement of human rights must be addressed if peace is to be made sustainable. For this reason, the response strategy remains appropriate, and indeed would be even more effective if and when a peace agreement is signed. Because of the context of the Sudan, the strategy should address basic needs at local levels. The EC Response Strategy will focus on two main sectors: Food Security and Education, targeting the resettlement of IDPs with a strong element of capacity-building for Governance. It could also be oriented for demobilisation, disarmament and reintegration operations, including mine clearance, training of the security forces and other actions for which provision is made under Article 11 of the Cotonou Agreement. In addition, other issues could be addressed such as human rights, good governance, and the rule of law; direct support to the peace process and to peace building initiatives, and the strengthening of civil society and health.

The strategy will be implemented throughout the Sudan, with agreed modalities for its implementation in different areas and States. The geographical concentration has been based on assessed needs combined with the effects of EC support on the quest for peace. Continuity with and complementarity to humanitarian assistance provided since 1990 has been given high importance, in particular with regard to past and present ECHO assistance. Because of the extreme complexity and volatility of the situation in the Sudan, the strategy will be implemented flexibly and gradually, with adjustments to be made upon operational and mid-term reviews. Upon signing of the CSP, detailed arrangements will be agreed for geographical concentration and, in the focal sectors, for government undertakings and intervention indicators.

1. EC CO-OPERATION OBJECTIVES

In accordance with Article 177 of the Treaty Establishing the European Community, community policy in the sphere of development co-operation must foster:

- The sustainable economic and social development of the developing countries, and more particularly the most disadvantaged among them;
- The smooth and gradual integration of the developing countries into the world economy;
- The campaign against poverty in the developing countries.

These objectives have been confirmed and reinforced in Article 1 of the ACP-EC Partnership Agreement, signed in Cotonou on 23 June 2000, which puts main emphasis on the objective of reducing and eventually eradicating poverty. Cooperation between the Community and the Sudan will pursue these objectives, taking into account fundamental principles laid down in Article 2 of the Agreement – especially the principle of encouragement of ownership of the development strategies by the countries and populations concerned – and essential and fundamental elements as defined in Article 9.

In their Statement on the European Community's Development Policy of 10 November 2000, the Council of the European Union and the European Commission determined a limited number of areas selected on the basis of their contribution towards reducing poverty and for which Community action provides added value: link between trade and development; support for regional integration and co-operation; support for macro-economic policies; transport; food security and sustainable rural development; institutional capacity-building, particularly in the area of good governance and the rule of law. The Statement also specifies that in line with the macro-economic framework, the Community must also continue its support in the social sectors (health and education), particularly with a view to ensuring equitable access to social services.

The Treaty establishing the European Community foresees that the Community and the Member States shall co-ordinate their policies on development co-operation and shall consult each other on their aid programmes, including in international organisations and during international conferences. Efforts must be made to ensure that Community development policy objectives are taken into account in the formulation and implementation of other policies affecting the developing countries. Furthermore, as laid down in Article 20 of the Agreement, systematic account shall be taken in mainstreaming into all areas of co-operation the following thematic or cross-cutting themes: gender issues, environmental issues and institutional development and capacity building.

The above objectives and principles and the national policy agenda presented in the next chapter constitute the starting point for the formulation of the present Country Strategy paper, in accordance with the principle of national ownership of development strategies.

2. THE DEVELOPMENT POLICY AGENDA OF SUDAN

Prior to the reforms undertaken since the beginning of the 1990s, the economy of the Sudan was characterised by extensive government controls and structural imbalance. Regulated prices, markets and credit had created disincentives to production, growth and trade and the economy was heavily dependent on foreign aid.

With the National Comprehensive Strategy (CNS) 1992-2002, the country began to change course. The economy was deregulated. Domestic prices were liberalised, consumer subsidies were eliminated, the exchange rate was unified at a market-determined rate, the foreign trade regime was deregulated and a liberal investment regime initiated, and an ambitious privatisation programme was launched. The economy responded favourably to these reforms. Real GDP growth accelerated to about 6% on average for the period 1997-2001 and inflation, which had reached 133% in 1996, declined to 5% in 2001. Fiscal buoyancy increased markedly, the rate of return on deposits became positive in real terms, financial intermediation was improved, and the private sector gained confidence in the economy.

The next phase of the reform, as reflected in the National Economic Programme for the second tenure of the Presidency, 2001-2006 and the general framework of the Strategic Vision (2003-2027) and currently being translated into a Poverty Reduction Strategy, will concentrate on: consolidating macroeconomic stability gains; removing obstacles to sustained economic growth, increasing the openness of the Sudanese economy, achieving peace and reducing poverty.

The major aim and objective of the Government plan are to:

- i. Continue with the macroeconomic structural reform to strengthen public finances, and increase the effectiveness of monetary policy.
- ii. Improve living conditions for the population, particularly targeting the poor and creating employment opportunities.
- iii. Advance rural development, especially in southern Sudan and areas affected by war and natural disaster, with particular emphasis on education, health, safe drinking water and sanitation.
- iv. Accelerate the pace of privatisation with adequate safety net arrangements, dismantle government monopolies and introduce more transparency in the regulatory framework to remove impediments to growth.
- v. Continue the development of the agricultural sector to allow it to play its pivotal role in the economy, with due consideration to redressing environmental degradation.
- vi. Streamline the taxation system, removing all remaining tariff and non-tariff barriers with the objective of paving the way for the Sudanese economy towards globalisation.
- vii. Encourage participation in the planning and decision-making process through civil society and trade unions.

The development efforts in Sudan since 1997 were undertaken in consultation with the IMF, through Staff Monitored programmes. These reversed the Fund's punitive measures (Sudan had been declared a non-cooperative country in 1990, and its voting rights suspended in 1993, thereby bringing the country close to expulsion from the Fund in 1997). As a result of the performance in the staff monitored programmes (1997-2001), the IMF lifted the "non-cooperation" status and in August 2000 restored Sudan's voting and related rights in recognition of Sudan's satisfactory economic performance. Of recent, and as a testimony to the progress achieved in economic reform, the Fund staff agreed with the Government on an "Upper Tranche Conditionality" programme for one year (2002) which would count towards the needed track record prior to an agreement on the HIPC/RAP debt relief process, which is pending improved relations with creditors and donors as a precursor to the mobilisation of substantial financial assistance from the international community.

The Government has agreed with the Fund to develop more fully a medium-term framework before the end of 2002, in consultation with the Fund staff and other international organisations, based on the Government objectives set out above, which would constitute the base for foreign assistance. The Government is counting on increasing revenue from the oil sector in order to finance an enhanced spending programme and has set a target of doubling the oil output over the medium term.

A major challenge in the medium term programme is poverty alleviation, which constitutes a prime objective in the government's medium term outlook. The government began addressing the poverty issue in the National Comprehensive Strategy 1992-2002 with special focus on macroeconomic adjustment policies, investments in basic services and strengthening of the social safety nets (Zakat Fund, National Pension Fund, Social Security Fund, Health Insurance Corporation, Student Support Fund, Support Fund for Retrenched Workers, and the Saving and Social Development Bank).

However, lessons learned from this experience indicate that a comprehensive approach is needed to address poverty issues. In 2000 the Government began to formulate a Poverty Reduction Strategy Paper within its medium-term objectives. Preparation of this PRSP is still at an early stage. Overall directives and principles set out for the paper included the following issues as crucial to addressing poverty: (i) Peace and reconciliation (ii) Continuation of prudent macroeconomic adjustment efforts (iii) Advancing rural agriculture and food security (iv) Improving social services (v) Effective participation (vi) Setting appropriate implementation mechanisms. Several workshops and consultative efforts have been made to mobilise effective participation from the various actors in which several poverty-related issues were discussed, including gender, environment, international trade, food security, debt, population issues. The Government is currently seeking support from the international community to further develop the PRSP.

In the non-government-controlled areas of the south, SPLM is working on establishing the basic structures of civil authority. Its strategy is expressed in the manifesto "Peace through Development" issued in February 2000 and covers three parallel paths viz. (i) establishment of an authority based on subdivision into the legislature, the executive and the judiciary, (ii) empowerment of civil society, and (iii) development of the economy and provision of services. Provision of services emphasises health services, formal education, civic education and information and cultural development. However, rehabilitation and reconstruction of economic structures and institutions form the backbone of the strategy with their emphasis on transport and communications infrastructure, creation of financial institutions, micro-enterprise development, as well as agriculture and natural resource management.

3. ASSESSMENT OF THE POLITICAL, ECONOMIC AND SOCIAL SITUATION

3.1 REGIONAL ANALYSIS

The Sudan's geographical situation at the cross-roads between Egypt and the Arab world on one side, and the Horn and East and Central Africa on the other, is the long-term determining factor of its regional policy. Conflicts concerning water from the Nile represent a particular challenge to Sudan's relations with its neighbours.

In recent years, the Sudan has made considerable efforts towards normalising relations within the region. In particular, close economic links have been restored with Ethiopia, based on Ethiopian purchase of Sudanese oil and use of the port of Port Sudan. The co-

operation between the two countries makes them the motor of IGAD and subsequently of regional co-operation and integration in the Horn of Africa. This represents a historic reorientation of Sudan's regional policy in view of the countries' historic and cultural patterns of hostility.

The Sudan has also restored good relations with its other neighbours, notably Egypt, Libya and Chad. Furthermore Khartoum was actively involved in diplomatic efforts concerning the conflict in the Democratic Republic of Congo (DRC) and has contributed to a joint Libyan-Sudanese peacekeeping force in the Central African Republic. Remarkable improvements have also been made in Sudan's relations with Uganda, which had long been characterised by a policy of mutual destabilisation. In an agreement signed in 1999, both parties pledged to stop support for the respective armed opposition movements and full diplomatic relations were re-established in 2002. Sudanese relations with Kenya have reached 'positive neutrality', indicating a delicate balance of Kenya's economic interests and its defence in principle of self-determination for southern Sudan.

3.2 ELEMENTS OF THE POLITICAL SITUATION

3.2.1 Overview of the Sudan Conflict

The civil conflict in the Sudan has deep roots in past history. Southerners reacted against their marginalisation by armed resistance starting in the mid 1950s (Anyanya I). Then, after a decade of peace following the 1972 Addis Ababa agreement, fighting has continued without interruption since 1983 (Anyanya II, then SPLM/A, the Southern Peoples Liberation Movement/Army).

In April 1997, the Khartoum and Fashoda Peace Agreements were signed between the Government of the Sudan and some Southerners, splitting from the mainstream SPLM/A of John Garang. Key principles agreed at the time were included in the 1998 constitution, such as the right to self-determination, democracy, fundamental freedoms and rights of citizens, the multi-cultural and multi-religious character of the state, and citizenship as a basis for public rights. But the agreement has not been properly implemented in some of its key components, in particular those related to southern control of appointment of state governments, sufficient budgetary provisions, and military and security arrangements. Riak Machar, then President of the Southern Sudan Co-ordination Council, the implementing body of the Khartoum Agreement, resigned from his position, and went back to armed struggle against the Government in January 2000.

The mainstream peace process for the Sudan between the Government and the SPLM/A, is the IGAD (Inter Governmental Authority on Development) process, which started in 1993. The IGAD-led peace process is supported internationally by the IPF (IGAD Partners Forum), of which the Commission is part. In 1997, a Declaration of Principles was agreed upon and signed by the government and the SPLM/A which consecrates the right to self-determination of the peoples of southern Sudan, but also states that preference should be given to establishing a united Sudan provided that certain principles, including a secular and democratic state and extensive rights of self-administration for the south, are respected.

The Joint Egyptian-Libyan Initiative (JELI) plays a particular role in the context of the Sudan conflict, trying to include more Sudanese players in the peace process. Calls for integration of the two peace initiatives were supported by the IGAD Partners Forum, but initially resisted by Kenya. Egypt, meanwhile, has presented a serious obstacle to co-ordination by its adamant rejection of southern self-determination.

In January 2002, as a result of the efforts of US Special Envoy Danforth, an unprecedented internationally monitored cease-fire agreement was signed in the Nuba

Mountains and an agreement on the protection of civilians in the conflict followed in March. As a result of these achievements Senator Danforth recommended an increased US engagement in the Sudan in his report assessing whether the conflicting parties were committed to peace.

Serious IGAD led-negotiations, backed and observed by the international community, were resumed in June 2002, and a framework for a peace agreement was signed on 20 July at Machakos, Kenya. The framework includes agreements on resolution of the issues of self-determination for the south and the relation between state and religion. The two parties resumed open-ended serious negotiations on 12 August, and it is widely recognised at this stage that a full peace agreement will be concluded, possibly in September or October. The International Community is present as observers, and is preparing to deploy support when peace is reached. The fact remains, though, that very difficult issues have yet to be resolved. Should a peace agreement be reached in the end, new institutions for implementation of the agreement will have to be established and a cease-fire implemented during a pre-transitional period of six months, preceding a six-year transition period at the end of which a referendum on self-determination will be held.

3.2.2 Human Rights and Democracy

The Republic of the Sudan is a federal state with a directly elected president and a unicameral parliament. Three quarters of the parliamentarians are directly elected, the remaining quarter are selected through indirect or special elections. Each of the federation's 26 states has its own parliament, whose representatives are elected according to the same formula. The President currently appoints state governors, as the articles of the constitution providing for their direct election were suspended when the state of emergency was declared in 1999.

The Sudanese constitution provides for important civil and political rights necessary in a democratic society. In practice however, recurrent harassment by security forces significantly limits these rights, in particular the freedom of expression. This has implications for the ability of political groups and parties to mobilise public opinion and support. Restrictive requirements on civil society organisations also limit their ability to participate in democratic life.

The ban on political parties introduced after the 1989 coup was lifted in 1999 and the government has encouraged exiled leaders to return to the Sudan. Moreover, the role of political parties was acknowledged in the Political Associations and Parties Act as amended in 2000, as well as in August 2002. But, despite these positive developments political parties still face limitations in their right to exercise democratic activities and hence the ability to develop democratic internal structures.

The main old traditional parties are the Umma Party (UP) and the Democratic Unionist Party (DUP). Both parties draw most of their support from northern, Islamic communities and their leadership coincides with that of respective religious sects. The UP and its President Sadiq El Mahdi returned to the Sudan in 1999. The DUP opened a Khartoum office only in 2001, while its President Mohamed El Mirghani remains in exile. The ruling National Congress Party (NC) led by President Omar El Bashir is the successor to the National Islamic Front. At the end of 1999, Hassan Al Turabi and others were expelled from the NC and formed a separate party called the Popular National Congress (PNC). There are also some smaller parties not based on religious affiliations, of which the Communist Party has received the most consistent support in the past. As representatives of southern Sudan, the Union of Sudanese African Parties (USAP) and the SPLM are important political players. However, the former has only limited grassroots support and the latter cannot yet be considered a political party as such. Most opposition

parties from both northern and southern Sudan are members of the National Democratic Alliance (NDA). While the NDA has effectively demonstrated the broad range of opposition to the current leadership, it remains characterised by internal divisions. In August 2002, a splinter group of the UMMA party joined the Government.

The last national elections were held in December 2000. Political parties and civil society groups criticised the absence of a political atmosphere conducive to free and fair elections and questioned the independence of the General Election Commission. As a consequence the main opposition parties decided not to participate in the elections and the European Union refused to send an observation mission despite a government invitation. Elections to the Councils of localities in 2000 were postponed until further notice on the pretext that the number of localities was being reduced. Some elected councils were replaced by centrally-appointed ones.

The government of Sudan has recognised that democracy is characterised by active citizen participation and has supported the inclusion of Non-State-Actors (NSA) in an ongoing dialogue with the government and the European Commission concerning the national development strategy and the implementation of the ACP-EU (Cotonou) Partnership Agreement. This is an encouraging development towards greater public participation, which can address remaining obstacles impeding full NSA participation in the democratic process.

3.3 EU/SUDAN POLITICAL DIALOGUE

In November 1999, a Political Dialogue was initiated between the EU and the Sudan. Issues to be discussed regularly at formal level were organised along five chapters: The Peace Process, Democracy and the Rule of Law, Human Rights, Terrorism, and relations with neighbours. Following an assessment of the dialogue in December 2000 it was decided to continue the process for a second year, addressing more broadly the conditions for reaching complete normalisation of relations and the re-establishment of full development co-operation. While it was concluded that sufficient progress had been achieved on terrorism and relations with neighbours to remove these issues from the agenda, the other chapters continued to be important themes for the Dialogue. The EU expressed its commitment to look into funding programmes directly related to these themes, and to implement the "Humanitarian Plus" programme on funds from the 6th EDF, with a view of moving beyond a strict humanitarian approach.

In December 2001, the Dialogue was again jointly assessed. The Parties agreed on the need to continue and intensify the Dialogue for a further year and decided to aim at gradual normalisation of their relations, subject to progress on the agreed commitments for 2002 in the areas of human rights, good governance and rule of law, and the peace process. The 2002 commitments to be taken by the EU were also agreed and are being implemented. A decision whether or not to resume co-operation based on the provisions of the Cotonou agreement will be taken at the end of 2002 following an assessment of the progress achieved by the GoS in fulfilment of the 2002 commitments. Developments in the ongoing peace negotiations in Machakos will definitively have a major impact in this assessment.

3.4 SOCIAL AND ENVIRONMENTAL SITUATION

Development in the Sudan has continued to be overshadowed by the civil war and related humanitarian emergencies, with fighting, internal displacement of civilians and severe food shortages in parts of the country continuing to cause enormous suffering

and loss of life. Against this background, Sudan remains one of the poorest countries in the world, with widespread poverty and deprivation, a fragile economic base and run-down, if not shattered, infrastructure. A large but unmeasured proportion of the population lives on less than US\$1 per day. Although rich in natural resources, particularly in the south, Sudan has been unable to find a successful formula for equitable sharing of resources and power, a fundamental cause of the war. Regional and ethnic marginalisation has also contributed to discontent. Subsidiary conflicts have proliferated, many of them land-related or inter-tribal, and often exacerbated by the inequitable development and high levels of poverty in the country. As a result, an estimated four million people have been displaced from their homes, the highest number of internally displaced persons (IDPs) in the world.

UNDP's annual human development index for 2001 ranked Sudan 138th out of 162 countries. This measure conceals the wide overall variation in development in the country, which is visible in many fields but especially in health and education. The medical doctor to population ratio, for example, ranges from 1:5,000 in the central Gezira State to 1:700,000 in West Darfur State; the ratio of hospital beds to population ranges from 1:400 in Northern State to 1:7,000 in West Darfur. Adult literacy levels range from 60%—70% in Khartoum, Northern and Gezira States to about 30% in North/West Kordofan and Blue Nile States. Primary school enrolment levels range from over 75% in Khartoum and Nile River States to less than 30% in Blue Nile and South/West Darfur States. In Upper Nile and Jongli in the south hardly any child receives a full basic education. Overall, international comparisons indicate that, despite declining trends, the health situation in large parts of the north is still at par with the levels in Sub-Saharan Africa and the group of Low Income Countries, whilst the situation in education is far below such international averages in the north, and even worse in the south.

The war-zone remains seriously prone to malnutrition, being subject to recurring food shortages caused by fighting and displacement. Outside the war-zone too, in poor and peripheral states such as West Kordofan, Darfur States and Red Sea, malnutrition levels are liable to sudden increases caused by drought-related food emergencies. Meanwhile, while malaria is the most important factor in morbidity, the spread of HIV/AIDS is of increasing concern, though as yet unmeasured. Overall trends indicate that the Sudan is at risk of a rapid increase in the case numbers nationally, unless substantial preventive action is taken. Moreover, it is likely that HIV/AIDS will have its severest impact in conflict-affected areas. Similarly, while issues such as safe maternal care and female genital mutilation remain national problems, abduction and violence against women remain of particular concern in conflict areas.

Any assessment of progress towards attainment of the Millennium Development Goals must be carefully qualified, bearing in mind the paucity of data in general and for war-affected areas in particular. Overall, the recent economic growth in the Sudan has had little impact on the basic development indicators, some of which have even deteriorated in recent years. Indeed, for significant sections of the population little or no progress has been made in health, nutrition and education. Sudan's overall progress on all development indicators therefore remains a cause for concern.

Several factors have contributed to the poor state of basic social service delivery in education, health and water/sanitation. The adoption of the federal governance system has transferred the responsibility for the services to the federal states and localities, without ensuring that these institutions had the technical and managerial capacity to manage the system and without sufficiently extensive and reliable sources of funding. The provision of funds for the services from the federal government has moreover been affected by the implementation of a comprehensive structural adjustment programme

without any external financial support from IMF or donor agencies. The lack of funding has, not surprisingly, affected poor households more than any others.

The environmental situation in the Sudan is suffering from a serious process of degradation, which could be irreversible. Most of the once abundant and varied wildlife has disappeared, and agro-pastoral development is constrained by increasing desertification, erratic seasonal rainfall and successive dry spells. For the past two decades at least, total forest cover has declined by an estimated average of 1% per year, well above the world average.

Main causes of environmental degradation as rated by the UN are low rainfall (38%), over-cutting (32%), over-cultivation (15%) and over-grazing (13%). All but the first are directly or indirectly exacerbated by the current civil conflict. Massive displacements of population and movement restrictions due to fighting and insecurity increase the pressure on diminishing natural resources, and fuel tribal conflicts. Oil development poses additional threats to the environment. The fishing resources of the Sudan swamps are considerable, but also at risk if not properly managed.

In general, public and government awareness on environmental issues has increased in the past years (e.g. Emergency Act for Environmental Protection passed in March 2000). Yet the process of degradation and natural resource depletion is continuing.

3.5 ECONOMIC SITUATION, STRUCTURE AND PERFORMANCE

3.5.1 Structure of the economy¹

Sudan is well endowed with natural resources in terms of agricultural potential and minerals. The economy is and for the foreseeable future will remain highly dependent on agriculture and oil. Agriculture is the mainstay of the economy, contributing about 37% of GDP and 15% of exports, and providing the livelihood for about 70% of the population. The agricultural contribution to GDP has declined during the last five years, while on the other side, the oil sector has developed from almost nil to more than 11% of GDP over the same period. Oil and petroleum products now account for 81% of exports and 40% of public revenue.

The oil sector developed very rapidly between 1998 and 2000. Since then growth has been steady but moderate. Oil production has changed some of the fundamental parameters of the economy, which now show a commodity trade surplus, though subject to large price fluctuations in the volatile oil market.

In spite of the potential for national food self-sufficiency, importation of foodstuff remains high (20% of total imports), whereas self-sufficiency in petroleum products is close to being achieved, having dropped from 22% to 7% of imports during the past five years.

Neither the potential of the agricultural sector, nor that of the oil sector, are being fully exploited. While both are prone to frequent external shocks from climatic conditions and/or international price fluctuations, major constraints to developing their potential originate directly or indirectly from the civil conflict. Sudan as a sugar LDC (about 680.000 t) will benefit from the EBA initiative, especially from 2006, when liberalisation of the EC sugar market set in. Public management of the agriculture sector is another major concern.

Recent years have seen government policy actively supporting expansion of the industrial sector, which currently contributes 9% of GDP and is primarily based on agro-processing

¹ Economic and social data for the Sudan is very limited, often of dubious quality and with major discrepancies between various information sources. For economic and financial information, official data from the Federal Ministry of Finance and National Economy, the Bank of Sudan and the Central Bureau of Statistics have for the most part been relied on.

and oil refining. The sugar industry is expanding, and textile production has a substantial potential, if the requisite investments in rehabilitation and new plant could be mobilised. Major investments have been made in oil refining with plans for further expansion. However, a more diversified industry based on oil could develop (fertilisers, plastics etc.) given an environment conducive to commercial investment, including access to the entire local market potential.

Since 1997 Sudan has successfully implemented a comprehensive macro-economic programme monitored by the IMF. Overall, and not least due to development of the oil sector, the economy has shown annual real rates of growth in the order of 5-8%. Reduction of inflation to single digit levels, a stable exchange rate with free convertibility, reduced direct corporate taxation, privatisation of state enterprises and an Investment Encouragement Act revised in 1999 to give substantial incentives to new investment and treating local and foreign investment equally, are all measures that should improve the environment for commercial investment. Major constraints to growth remain, however the most important, of which include the unstable and insecure environment for utilisation of natural resources, run-down economic infrastructure, limited investment finance, a poorly skilled work force and constraints on technology transfers through foreign direct investment. These constraints are particularly pronounced in the south.

The Government has given priority to expansion of the electricity supply, which is being doubled by means of two thermal power plants under construction in the vicinity of Khartoum (financed by China and Malaysia respectively). A further doubling of capacity is planned through the proposed Meroe Dam project in the North, for which funding is still being sought in addition to the USD 500 million already secured from four Arab funds.

The road network is for the most part in poor condition. Most existing hard-surfaced roads are concentrated in the centre and north-east of the country. Many of these trunk roads suffer from inadequate maintenance. The bulk of upgrading and new construction of trunk roads is limited to the same area. Tolls are charged on many of the major trunk roads, but proceeds are insufficient to maintain the federal network. The Government is introducing private investment in power generation and trunk road construction through build-operate-transfer systems. The road network being maintained at state and locality level is extremely limited, outside urban centres consisting almost exclusively of gravelled and unsurfaced roads with no secure maintenance funding.

Development of the work force is suffering from the high illiteracy rates as well as stagnant capacity and deteriorating standards of technical education and vocational training. At higher education levels, the skills of the labour force are out of balance with market demands and affected by a significant brain drain to Middle East countries.

Investment capital is limited by a number of factors such as a low domestic savings rate and a shallow financial sector, limited external financing for basic infrastructure due to suspension of aid from most international aid agencies, and limited access to commercial loan financing due to non-servicing of the huge external debt. Foreign direct investment has also been hampered outside the oil sector due to international sanctions imposed by the UN and United States. This constraint was eased by the lifting of UN sanctions in September 2001, but the US still maintains sanctions, which threaten all potential investors with interests in the USA. In the south, commercial operations are further impeded by a financial system in disarray with few financial intermediaries and six currencies in simultaneous use.

At the end of 2001 Sudan's external debt stood at USD 20.9 billion (180% of GDP). Interest arrears in 2000 reached 11% of GDP or close to the entire budget of the federal government. A debt of this magnitude is grossly unsustainable, and Sudan would from an economic point of view qualify clearly for the HIPC initiative. The political

disagreements between GOS on the one side and USA and the Paris Club Members on the other has so far blocked any real progress towards HIPC. During 2000 and 2001 the Government serviced the debt by USD 144 and 90 million respectively, mainly to multilateral (IMF) and non-Paris Club creditors, which would allow the Government to gradually reduce its debt to IMF and remain current with donors and lending agencies (IFAD and Arab based agencies), where new lending is not blocked by political issues.

The boost to exports created by the oil sector since 1999 has created a small surplus on the trade account. This has been counterweighted by an increase in service payments in relation to oil investments, so that a current account deficit persists in the short to medium-term. The external balance is under serious pressure from the external debt service obligations. External reserves were almost exhausted in late 2001 and are gradually recovering during 2002. They need to be built up to levels that can accommodate the economic shocks that will inevitably occur in an economy founded largely on agriculture and oil exports.

3.5.2 Public Finances

The contribution of oil revenue has boosted the level of the Federal Government budget from less than 8% of GDP to 11-12% within two years. This still represents a low revenue effort by comparable international standards, but within a 'normal' range. The increased resources have allowed an expanded expenditure programme, which has relatively benefited development expenditure and transfers to state governments, while simultaneously ploughing back a quarter of the oil revenue in terms of reduced taxation.

Spending on security (including police and military) remains a dominant share of federal resources, while social sector expenditure is mainly left to state governments and local authorities, which are notoriously cash-strapped, particularly since agricultural taxation was abandoned in 2001 as a national policy. Large domestic arrears are consequently building up (in addition to the overwhelming international debt), not least on pay to staff in basic service delivery, and threatens the ability to provide even the most basic services. Control of expenditures is further obstructed by expenditure commitment and funding responsibilities being separated e.g. between states and localities.

Most development spending is taking place in the centre in Khartoum and the adjacent states, (where some 25% of the population is living), which also have the highest levels of resources at state level. The distribution mechanisms for recurrent finance through the Federal Government Bureau and its National Fund for State Support have been only partially successful in evening out the resource differences among the states, with South and West Darfur states being particularly negatively affected.

No overview of public spending programmes at consolidated national level is available, and it has not been possible to establish one during the CSP preparation due to absence of a functional accounts classification system, as well as late and incomplete financial reporting by states to the federal government, including reporting from the localities.

The 10-year Action Programme, presented by the Government to the LDC Conference in Brussels in May 2001, included a USD 87 billion investment programme, of which 55 billion would await an end to the ongoing war. About 22% of the programme would be public sector investment (USD 7 billion), the remainder invested by the private sector. The public sector programme presented has a heavy bias towards large construction projects such as dams, power transmission, trunk roads, railway lines, and urban water supply as well as tertiary education. Very few of the project proposals would directly benefit the rural population. Since then the Government has decided as an additional initiative to allocate USD 45 million of its own resources to a Poverty Alleviation Programme for each of the years 2001 and 2002, focused on water, health and basic education.

Major reforms of public sector management will be needed in order to provide reasonable levels of basic services such as health and education at a national scale. Such reforms must cover standards-related and carefully costed expenditure programmes, clarification of planning, expenditure commitment and funding responsibilities between the three layers of government, more equitable distribution of resources, improvements in the institutional capacity at state and locality level to manage the services as well as transparent and timely financial reporting.

3.6 POLICY SUSTAINABILITY AND MEDIUM-TERM CHALLENGES

Achieving peace and improving democracy and governance in the Sudan constitute the most important challenge, the completion of which will make it possible for poverty to be alleviated throughout the country, for human rights to be steadily improved, and for the Sudan as a country to move towards sound economic development by making the best use of its vast human and natural resources. Addressing basic root causes of the conflict related to social and economic underdevelopment and neglect of grass roots level, particularly where populations have been most affected by the conflict will also considerably enhance the possibility for achieving peace.

The agricultural and mineral sectors offer the key potentials for economic development, but areas holding a substantial portion of these potentials are inaccessible due to the war. A major challenge to the ongoing peace negotiations and the implementation of an agreement is finding a formula for fair distribution of the benefits of these resources between the populations in various parts of the country..

Economic growth in recent years has been encouraging, but the benefits need to be better distributed among all strata of the population. Basic service delivery is in disarray, particularly in rural areas, and will require a serious overhaul of government functions and financing in terms of broad public sector management reform, particularly at state and locality level.

Raising educational levels from their current dismal state is a major challenge to be addressed in the medium to long term for the purposes of sustaining economic growth and ensuring a more equitable distribution of its benefits, increasing tolerance in a multi-ethnic and multi-cultural society for the fostering of peace, and enabling increasing popular participation in the developing democratic processes.

The Sudan has made good progress on macro-economic stability and shown willingness to continue macro-economic reform programmes under IMF supervision, but much remains to be achieved in terms of developing the financial sector and strengthening the fragile external balance. A solution to the external debt problem must also be high on the agenda, but is unlikely to have a major impact in the coming 1-2 years.

4. ASSESSMENT OF PAST AND ONGOING EC COOPERATION

4.1 SUSPENSION OF COOPERATION

4.1.1 General overview of the past 12 years

Although formal development assistance to the Sudan could not be implemented since in 1990, the Commission has continued to provide substantial humanitarian assistance, in both the north and the south, responding to emergency needs in a neutral way according to basic humanitarian principles. Between 1992 and 2002, the EC disbursed approximately €450 million, with formal assistance being phased out during 1990 and 1991.

Two aid instruments have played a significant role in responding to crises in the Sudan, Food Aid and ECHO funded programmes, of which food aid quantitatively represented the most important part of the humanitarian response (approximately €250 million, 200,000 metric tons of food aid).

ECHO has responded in a more diversified way, with projects focused on several key sectors (health, water and sanitation, nutrition, **food security, emergency preparedness and relief and support to co-ordination, security and logistics of the humanitarian assistance**) with an extensive geographical coverage and a total commitment of approximately €176 million. In 2002, ECHO's budget is €17 million, of which 63% has been earmarked for the south and 31% for the north (see details in [Annex 3](#)). This distribution reflects the high costs resulting from the poor infrastructure and high security risks in the south as well as the fact that many southern areas are facing more critical situations than other parts of the country. The interaction between the Commission and the SPLM/A has been limited during most of the last years to sporadic political contacts with the Delegations of the Commission in Kenya and Sudan and to contacts with ECHO in the framework of humanitarian assistance to SPLM/A-controlled areas of South Sudan.

Other instruments used include allocations from the EC Annual Budget for Co-funding with NGOs, the European Initiative for Democracy and Human Rights, and the Programme on Tropical Forests. Partners have mostly been international NGOs and UN agencies.

All in all, the Commission has remained the second humanitarian donor to the Sudan, after the US, but implementing a more balanced humanitarian response both in the north and in the south. The Commission has remained a key member of all forums involved in humanitarian action in the Sudan.

4.1.2 The Commission's Current Approach

In 1999 the Commission shifted towards responding to needs in a more sustainable way, while enlarging the concept of humanitarian assistance. This new approach also coincided with the resumption of the EU/Sudan Political Dialogue. At the end of 2000, a Food Security Unit was established to support the Delegation in Khartoum, with the objective of facilitating the shift towards responses aimed at building up sustainability. In 2001, the Commission committed €65 million for the Sudan, translating the shift towards a wider and more interactive programme.

The current programme is developing along three lines of action, in both north and south Sudan, with funds from various Commission budget lines and balances from the 6th EDF: 1) emergency assistance in response to crises, mainly through Food Aid and ECHO programmes; 2) longer term action aimed at increasing self-reliance, mainly through co-funding with NGOs, the Food Security budget line, and the Humanitarian Plus programme (see below); 3) actions in support of the EU/Sudan Political Dialogue, mainly in relation to the peace process and human rights.

In recent years, the Commission has considerably increased and diversified its presence in non-government controlled southern Sudan, building up a relationship with the SPLM/A in the south, and facilitating the development of political interaction with the movement, thus allowing ECHO to limit itself to its mandate. In February 2000, the Commission interrupted its humanitarian assistance to SPLM/A controlled areas, because the movement intended to impose unacceptable controls over its delivery. At the end of 2001, after a series of consultations with the SPLM/A, humanitarian assistance was resumed in southern Sudan. The SPLM/A committed itself to respect basic humanitarian principles, and welcomed the return of the Commission to southern Sudan.

The Commission's current line of action on supporting the EU/Sudan Political Dialogue, has focussed on the peace process and on support to the improvement of human rights. As an active member of the IGAD Partners Forum (IPF) community, the Commission has in particular been instrumental in funding about all the specific studies implemented in the framework of the IPF-Working Group's "Planning for Peace" initiative. Two of those consultancies, on the issue of landmines in the Sudan, brought about a large national land mine action programme in the hands of Sudanese civil society, with a strong dimension of contacts between the north and south across the conflict line as a peace building initiative.

On human rights, the main objective has been to reinforce commitments made by the Sudan in the formal sessions of the Dialogue. A typical example is the support to CEAWC, the Commission for the Eradication of Abduction of Women and Children, through UNICEF.

4.1.3 The case of the Humanitarian Plus Programme

In relation to progress on the EU/Sudan Dialogue in 2000, the Commission decided to endorse the Government's request to commit €15 million from the balances of the EDF to a Humanitarian Plus Programme. The idea of the programme was to address humanitarian issues in a more sustainable way, by building self-reliance at the level of populations affected directly or indirectly by the consequences by the civil conflict. The programme has been implemented since the beginning of 2002 in areas with sufficient stability to allow sustainability to be established, in both north and south Sudan with focus on water, agriculture, and health. The Government has agreed to delegate its role in implementation to the Commission. Neither the Government nor the SPLM/A are directly involved in its implementation (they are kept informed on progress), which is done through international NGOs and UN agencies. There is for the first time a possibility for local NGOs to access limited funding for the same purposes. Innovative peace building, and if possible cross-line activities, are encouraged.

It is to the credit of the Government of the Sudan that it has accepted to have Lomé resources used in Non-Government controlled areas. The programme has been very much welcomed by the international community, not least the international NGO community, and has contributed to recognition of the need for sustainability of aid interventions.

4.2 LESSONS LEARNED

In 2000, an external evaluation on the unintended consequences of Humanitarian Aid implemented by the international humanitarian community over long periods in the context of the Sudan was issued. The study was performed by the University of Dublin, Trinity College and was financially supported by ECHO. Some of the main findings are the following: 1) The political situation and the civil conflict cannot be resolved by humanitarian aid, nor will humanitarian aid be effective in the long term without a solution to civil conflict; 2) humanitarian assistance does not allow donors much leverage on the conflicting parties; 3) longer-term and better informed strategies will provide higher return on humanitarian investment than short-term funding and responses; 4) rapid staff turnover and poor institutional memory greatly affect the correct understanding of the overall situation in the Sudan, and thus appropriate responses; 5) unrestricted access for humanitarian purposes should remain a high permanent priority; 6) a major investment in both primary and secondary education is needed; 7) the limited resources available for health programmes are inadequate to cope with the reality of Sudan.

In correspondence with these findings, the international community is recognising the need to move away from emergency, towards sustainability and rehabilitation, where and whenever possible. This is clearly indicated in the conclusions of recent joint forums:

North/South Joint Donors meeting in Khartoum in June 2001, in Nairobi in June 2002 and the IAC meeting in Geneva in December 2001. Although it is a reality that the situation in the conflict-affected parts of the Sudan remains volatile and fragile, there are areas of stability. Little has been done so far to help maintain this stability, and to promote it. It is also evident that the civil conflict has direct and indirect consequences throughout the Sudan. Because of the context in which the international community is operating in the Sudan, many issues and geographical areas have remained unattended for the last 12 years.

In a context of aid suspension, the Commission had to rely on budgetary lines and ECHO has had to extend its mandate in the Sudan, to respond to longer term needs, in the absence of other more suitable instruments. It is difficult, however, to build up a comprehensive and solid programme in this way and technically it is inappropriate to use an instrument created to respond to emergency, for the purpose of addressing sustainability.

5. THE RESPONSE STRATEGY

5.1 INTRODUCTION

The focus of the Commission's response strategy will be to contribute to bringing the Sudanese civil conflict to an end, while mitigating its effects and addressing root causes for directly affected populations in north and south Sudan. These priorities were outlined in the 31 December 2001 address to the Nation of the President of the Republic.

Increased focus will be placed on supporting the peace process at all levels, as well as to supporting the improvement of human rights, democracy, and good governance. Emergency support will most likely need to be provided alongside, as the situation remains fragile in many parts of the Sudan. Referring particularly to ECHO, particular attention will be given to make sure its considerable input will be followed by sustainable activities in the Sudanese States where the CSP will concentrate.

Because of the pervasiveness of crises, a long period of absence of cooperation, and considerable suffering at grass-roots level, the Commission's response is limited to addressing basic needs. A confident relationship between the EC and the Sudan must be gradually re-established. Due to the fact that the situation in the country remains highly volatile, the response strategy is flexible, and its implementation will allow for adaptation to changing circumstances, of particular importance if a peace agreement is signed.

The choice of focal sectors for the Country Strategy has taken into account firstly the dialogue with both the Government and the SPLM/A and the Sudanese NSAs, secondly the findings of the study conducted by the University of Dublin, Trinity College and funded by ECHO; and finally the following criteria:

- the sector's potential for contribution to peace building and conflict resolution;
- its poverty relevance;
- actual progress and potential for progress in the reform process (openness for reforms);
- relevance of the sector/area to EU's development policy objectives;
- actual experience and potential comparative advantage of the EC in the Sudan;
- potential for balanced support to the north and the south.

Based on these criteria (see [Annex 4](#) for more details on the assessment), two focal sectors were chosen: (i) food security and (ii) education, while peace building, good governance and capacity building for non-state actors are addressed as other important programmes. Support to the private sector and economic infrastructure may be financed through the EIB ([Annex 5](#)).

In addition, the following principles apply to all sectors/areas of co-operation and guide the Response Strategy more generally:

- Most of the EC support will be concentrated in selected geographical areas of the Sudan, the selection of those geographical areas being guided by the following criteria: (i) value added towards the central objective of peace-building and addressing root causes of the conflict, (ii) sufficient stability for rehabilitation and longer term development to succeed, (iii) degree of marginalisation, (iv) need for assistance to mitigate the risk of future destabilisation, and (v) interventions by other donors, discussed through donor coordination arrangements. Many Sudanese States could be targeted according to these criteria, certainly including Greater Darfur and Equatoria. It is important to maintain flexibility throughout the implementation period due to the fluid political situation. By the nature of the objective being addressed, some interventions may not be limited to such geographical areas but may have national or regional coverage.
- In accordance with the Cotonou Agreement, partnership in the implementation of this CSP will be extended to non-state actors in order to contribute to peace building and development of a stable and democratic environment, to promote the widest possible ownership of the development processes and to ensure greater sustainability of co-operation programmes.
- Close co-operation with the donor community, particularly EU Member States, is a part of this Strategy to ensure coherence, impact and efficiency of EU aid. Co-ordination will be active both in sector policy dialogue and around specific support actions.
- Gender equality will be mainstreamed in all aspects of programming this response strategy with the ultimate aim of reaching equality between women and men. Likewise, sustainable management of the environment and natural resources is a crosscutting issue to be incorporated into all areas of co-operation. Possibilities to involve the private sector as a partner will be explored throughout.
- In accordance with the Cotonou Agreement a pro-active role in trade co-operation will be taken, in particular by leading donor co-ordination that will support the private sector development in the Sudan especially in the framework of regional integration, export strategy and trade policy.
- Although several specific all-ACP programmes available will be called upon to facilitate this process, specific national support to regional integration would be required to increase the capacity of the public and private sectors to be fully involved in the process and to seize all the opportunities of a wider regional market.

Based on these criteria and principles, a structured package of interventions in the Sudan under the 9th EDF has been identified. Percentage indications are based on a resource envelope of €135 million. Suggested sector allocations are indicative and based mainly on estimated needs and absorption capacities.

5.2 FOCAL SECTORS FOR CO-OPERATION

5.2.1 Food Security (40% of the A envelope)

While food security cannot be separated from the resolution of the current civil conflict, improvements in households' livelihoods can act as an important inducement to move the peace process forward. Even within the current political context, opportunities exist for reducing dependency on humanitarian assistance through support to gender, ethnic and environmentally sensitive recovery and development initiatives, which provide the only path to sustainable poverty reduction and food security. Both in anticipation of, and as an incentive towards, progress in current peace initiatives, the EC will embark on a gradual process of increasing support to food security in a broader poverty reduction and development framework. Such a process will reflect the realities of the current situation facing the Sudan, in particular the limited capacities of implementing partners, the absence of any civilian authority in parts of the country and breakdown of physical and institutional infrastructure. Following up on what has been done so far, in particular by ECHO, will be given priority.

The long-term national sector objective is to achieve a sustainable improvement in the food security status of the poor and a reduction in the level of their vulnerability to food security shocks. The purpose of the EC's involvement is to replace the current emergency response to the humanitarian crisis in the Sudan with a development approach which will foster a sustained improvement in food security amongst the poor and vulnerable. Three specific results of the intervention have been identified:

(a) Sustainable Livelihoods

To bring about a significant reduction in the level of poverty and food insecurity, a concerted initiative will be launched to improve and enhance livelihoods in a sustainable manner. The focus of resource allocation must be on enhancing income generation activities in agriculture, livestock production and off-farm rural activities that primarily benefit poor households. Such interventions must be accompanied by measures to improve awareness of nutritional concerns, improve food preservation and reduce food losses, and improve the quality and reliability of domestic water supply. The EC's assistance will focus on re-establishing the productive asset bases of marginalised groups; repairing environmental degradation; mine clearance; rehabilitation of small-scale irrigation works, provision of veterinary services and provision of rural water for human and animal consumption with related sanitary improvement measures. In the event of a peace agreement, support will be provided for resettlement of IDPs.

(b) Improving Market Access

Even though large amounts of food aid are brought into the country every year, there is broad agreement that the most immediate food security constraint facing the people of the Sudan is probably less the insufficient availability of staple foods, than inaccessibility of existing domestic supplies. Priority measures will include provision of market intelligence; establishment of a conducive enabling environment for trade rehabilitation, improvement of feeder and rural roads at state and locality level (with links to dialogue on road maintenance policy); rehabilitation and expansion of road haulage capacity; expansion and improvement of crop storage at all levels from household to national.

(c) Capacity Building

One of the principal factors determining the pace at which improvements in poverty reduction and food security can be realised, is the capacity of partners to implement

development strategies and programmes. Three priority areas for support to capacity-building have been identified: project cycle management; food security policy, and disaster preparedness in terms of crisis identification (through development of sustainable and reliable early warning systems), crisis response and management, linked to humanitarian aid instruments.

Additional elements are contained in Annex 2.3.

5.2.2 Education (40% of the A envelope)

Broad-based basic education plays a key role in strengthening human capabilities and reducing poverty in the Sudan. Correspondingly, lack of education and a low-skilled workforce are identified as two of the structural factors impeding growth. All national development strategy documents, therefore, give prominence to investment in human capital, catching up with the serious backlog in literacy, and eventually to the creation of a well-educated nation. Education is also an important prerequisite for improved understanding of complex issues facing the individual, for tolerance towards people of another background and essential, therefore, for conflict resolution and active participation in a democratic system. Education also promotes gender equality and advances the position of women and the girl child in areas where this has not already been achieved. Education is identified as one of the priority intervention areas for the Commission's development policy in ACP countries.

The Government has repeatedly confirmed its commitment to the objective of Education for All and has recently begun a process of addressing some of the key issues of a much-needed reform process.

The EC would be well placed to support development of a potentially multi-cultural and multi-lingual education system and offers sufficient resources to be able to make an impact. Considering the urgent need for reform and financial support to reverse the low and deteriorating levels of indicators and attain the overall objectives established for the education sector, the Government wishes to see EC play an active role in the advancement of this key sector.

The education sector component of this CSP will support increased, gender-balanced and equitable access to quality basic and secondary technical education as well as non-formal literacy and vocational training for adults and school dropouts. The programme for the sector will seek to integrate the Universal Education for All goals.

The EC's support for the sector will be provided in the form of project support and will be targeted at federal/regional levels (as regards sector policy and management reform, teacher training, adult literacy campaigns and provision of teaching materials), at state level (as regards secondary technical education and vocational training), and at locality level (for improvement of the physical environment of primary schools and capacity-building for school committees and parent-teacher associations). It is envisaged that different education systems may be supported in the Government and Non-Government controlled areas, until such time that a comprehensive and all-encompassing national policy has been established.

The major donors in the education sector are UNICEF, operating in the north, and USAID, in the south. The EC will cooperate very closely with these agencies in order to ensure that its support is properly coordinated with these important donors at policy as well as operational level and will eventually lead towards a comprehensive national sector programme.

It is of vital importance to mainstream gender concerns in a new education strategy. Particular efforts will be made to address gender issues in areas such as curriculum design, teacher training, teaching and learning materials and basic education

administration. Support to NGOs active in providing gender training and awareness building for teachers and local administrators should form part of the education strategy. The impact of health in terms of morbidity and mortality on the education sector (particularly malaria and HIV/AIDS) will be emphasised in all aspects of the focal sector programme and awareness of the diseases and preventive measures be incorporated as a theme in literacy campaigns and school curricula.

Additional elements are contained in [Annex 2.4](#).

5.3 OTHER INTERVENTIONS

5.3.1 Support to the Peace Process and to Peace Building Initiatives

Since 1999 several specific projects have been implemented in support of the Peace Process as requested by the Government, and of the EU/Sudan Political Dialogue. Examples include the development of a large national programme on mine clearance, implemented by the Sudanese civil society with a strong peace-building dimension materialised by effective North/South cross line contacts, and support given through the Max Planck Institute, to reflect on the best constitutional arrangements for the Sudan.

In the framework of the current Country Strategy, direct support for the Peace Process, as well as for peace-building activities will be intensified. In the event of a peace agreement these will include Demobilisation, Disarmament and Reintegration (DDR) operations that could include demining, training of security forces and any other action for which provision is made under Article 11 of the Cotonou Agreement.

5.3.2 Human Rights, Democratisation, Rule of Law and Good Governance

The Sudan has been included as a “focus country” under the European Initiative for Democracy and Human Rights (EIDHR) will complement some of the interventions foreseen in this area, as mentioned in section 5.7 below..

The EC support for Human Rights, Democratisation, Rule of Law and Good Governance could cover five components: 1) strengthening the capacity-building of civil society (e.g. local NGOs, lawyers, Human Rights activists); 2) improving the judiciary system; 3) enhancing democratic rules within political parties; 4) promoting freedom of expression and freedom of the press; 5) actions related to Good Governance, including issues related to transparent and accountable management of the country’s own resources.

5.3.3 Capacity Building for Non State Actors and Public Administrations

In February 2002, consultations with Non State Actors were initiated in the framework of preparation of the CSP. The initial objectives are: 1) to identify a wide variety of Sudanese NSAs; 2) to disseminate information; 3) to allow NSAs to play their role as defined in the Cotonou Agreement. The process was conducted in north and south Sudan. It is described in Annex 2.5. The Government of the Sudan has since requested a continuation of this process, and the preparation of a programme to be funded on remaining Lomé funds, focused on capacity-building and structuring of NSAs, and on actions to involve NSAs into the Cotonou process.

Interventions for building of the Government's capacity in managing EDF funds are planned at Federal and at State level (both in the north and in the south of the country). Capacity building will also be undertaken in the technical Ministries related with the areas of intervention of the CSP.

5.3.4 Health

The health sector is a relevant objective of the development policy agenda of Sudan for both the Government and the SPLM/A, in line with the current European Community's Development Policy to contribute to poverty alleviation.

The coverage of health needs in terms of availability of functioning health facilities is very poor. This is partly because the provision of basic health services has been greatly disrupted by war, and partly because the level of coverage even before the war was low in any case, especially in the South. Some of the current functioning health facilities are supported or run by international humanitarian organisations.

Interventions in the health sector will be co-ordinated with ongoing ECHO activities in the health sector that have had a medium-long term character due to the chronic nature of the crisis in Sudan. The areas to be covered may include, among others, the following: 1) strengthening the Primary Health Care system and running capacities; 2) supporting surveillance, preparedness and response of major endemic diseases (e.g. Kala-Azar, trypanosomiasis, tuberculosis, etc.); 3) continuing efforts to increase coverage of Expanded Programmes of Immunisation (EPI) through routine vaccination programmes and mass vaccination campaigns (with special attention to polyo eradication campaigns); 4) supporting the central medical stores and distribution of drugs; 5) enhancing secondary health facilities.

5.4 ALL-ACP FUNDS

Provided that the issue of Sudan's failure to service its €9.8 million debt² to the European Investment Bank is resolved, support for private sector development and large public investments may become available from co-operation with the Bank and its newly established Investment Facility, along with finance available from the Bank's own resources. The determination of amounts and conditions for financing will depend on detailed appraisal of every project, on a case-by-case basis applying on sound economic and financial criteria. Such projects could be regional in scope. For further details see [Annex 5](#).

Apart from the EIB resources, the EC can provide other complementary, global facilities for private sector development, including support to small and micro-enterprises: Private sector operators will be able to make use of facilities such as EBAS (support to improve business environment) and Pro-Invest (institutional empowerment and sector promotion), which are open to all ACP countries, companies and institutions. Direct support for feasibility studies, market surveys, financial diagnosis, start-up assistance, etc. is available through and managed by the Centre for Development of Enterprises. All-ACP funds could further be sought for support to regional and international trade policy formulation and implementation.

All-ACP programmes in other sectors/areas can also be explored as long as they fall within the overall framework of this CSP.

5.5 REGIONAL CO-OPERATION

The 9th EDF earmarks €1.3 billion for regional co-operation, of which €23 million has been allocated to a programme for Eastern and Southern Africa and the Indian Ocean Region. This Regional programme encompasses the combined membership of four

² Including penalties for non-servicing.

regional co-operation arrangements, the COMESA, IGAD, EAC and IOC. Through its membership of both COMESA and IGAD, the Sudan will be a potential beneficiary of this Regional Programme, sharing borders with six other COMESA members, four of which also hold IGAD membership. Whereas COMESA is mainly concerned with trade and economic integration, the focus of IGAD is on peace building and development. The Sudan as member of the COMESA FTA will be involved in the negotiations of EPA in the Regional context.

The Regional Strategy Paper is in an advanced stage of preparation and has identified three focal areas, (i) regional economic integration and trade, (ii) sustainable management of natural resources and (iii) transport and communications infrastructure. Other intervention areas include conflict prevention, resolution and management.

The Sudan has a strong interest in each of these areas, which in particular would facilitate the forging of stronger links with Ethiopia, Kenya, Uganda, for the purposes of promoting peace and stability across common borders and increasing cross-border trade through the removal of trade barriers and upgrading transport and communications links.

The proposed regional strategy would clearly be in line with the Sudan's national strategy and would imply access to additional resources for key intervention areas, such as peace building and food security, identified in this CSP.

5.6 ECHO

Humanitarian operations in the Sudan will continue for the foreseeable future and may remain impeded by problems, including the denial of access to areas of crisis and restrictive administrative procedures for aid workers. Furthermore, poor infrastructure and seasonal climatic influences (seasonal rains) often obstruct timely delivery of assistance.

One of the challenges of humanitarian assistance in the Sudan will be to increasingly link relief with rehabilitation and development activities (LRRD). The resumption of traditional development co-operation with the Sudan would provide an opportunity for close co-operation with other EC programmes in this respect. This would allow ECHO to progressively re-orient its focus on shorter-term responses to immediate needs more in line with its core mandate.

Considering the size of the Sudan, the effects of the war, the fundamental lack and destruction of infrastructure and essential services, many and widespread humanitarian emergency needs will unfortunately continue to require responses, even if peace were to become a reality. ECHO will only be able to cover a part of these needs and will therefore continue to aim for a comprehensive targeting of priority needs through the funding of good partner organisations. Sectoral coverage will include Food Security, Health and Nutrition, Water and Sanitation, Emergency Preparedness and Relief and Support to co-ordination, security and logistics of the humanitarian assistance. The targeted beneficiaries of these interventions are the most vulnerable population of Sudan, with special focus on internally displaced people (IDPs).

5.7 COMMISSION BUDGET LINES

In addition to ECHO operations, implementation of actions financed from the budget lines for Food Security, Co-funding with NGOs, European Initiative for Democracy and Human Rights(EIDHR) and the Programme on Tropical Forests will continue as a supplement to the rehabilitation and development interventions financed from EDF funds. This will be of particular importance during the early years of normalised aid co-operation until a full EDF-funded programme has been built up and reached the stage of effective

implementation. Such actions will focus mainly on humanitarian emergency responses and other short-term interventions as well as actions which the Commission specifically wishes to support. The EDF- and Budget Line-funded actions will be co-ordinated in order to ensure a coherent programme with clear transition arrangements as appropriate.

According to the Programming Document 2002-2004, EIDHR interventions in the Sudan will focus mainly on: - Capacity building of civil society organisations; - Support to independent and transparent legal sector; - Promote freedom of expression and media independence.

5.8 CONSULTATION PROCESS

In January 2002, as a commitment agreed in December 2001 in the framework of the EU/Sudan Political Dialogue, the Commission notified the 9th EDF allocation to the Government of the Sudan. The Government was invited to determine with the Commission the priorities for programming of EDF support for all Sudan, as well as Government policies and measures to be undertaken in the fields to be discussed in the framework of the Political Dialogue under Article 8 of the Cotonou Agreement. On this occasion, the Commission expressed its concern about the internal armed conflict and the lack of progress in the IGAD-led Peace Process, and also took note of the commitment of the Government to make specific efforts in the areas of peace, democracy, the rule of law and human rights. It was stressed that any lack of progress in these areas might have a negative impact on the implementation of the provisions of the Cotonou Agreement and the absorption of funds. A major step forward has now been taken with the Machakos Protocol and the continuation of negotiations towards a full peace agreement.

Since then, emphasis has been put on re-establishing a working relation between the Commission and the Sudan, which has been affected by 11 years of absence of formal cooperation. To this end, several workshops have been organised on various subjects directly connected to the Cotonou framework. A specific and successful process was also begun in March 2001 to bring in Non-State Actors to play their role as established in the Cotonou Agreement. Non-State Actors have been given help to organise themselves, and through committees representing organisations in north and south respectively they have on several occasions contributed their views on the scope and direction of this Support Strategy. The Government of the Sudan has asked for this process to be continued, and for a specific capacity building programme to be immediately prepared and funded with remaining Lomé funds (see details in Annex 2.5).

In parallel to this process, the EU/Sudan Political Dialogue is being conducted for the third year, now placed in the framework of Article 8 of the Cotonou Agreement.

5.9 COMPLEMENTARITY BETWEEN DEVELOPMENT PARTNERS

The USA is providing substantial development funding for non-government controlled areas in the south. The UN agencies are providing development support mainly in government-controlled areas, based on their core funding and limited earmarked additions from other donors. UNICEF, UNDP and IFAD are the most important of these agencies, concentrating on peace building, health, education and rural development. Due to the political situation, none of the EU Member States are implementing development programmes of any significance. The emphasis has been and remains on humanitarian assistance with very small amounts being made available for development oriented projects, mainly in the social sectors. Other major development finance agencies such as the World Bank and African Development Bank are blocked from lending due to large

unresolved arrears. Nevertheless, the Government has been able to attract important amounts of capital for public investment, mainly in the energy sector, from the Arab development funds, IDB, OPEC fund, China and Malaysia, ref. Annex 3.

There is no mechanism for co-ordinating development assistance between the Government and the donors at large. Nor is there any effective mechanism for co-ordination among the donors themselves, beyond humanitarian assistance and informal ad hoc contacts among like-minded agencies. A decision of the EU Member States to normalise aid co-operation relations with the Sudan will open the prospect for a huge increase in assistance. In that case, it will be important to quickly establish comprehensive and effective donor co-ordination mechanisms to avoid overlap and duplication and ensure that support programmes follow consistent policies. Government ownership of donor co-ordination mechanisms will be an important feature and may require provision of technical and institutional support in its development phase. Separate co-ordination arrangements will be needed for assistance in the non-government controlled areas and pose a particular challenge to the donor community, but may have to be addressed in a different way, should a peace agreement be signed.

PART B
INDICATIVE PROGRAMME

6. INDICATIVE PROGRAMME

6.1 INTRODUCTION

Based on the Cooperation Strategy presented in Part A, and in accordance with the provisions of Article 4 of Annex IV to the Cotonou Agreement, the Indicative Programme has been drawn up in a series of tables presenting the intervention frameworks for each focal sector, the indicative timetable for commitments and disbursements and a detailed chronogramme of activities for all programmes envisaged within a 2 year rolling period.

Amounts mentioned in this chapter indicate the global breakdown of funds between the focal sectors and other programmes. This breakdown can be amended in the context of operational, performance or ad hoc reviews.

Immediately following the signature of the Country Strategy Paper and Indicative Programme, a Memorandum of Understanding will be agreed between the Commission and the Government in order to establish

- the Government's Undertakings in support of the implementation of the Support Strategy and the Indicative Programme, for which the Assumptions column of tables 6.6(a) and (b) offer a rough but incomplete outline;
- transparent implementation procedures, as regards non-Government controlled areas as concerns the current situation of a North/South division of the country, or implementation arrangements adapted to the contents of a peace agreement if such has been completed;
- selection of areas of geographical concentration according to the criteria set out in paragraph 5.1;
- completion of the detailed content of the intervention framework and indicators.

The Memorandum will take into account the relevant provisions of a possible new peace agreement.

6.2 FINANCING INSTRUMENTS

The implementation of the co-operation strategy of the EC with the Republic of the Sudan will be financed through different financing instruments. The following indicative amounts are presently envisaged:

6.2.1 9th EDF A-allocation €135 million

This indicative allocation is destined to cover the long-term development activities identified in the context of the response strategy, namely

Food Security	€54 million,
Education and Training	€54 million
Other interventions	€27 million (of which support to non state actors' initiatives €13 million)

6.2.2 9th EDF B-allocation €20 million

This allocation is to be used for unforeseen needs such as emergency assistance where support cannot be financed from the Community budget, contributions to internationally agreed debt relief initiatives and support to mitigate adverse effects of instability in export

earnings. Use of the funds for debt relief initiatives will first require that a solution to the external debt problem has been reached with the international community in general and with the Paris Club in particular.

6.2.3 Balances from Previous EDFs

The only balances of programmable funds remaining from previous EDFs are approximately €60 million from the 6th EDF. The balances of the 6th EDF remaining at the date of entry into force of the Financial Protocol, as well as decommitments made at a later stage, will be added to the above-mentioned indicative allocation. These balances will constitute an integrated part of funding for the support strategy through projects and programmes in line with the priorities set out in this Indicative Programme, and could be utilized for programmes in the Education sector and/or those covered by the Non-Focal sector such as support for the peace process, capacity building, etc.

In addition it should be noted that there remain €190 million from the Stabex facility. In accordance with the provisions governing the Stabex facility, these funds will be utilised for programmes in the Food Security sector and/or as support for the peace process and capacity building.

Due to the substantial amounts involved and the potential of using them for most of the components of the Support Strategy, these balances will be committed before utilisation of the 9th EDF A-envelope.

6.2.4 Investment Facility

Apart from the above-mentioned financial instruments, of which the A-envelope is the main programmable basis for the Indicative Programme, the 9th EDF includes also the "Investment Facility" as a financing instrument managed by the European Investment Bank (ref. [Annex 5](#)). The Investment Facility does not form part of the Indicative Programme.

6.2.5 Other financing instruments

Community budget lines will be used to supplement the EDF instruments. The initial stage of implementation of the Indicative Programme will constitute a transition from the financing mainly from Community budget lines, as has been the practice till now, towards financing primarily from the EDF. Important Community budget lines that will supplement the Programme proposed in this CSP include, *inter alia*, Food Security, the Programme on Tropical Forests, Disaster Prevention and the European Initiative for Democracy and Human Rights. It is also expected that humanitarian assistance through ECHO will continue on a needs base. Financing under these lines will be decided in accordance with the procedures in place for each financing instrument and will be subject to the availability of funds.

6.3 FOCAL SECTORS

6.3.1 Food Security

EC support for the sector will aim at reducing poverty by addressing the causes of structural and short-term food insecurity in a gender-, environment- and ethnic-sensitive strategy. Based on assessments of government priorities and the underlying cause of food insecurity, emphasis will be placed on

- improving market access for consumers and producers alike,
- promoting sustainable rural livelihoods,

- enhancing capacities of implementing partners and
- improving crisis management capabilities.

For indicative purposes, approximately €54 million will be reserved for this sector, to be provided in the form of conventional project support. Additional support from the food security budget line will complement EDF resources.

Major areas for policy reform to be addressed by the Government as a contribution to the implementation of the response strategy in this sector include land tenure, agricultural trade and marketing, strategic grain reserves and food security information systems.

Contributions to regional projects and programmes and other jointly funded cross-border interventions are included in this envelope.

Implementation will be undertaken partly through government structures at federal, state and locality level (with the assistance of a project management unit), and partly through international NGOs or other non-state actors.

6.3.2 Education

EC support to education will cover three sub-sectors and aim at

- increasing gender-balanced, equitable access to higher quality basic education for the primary school age population;
- expansion and at improvement of secondary technical education;
- non-formal literacy and vocational training for adults and school drop-outs.

For indicative purposes, approximately €54 million will be reserved for this sector, to be provided in the form of conventional project support. A specific facility for policy studies, sector planning, sector management reform and preparation of specific interventions is planned as a precursor to implementation of programmes in this sector.

The Government is expected to reform both management and policy in the education sector. It is envisaged that initially a series of in-depth studies will have to be conducted in order to resolve important education policy issues, before implementation of activities on the ground can begin. EC support will not be directed towards recurrent personnel remuneration. The Government will therefore ensure that local tax revenues at and transfers from higher levels to localities are sufficient to pay teacher salaries adequately, regularly and on time.

Implementation will be undertaken partly through government structures at federal, state and locality level (with the assistance of a project management unit), and partly through international NGOs or other non-state actors.

6.4 OTHER INTERVENTIONS

An indicative amount of €27 million has been reserved for interventions related to the following issues:

- The Peace Process and Peace Building Initiatives;
- Human Rights, Democracy, Rule of Law and Good Governance, including capacity-building for improvement in public sector management;
- Capacity-building and other institutional support for non-state actors covering civil society in all its forms;

- A reserve for studies and other specific initiatives to facilitate programme preparation in all areas.

It is expected that about half the allocation for Other Interventions will be channelled through or directly targeted at non-state actors. Capacity-building with non-state actors, both for the purpose of governance and strengthening civil society, will be guided by framework agreements between the NAO and the EC, which will set out eligibility criteria, priority themes and assessment procedures.

6.5.(a) INTERVENTION FRAMEWORK - FOOD SECURITY

	Performance Indicators (*)	Means of Verification	Assumptions (**)
<u>Long-term national sector targets:</u> Sustainable improvement in food security status and reduction in vulnerability to food security shocks amongst the poor			
<u>Intervention objective:</u> Replacement of current emergency response with a development approach to foster sustainable improvement in food security.	50% reduction in the level (3 year average) of food aid requirements over 5 years.	UN Consolidated Appeals. FAO/WFP Food Assessment Missions.	Government implements priority policy reforms. No major climate or other major external shocks. No escalation in civil conflict.
<u>Results:</u> 1. Improved market access for producers and consumers	15% reduction in standard deviation of average monthly price level of sorghum/ other staples at principal state wholesale markets over 5 years. Increase in the volume of livestock sales over 5 years.	Market and price information system reports.	Movement of commodities not obstructed by civil or other authorities.
2. Enhanced sustainable livelihoods.	Reduction in the under 5 malnutrition rate over 5 years. Increase in real value of assets basket over 5 years.	Nutrition surveys/UNICEF. UNICEF Multi Indicator Cluster Analysis.	
3. Improved capacity for (a) project cycle management, (b) food security analysis and (c) crisis management.	Number of PCM trainers trained in 5 years. Number of PCM users trained in 5 years. Establishment of integrated food security information and early warning system.	Project reports. Early warning system bulletins. Post crisis evaluation mission reports.	Government commitment to the need for objective and transparent food security information system and free information exchange.

(*) Performance indicators are yet to be quantified and time bound at all levels.

(**) Assumptions constitute an initial outline only

6.5.(b) INTERVENTION FRAMEWORK – EDUCATION & TRAINING

	Performance Indicators (*)	Sources of verification	Assumptions (**)
Long-term national sector targets 1. Universal pre-school education 2. Free and mandatory basic education for all 3. Eradication of adult illiteracy 4. Increased enrolment in technical education. 5. Increased enrolment in higher education. [as stated in the Government's Action Programme 2001-2010]	1. Pre-schooling increased from 19% in 1998 to 80% in 2010 2. Gross primary education of 6-13 year old increased from 50 % in 2000 to 95% by 2015 3. Adult literacy rate increased from 48 % in 2000 to 80 % in 2015. 4. Transfer rate to secondary school increased from 60% in 2000 to 67% in 2010. Technical education increased from 5% in 2000 to 60% in 2010 of enrolment at secondary level. Vocational training offered in all states. 5. 55% of secondary school leavers enrolled in higher education by 2010.	- Statistics from Federal Ministry of Education - Multi Indicator Cluster Surveys	
Intervention objective Increased gender-balanced access to quality basic and technical education as well as literacy training for disadvantaged groups and areas.	Gender discrepancy ratio at state level reduced. Overall gross basic enrolment at state level increased. Number of students in secondary technical education and vocational training increased at state level.	- Multi Indicator Surveys. - Statistics from State Ministry of Education	Government recurrent funding for basic and secondary education sector will not be affected by oil price fluctuations.
Results 1. Improved access to basic education facilities with conducive learning environment	Number of schools increased School environment improved in existing schools Management capability of school committees and parent-teacher associations enhanced	Reports from State Ministries of Education School mapping surveys at state level	Government funding of basic education will increase [target to be decided]. Roles/ responsibilities of government and school level actors reviewed/ revised.
2. Improved quality of basic education	One textbook provided to each pupil in each subject. All non-qualified teachers receive in-service training with emphasis on Mathematics and English.	Reports from State Ministries of Education	Curriculum/syllabus to be reviewed and revised as required. Language of instruction in the south decided by democratic means
3. Adult illiteracy reduced	% of illiterate adult population participating in courses.	Reports from State Ministries of Education	
4. Improved access to quality secondary technical education	Number of secondary technical schools increased. Technical subject teachers trained.	Reports from State Ministries of Education	Government funding of secondary education will increase.
5. Improved access to quality vocational training	Rehabilitation and expansion of state government and NGO operated vocational training centres.	Reports from State Ministries of Education and from NGOs	Roles/ responsibilities of government actors reviewed/ revised.

(*) Performance indicators are yet to be quantified and time bound at all levels.

(**) Assumptions constitute a rough outline only

6.6 (a) INDICATIVE TIMETABLE FOR COMMITMENTS AND DISBURSEMENTS - Commitments

All amounts in € million	€135 m	2003/1	2003/2	2004/1	2004/2	2005/1	2005/2	2006/1	2006/2	Total
EDF Co-operation Programmes										
FOCAL AREAS										
1. Food Security										
♦ Support for sector policy analysis and reform prep	2.0	2.0								2.0
♦ Food Security Programme	52.0							52.0		52.0
2. Education										
♦ Support for sector policy analysis and reform prep	2.0		2.0							2.0
♦ Support for Adult Education & Vocational Training	12.0					12.0				12.0
♦ Support for Basic & Secondary Technical Education	40.0								40.0	40.0
♦ Support for Basic Education [6 th EDF balances]									50.0	50.0
NON-FOCAL AREAS										
Peace Building, Human Rights, Democracy, Good Governance										
♦ Support for Peace Building	6.0		3.0			3.0				6.0
♦ Capacity Building for Non-State Actors	13.0		6.0					7.0		13.0
♦ Support for Capacity Building in Public Sector Management	4.3			4.3						4.3
♦ Health	2.0			2.0						2.0
Studies and other actions	1.7	0.7			1.0					1.7
-TOTAL	135.0	2.7	11.0	6.3	1.0	17.0	0.0	59.0	90.0	135.0
CUMULATIVE TOTAL 9TH EDF		2.7	13.7	18.0	19.0	36.0	36.0	95.0	135.0	
% NIP 9th EDF		2%	10%	13%	14%	27%	27%	70%	100%	

6.6 (b) INDICATIVE TIMETABLE FOR COMMITMENTS AND DISBURSEMENTS – Disbursements

All amounts in € million	€135 m	2003/1	2003/2	2004/1	2004/2	2005/1	2005/2	2006/1	2006/2	2007/1	2007/2	Total
EDF Co-operation Programmes												
FOCAL AREAS												
1. Food Security												
♦ Support for sector policy analysis and reform prep	2.0	0.3	0.5	0.5	0.5	0.2						2.0
♦ Food Security Programme	52.0							2.0	5.0	10.0	25.0	42.0
2. Education												
♦ Support for sector policy analysis and reform prep	2.0		0.3	0.5	0.5	0.5	0.2					2.0
♦ Support for Adult Education & Vocational Training	12.0					1.0	2.0	2.0	2.0	2.0	1.0	10.0
♦ Support for Basic & Secondary Technical Education	40.0								2.0	3.0	5.0	10.0
♦ Support for Basic Education [6 th EDF balances]									3.0	5.0	5.0	13.0
NON-FOCAL AREAS												
Peace Building, Human Rights, Democracy, Good Governance												
♦ Support for Peace Building	6.0		0.3	0.5	0.5	1.0	1.0	1.0	0.7	0.5	0.5	6.0
♦ Capacity Building for Non-State Actors	13.0		0.5	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	8.5
♦ Support for Capacity Building in Public Sector Management	4.3			0.3	0.5	1.0	1.0	1.0	0.5			4.3
♦ Health	2.0				0.5	0.5	0.5	0.5				2.0
Studies and other actions	1.7	0.1	0.2	0.2	0.2	0.5	0.5					1.7
TOTAL	135.0	0.4	1.8	3	3.7	5.7	6.2	7.5	14.2	21.5	37.5	102
CUMULATIVE TOTAL 9TH EDF		0.4	2.2	5.2	8.4	13.6	19.3	26.3	37.5	54.0	86.5	
% NIP 9th EDF		0%	2%	4%	7%	10%	14%	19%	28%	40%	64%	

6.7 CHRONOGRAMME OF ACTIVITIES

SUDAN	Instrument	% NIP	Amounts M€	Target dates		
				Identification	Appraisal	Financing decision
EDF Co-operation Programmes						
FOCAL AREAS						
1. Food Security		40	54.0			
◆ Support for sector policy analysis and reform prep	PS/BLS		2.0	October-02	December-02	March-03
◆ Food Security Programme	PS		52.0	September-05	January-06	June-06
2. Education		40	54.0			
◆ Support for sector policy analysis and reform prep	PS		2.0	January-03	March-03	September-03
◆ Support for Adult Education & Vocational Training	PS		12.0	March-04	October-04	March-05
◆ Support for Basic & Secondary Technical Education	PS		40.0	September-04	March-05	November-06
◆ Support for Basic Education [6 th EDF balances]	PS		[50.0]	September-04	March-05	November-06
NON-FOCAL AREAS						
<i>Peace Building, Human Rights, Democracy, Good Governance</i>		20	27.0			
◆ Support for Peace Building	PS/BLS		6.0	January-03	May-03	October-03
◆ Health	PS		2.0	January-03	May-03	October-03
◆ Capacity Building for Non-State Actors, Human Rights and Democracy	PS/BLS		13.0	September-02	February-03	July-03
◆ Support for Capacity Building in Public Sector Management	PS		4.3	June-03	October-03	June-04
◆ Studies and other actions			1.7 [8.0]			
TOTAL	9th EDF A-envelope	100.0	135.0			
	Balances from 6th EDF and Stabex		[250.0]			

PS = Project Support
BLS = Budget Line Funded Support

(*) Please note that the Indicative Programme assumes a war context. Signing of a peace agreement may enable a decision to speed up utilisation of the Stabex funds as a rapid response.

PART C
ANNEXES

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Map No. 3757 Rev. 5 UNITED NATIONS
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Cartographic Section

Annex 1: Map 2

Oil Concessions



Annex 2.1 Public Finance

Levels of Government:

The Constitution of 1998 defines three levels of government

- Federal Government
- 26 States (16 Northern and 10 Southern), with 108 administrative provinces
- 615 Localities (the number has since been reduced by 10-15%)

Each level has (in principle) an elected government, specific functions in terms of powers and service obligations and specified sources of revenue, as broadly defined in the Constitution.

The federal structure is being reviewed (Constitutional Conference held in Khartoum 29-31 April 02). Among the proposals is a further reduction of the number of localities.

In addition to this structure a Southern States Co-ordination Council was established according to a charter under the Khartoum Peace Agreement in 1998. The SSCC is supposed to act as a regional government for Southern Sudan in areas under Government control, with base in Juba, but the way in which it would interact with the constitutionally defined States and Localities was not clearly defined.

The opposition movements in South Sudan have not adopted the 1998 Constitution and therefore use an earlier definition of federal states. South Kordofan is considered a Northern State by the GoS (and partly divided into West Kordofan) and a Southern State by the SPLM. A similar difference applies to the southern part of Blue Nile State.

Consolidated levels of Public Revenue and Expenditure:

Consolidated estimates of public finances are not available (even for the 16 Northern States) due to incomplete information at state government level and virtually no information on locality finances. A rough estimate for the areas controlled by the GOS for 2000 indicates public expenditure and revenue collection in the order of SD 402 billion (14% of GDP) of which 323 billion by the federal government, 67 billion by the state governments and 12 billion by the state-controlled welfare organisation Zakat Fund, which is operating off-budget.

Though a rudimentary systems of administration and basic service provision exists in the opposition-controlled and relatively stable areas of South Sudan, no data are available as to the magnitude of expenditure for operation of such systems and services, or their financing.

Inter-Governmental Fiscal Relations:

Revenue sources, both tax and non-tax, are shared between the Federal Government and the states according to the following principles.

- Value-Added-Tax is collected by the VAT Administration. It now transfers 60% (65% in 2000-01) of the collections to the Federal Ministry of Finance and National Economy (MOFNE), while 40% (35% in 2000-01) is transferred to the Federal Government Bureau for distribution to the states.
- Revenue from national parastatal corporations is split with 90% to the Federal Government and 10% to the States.

- Of all other revenue collected by the Federal Government (import taxes, sale of petroleum products etc.) the states are allocated 15% (gradually increasing over the recent years from 10%), which is transferred from the MOFNE to the National Fund for State Support under the Federal Government Bureau. This includes support for both recurrent and development expenditure.
- The Federal Government also transfers compensation for the abolished agricultural taxes to the states through the Federal Government Bureau.

Federal sector ministries may also transfer funds to states for their implementation of national development projects, but this is not part of a formal revenue-sharing arrangement and the federal ministries remain overall accountable.

Federal budget and its execution:

The functions of the state that are not delegated to lower levels, include external and internal security, foreign relations, nationality/immigration, electoral rules, monetary affairs, weights and measures, national projects and corporations (particularly as concerns natural resources, waterways, electricity, transport, communication), epidemics/national disasters and archaeology.

Total federal revenue for 2001 amounted to SD 365 billion or 11.3% of GDP. The main sources of revenue constituted sale of oil and petroleum products (41%), international trade taxes (21%), income taxes (11%), sales tax/VAT (10%), domestic excise taxes (9%), income from public enterprises (3%) and others (4%).

Recent years have seen some important shifts in the structure of federal government finances. The revenue from the oil sector jumped from practically nil in 1998 to more than 40% of revenue from 2000 onwards¹. At the same time revenue from non-oil sources dropped by about 13%, indicating that some 20-25% of the oil revenue was transformed into reduction of the tax burden, while 75-80% of the oil revenue has been converted into expanded expenditure programmes. Some of the expenditure represent transfers to state governments as compensation for abolished taxes on agriculture and investment projects. Debt service payments do not appear to have increased as a share of overall revenue.

Expenditure in 2001 on a cash basis amounted to SD 418.6 billion (23.3% of GDP). This excluded about 320 billion in interest arrears (10% of GDP). Interest paid amounted to SD 34.5 billion. Salaries and wages accounted for 31%, other recurrent expenditure 44%, transfers to other levels of government and to institutions 6% and development expenditure 18%. Foreign finance was secured for 7% of the development expenditure. The recurrent budget showed a surplus of 0.7% of GDP. The overall budget deficit reached 1.6% of GDP on a cash basis, to which should be added 10% of GDP constituting build up of interest arrears, measured on an accrual basis.

Actual expenditure information by sector is not readily available due to deficiencies in the accounts classification system (no functional classification). IMF (Oct.01) estimates defence expenditure at SD 67 billion or 21% of actual cash expenditure. Budget estimates are broken down into sector allocations as regards salaries/wages, goods/services procured by ministries

¹ IMF consider this an exaggeration of the impact of oil production on the budget since prior to 1999 substantial revenue was generated by import and excise taxes on petroleum products. To the extent that retail prices have remained unchanged the corresponding revenue is now obtained through oil refinery profits and price setting of crude oil to the refineries, influencing the oil sharing formula between the Government and the GNPC investors.

and development expenditure. However, the budget is highly centralised with about 75% of non-salary recurrent expenditure being controlled directly by the MOFNE. Sector allocation estimates for the original 2002 budget indicates that 67% of the resources allocated to federal ministries goes for the military, security (incl. customs) and police, whilst 16% is allocated to the social sector ministries and 2.5% to economic services ministries. It should be noted that most economic and social subsidies and substantial contingency funds are controlled by MOFNE and not allocated to other ministries.

In addition, social welfare services are provided by the Zakat Fund, off-budget but financed by compulsory levies for muslims on incomes above a certain wealth threshold (at rates up to 10%).

Fiscal policies for 2002:

The 2002 federal budget, approved in December 2001, represented an increase of 33% in revenue and 43% in total expenditure compared to the actual outcome of 2001. The overall budget deficit would amount to 1.5% of GDP (cash basis).

The revenue measures mainly aimed to reduce direct taxation of individuals and companies while shifting the tax burden towards indirect taxation. The expenditure programmes mainly focused on (i) increasing salaries and wages by 10% (ii) maintaining current subsidies for electricity, drinking water, health services and students, (iii) increasing transfers to state governments to 15% of public revenue and (iv) purchasing 25% of the food grain production for the strategic food reserve. Development expenditure was expected to increase to double of previous years' actual performance with 15% being internationally financed.

However, during the negotiations with the IMF in the early months of the year, the budget was revised and eventually a tightened budget for 2002 was agreed in April as a basis for a Fund Monitored Programme.

The contents are as follows:

Quantitative benchmarks include:

- Budget revenue and expenditure revised from the original approved budget to reflect a budget deficit of maximum 1.0%, of which 0.8% financed by domestic borrowing (GMCs and BOS credit), 0.2% by foreign loans.
- Bank of Sudan will increase its foreign reserves by USD 78 million by end of 2002 (this follows near exhaustion of the reserves during 2001, where low net income from oil, a livestock export ban to the Middle East and low commodity prices brought reserves down from USD 120 million to 20 million).
- Service of IMF debt will be USD 2 million per month (as opposed to 5.5 million in 2000 and 2001, until GoS failed to meet this target in second half of 2001 due to foreign exchange shortage).
- Federal expenditure allocations to the social sectors will be protected for 2002 (minimum expenditure level fixed) in case of revenue shortfall during the rest of the year.

Structural benchmarks include:

- Establishment of a Stabilisation Fund for oil revenue (any revenue accruing from the oil price being above 20 USD/bbl will be deposited into the Fund, and be drawn on if the price falls below 20 USD/bbl)
- A medium-term (3 year) budget frame will be developed.

- A review of the many tax exemptions will be made (particularly the poorly defined ones under the Investment Promotion Act).
- Full stock will be taken of budgetary arrears (believed to be substantial, but no estimate is available).
- The budget for 2003 onwards be adjusted to show gross revenue and expenditure instead of the current practice of netting off receipts and payments with various non-government institutions.

These are all considered as performance benchmarks i.e. the Programme is stricter than the previous Staff Monitored Programmes.

In the meantime, the Government is working (with IMF technical assistance) on creating a functional and economic budget classification system based on the GFS system (Government Financial Statistics), so that budget execution can be monitored and reported by ministry/sector.

Finances of Federal States:

On average each federal state covers 4 Provinces and 24 Localities.

The functions of the states include inter alia:

- planning, legislation and regulation of and investment in natural resources, transportation, communication, utilities, trade and industry, that are not federal projects or concerns;
- execution of powers and services according to federal legislation as regards provision of all social services (such as education, health, social welfare) and
- regulation of local government affairs;

Sources of revenue include “self-generated” revenue (such as taxes on local commercial operations) and four different transfers from the Federal Government, being

- Share of VAT (presently 35%)
- Compensation for abolished agricultural taxes (since 2001)
- Recurrent budget support through the National Fund for State Support
- Development support through the National Fund for State Support

Allocation of VAT to states is based on the estimated loss of revenue from the sales tax and excise taxes, which the VAT was replacing and which used to be collected by the states. Similarly, allocation of the agricultural tax compensation is based on the estimated revenue loss to the individual states.

Transfers through the NFSS are decided on the basis of a fixed set of criteria, which however, appear to allow a high degree of flexibility in interpretation.

States’ self-generated income is reported to the Federal Government² to amount to SD 50 billion in 2000, corresponding to about 15% of Federal Government revenue, but this is believed to be a gross under-declaration in order to qualify for a larger share of the transfers. SD 2.5 billion (5% of state revenue) constituted the share transferred to the Federal Government. The states reported receipts from Federal Government of SD 6.3 billion as subsidy in 2000, far below the estimates received from the Federal Government Bureau.

² Data were obtained from the MFNE on the aggregate revenue and expenditures of the 16 Northern States. data for Eastern Equatoria were also included, but their significance is uncertain since most of the state territory is controlled by the opposition movements. Most of the states have reported on 2000 final accounts data, but the most recent data for six of these states are from 1997-99.

Federal budget data indicate that recurrent transfers increased from SD 4.8 billion in 1997 to 8.9 in 1998, 12.8 in 1999, 26.8 in 2000 and 25.0 billion in 2001. These figures do not, however, reflect all funds distributed among the states on the basis of centrally-controlled allocation mechanisms. Introduction of VAT to replace sales tax from mid-year 2000, the abolition of agricultural taxes taking effect in 2001 (both being considered as states' own revenue sources) and various earmarked allocations from MOFNE-controlled budget lines, have added to the magnitude of the transfers. Data for 2001 indicate that SD 52.7 billion was allocated to states under arrangements managed by the Federal Government Bureau, of which 23.0 billion as general recurrent subsidy, 16.2 billion from VAT, 6.1 billion for agricultural tax compensation, 4.4 billion as earmarked recurrent subsidies and 3.3 billion for project support.

Total expenditure of the 16 Northern States amounted in 2000 to some SD 66 billion of which 41% on salaries and wages, 50% on other recurrent expenditure and 10% on development expenditure. No breakdown by sector is available. The discrepancy of SD 11 billion between state resources and state expenditure may represent under-declared revenue, since states are not allowed to borrow.

Khartoum State dominates by accounting for 46% of all state revenue collection, and 35% of expenditure (with balanced budget figures). Total expenditure per capita amounted to SD 4700 (18 USD) in 2000. The average of all other Northern states amounted to SD 1800 per capita (7 USD). The states with the lowest level of resources per capita were White Nile, South Kordofan as well as West and South Darfur.

The data on recurrent, central allocations to states for 2001, combined with total resource data from states for 2000, indicate that the allocation mechanism is far from successful in evening out resource allocations among the states. West and South Darfur are particularly seriously affected, with resources per capita at about half of the average for all states in North Sudan.

It is worth noting that recurrent, central allocations per capita to South Sudan are at approximately the same level as to North Sudan, in spite of the fact that most of the South is controlled by the opposition movements.

Local Authorities:

Very little information is available on the functions, service delivery and finances of the Localities. Revenue: following the abolition of agricultural taxes (except hides and skins taxes) they are left with revenue such as market fees and transport tolls and excises on local industry and artisans. In predominantly rural areas with low levels of income monetisation, the revenue base appears extremely fragile. The extent to which this has been exacerbated by the abolition of agricultural taxation in 2000 is not clear due to discrepancies between various sources of information.

Basic service delivery in education, health, agriculture, water supply and road maintenance is believed to be the responsibility of the Localities, but is regulated by the states.

An average Locality would have a population of 50,000, possibly 12,000 primary school age children, enrolment of 6,000 pupils in 20 schools, with 8 teachers and 300 pupils per school.

It is hard to see how they will be able to deliver even the skeleton of such a service based on their own revenue sources. Information on transfers from the Federal Government or the

States to the Localities is scanty and not consolidated. Salary payments to a large proportion of schoolteachers and primary health workers are regularly delayed or not made at all for parts of the year. Often the staff ends up being paid only by direct community contributions and that there is little difference in expenditure financing at this level between North and South.

SUDAN – Federal budget analysis

in billion SD	1998 actual	2000 actual	2001 budget	2001 actual	2002 budget	2002 budget revised
Total Revenue	156,8	326,4	403,0	365,2	484,3	441,4
Tax revenue	126,4	157,4	205,1	188,0	243,5	233,1
Direct taxes	31,2	37,4	50,0	40,8	52,0	
Indirect taxes	95,2	103,9	108,6	109,5	139,4	
VAT	0	16,1	46,5	37,7	52,1	
Non-tax revenue	30,4	169,0	197,9	177,2	240,8	208,3
Departmental charges	9,5	9,2	16,5	10,0	20,8	17,4
National revenue	20,9	159,8	181,4	167,2	220,0	190,9
public enterprise revenue		15,7		10,0	29,0	25,0
gold royalties/profits & others		3,2		1,1	3,0	1,8
sale of petroleum products	1,2	140,9	153,2	149,7	174,0	158,5
privatisation proceeds		0,0		6,4	14,0	5,6
Total Current Expenditure, Chapters 1-3	155,3	275,3	345,2	342,5	438,8	389,4
Chapter One	57,3	96,6	136,8	131,6	170,8	170,8
wages and salaries		96,6	105,3		136,3	136,3
pensions, insurance & social security			11,5		13,0	13,0
contingency			20,0		21,5	21,5
Chapter Two	89,1	151,9	180,5	185,9	231,3	181,8
goods & services for ministries		....	70,0	47,5	74,1	48,2
centralised items		....	96,9	122,2	135,0	107,9
debt service		34,5	60,1		77,9	46,2
maintenance and capital goods		....	1,8		2,9	2,9
specified sector expenditure		....	2,1		2,2	2,2
training		....	0,9		0,9	0,9
bank & admin charges		....	0,5		1,0	1,0
contingency for emergencies		36,8	28,8		47,1	51,7
general contingency		....	2,8	5,6	3,0	3,0
social support/subsidies		....	13,6	16,3	22,2	25,7
Chapter Three current transfers to States	8,9	26,8	27,9	25,0	36,8	36,8
Chapter Four National Development	15,6	74,5	116,5	76,1	159,1	121,9
dev.projects, local finance	12,2	67,1	63,3	42,0	77,4	38,3
dev.projects, foreign finance	3,4	7,4	17,6	5,4	20,0	9,9
equity contributions		0,0	17,4	19,3	15,2	15,2
agricultural fund		0,0	0,0	0,0	22,0	37,0
State dev.projects, local finance			15,9	9,4	21,5	21,5
State dev.projects, foreign finance			2,3		3,0	
Total Expenditure	170,9	349,8	461,6	418,6	597,9	511,3
Current Budget Surplus(+)/Deficit(-)	1,5	51,1	57,9	22,7	45,5	52,0
Overall Budget Surplus(+)/Deficit(-)	-14,1	-23,4	-58,6	-53,4	-113,6	-69,9
Financing						
foreign loans and grants	3,4	7,4	19,9	5,4	23,0	9,9
local funding (GMCs and BOS)	10,7	16,0	38,8	48,0	90,6	60,0
	in percent of GDP					
Total Revenue	7,8%	11,4%		11,3%		
of which: oil based revenue	0,1%	4,7%		4,6%		
non-oil revenue	7,7%	6,6%		6,7%		

Source: Ministry of Finance and National Economy (for 1998 from IMF Oct 2001
2002 Revised Budget as agreed with IMF in April 2002

SUDAN - Federal Budget 2002 by sector

in SD billion	Chapter 1	Chapter 2	Total Current	Chapter 4	Total	Departmental Charges
	Salaries/wages	Goods/Services		Development	Expenditure	
Agriculture & Livestock	2,65	2,38	5,03	23,70	28,73	2,28
Water	0,00	0,00	0,00	4,08	4,08	0,00
Industry	0,01	0,13	0,14	10,62	10,76	0,04
Transport	0,06	0,09	0,15	13,40	13,55	0,02
Energy & mining	0,00	0,01	0,01	17,50	17,51	4,00
Presidency (incl. Judiciary)	14,01	7,14	21,15		21,15	3,15
Defence, Security & Police	94,70	46,50	141,20		141,20	8,62
Economic & Financial	2,04	2,13	4,17		4,17	0,45
Information, Communication & Culture	1,03	3,17	4,20		4,20	0,42
Health	3,37	2,70	6,07	27,10		0,50
Education	17,75	8,77	26,52		61,35	0,85
Administrative & Social (*)	0,61	1,05	1,66			0,34
TOTAL	136,23	74,07	210,30	96,40	306,70	20,67

(*) includes Ministries of Welfare, Labour, Youth & Sports, Environment & Tourism, Guidance & Endowment

(**) sector classification is different for recurrent and development expenditure.

Analysis of Revenue and Expenditure for 17 States, Year 2000 (million SD)

STATE	State Revenue							State Expenditure				
	Self-generated revenue	Tax Revenue retained	Tax revenue transferred	Subsidy from Fed. Govt	Other Income	Total Collection	Total State Resources	Salaries & Wages Chapter 1	Other recurrent Chapter 2	Total Recurrent	Development Chapter 4	Total Expenditure
Northern River Nile	854	387	69	881		1.310	2.122	1.404	816	2.220	96	2.316
River Nile	2.342	445	124	1.329	0	2.911	4.116	2.010	1.057	3.066	1.306	4.372
Red Sea	1.494	1.189	864	0	37	3.585	2.720	1.317	2.100	3.416	288	3.705
Kassala	1.839	214	103	1.193		2.157	3.246	1.620	1.615	3.236	12	3.248
Gedaref	2.042	749	156	0		2.948	2.791	1.491	1.914	3.405	622	4.027
Khartoum	16.951	6.376	220	0	0	23.547	23.327	7.196	13.026	20.222	3.313	23.535
Gezira	1.552	1.255	383	0		3.190	2.807	6.089	2.547	8.636	136	8.772
Sinnar (1999)	2.102	534	150	0		2.786	2.635	1.204	1.517	2.722	225	2.947
White Nile (1999)	1.245	543	269	0		2.057	1.789	336	962	1.298	255	1.553
Blue Nile	737	142	24	680		903	1.559	670	745	1.415	31	1.446
Northern Kordofan (1999)	1.324	575	117	283	396	2.411	2.578	1.171	3.724	4.895	93	4.988
Western Kordofan	1.264	224	8	919		1.496	2.407	1.048	976	2.024	165	2.189
Southern Kordofan (1997)	225	99	8	236	199	531	759	423	339	761		761
Northern Darfur	1.483	157	17	780		1.657	2.421	1.274	1.612	2.887	13	2.899
Western Darfur (1998)	463	79	5	283	26	573	851	330	774	1.104		1.104
Southern Darfur (1999)	1.936	549	42	0	275	2.803	2.760	1.081	1.530	2.610	287	2.897
Eastern Equatoria	1.165			79		1.165	1.244	255	18	274		274
Total of 17 States	35.455	12.889	2.511	6.301	633	51.487	55.277	27.252	32.950	60.202	6.555	66.757

Analysis of Revenue and Expenditure for 17 States, Year 2000 (million SD)

STATE	Budget Surplus		Net receipt from Fed.Govt	State Expenditur e SD per capita	State Resourc es SD per capita	Population 2001	
	Recurrent	Total					
Northern River Nile	-98	-194	812	3.906	3.578	593	
Red Sea	1.049	-257	1.205	4.763	4.483	918	
Kassala	-696	-985	864	5.117	3.757	724	
Gedaref	10	-2	1.089	2.155	2.154	1.507	
Khartoum	-614	-1.236	156	2.658	1.842	1.515	
Gezira	3.106	-207	220	4.768	4.726	4.936	
Sinnar (1999)	-5.829	-5.965	383	2.523	807	3.477	
White Nile (1999)	-87	-312	150	2.447	2.189	1.204	
Blue Nile	491	236	269	1.025	1.181	1.515	
Northern Kordofan (1999)	144	114	656	2.207	2.380	655	
Western Kordofan	-2.317	-2.410	166	3.312	1.712	1.506	
Southern Kordofan (1997)	383	219	911	1.913	2.104	1.144	
Northern Darfur	-2	-2	229	676	674	1.127	
Western Darfur (1998)	-466	-479	764	1.929	1.611	1.503	
Southern Darfur (1999)	-253	-253	278	684	527	1.614	
Eastern Equatoria	150	-137	42	1.013	966	2.859	
Total of 17 States	971	971	79			n.a.	
	-2.667	-10.898	4.105	Av. of 16 States:	2.491	2.063	26.797

Geographical Distribution of the Main State Revenue Sources under Central Allocation 2001 (actual)

State	Population	Current Transfer	VAT	Agriculture Tax Compensation	Total	Current Transfer	VAT	Agriculture Tax Compensation	Total
	1000	SD billion				SD per capita			
Northern	593,0	1,4	0,2	0,4	2,0	2.361	337	675	3.373
River Nile	918,0	2,2	0,3	0,7	3,2	2.397	327	763	3.486
Red Sea	724,0	0,0	0,8	0,0	0,8	0	1.105	0	1.105
Kassala	1.507,0	1,4	0,2	0,2	1,8	929	133	133	1.194
Gedaref	1.515,0	0,0	0,4	0,9	1,3	0	264	594	858
Khartoum	4.936,0	0,0	9,8	0,0	9,8	0	1.985	0	1.985
Gezira	3.477,0	5,1	2,1	1,0	8,2	1.467	604	288	2.358
Sinnar	1.204,0	1,1	0,3	0,6	2,0	914	249	498	1.661
White Nile	1.515,0	1,4	0,4	0,2	2,0	924	264	132	1.320
Blue Nile	655,0	1,1	0,1	0,3	1,5	1.679	153	458	2.290
Northern Kordofan	1.506,0	1,5	0,5	0,2	2,2	996	332	133	1.461
Western Kordofan	1.144,0	1,2	0,1	0,3	1,6	1.049	87	262	1.399
Southern Kordofan	1.127,0	1,3	0,2	0,2	1,7	1.154	177	177	1.508
Northern Darfur	1.503,0	1,4	0,2	0,2	1,8	931	133	133	1.198
Western Darfur	1.614,0	1,1	0,2	0,2	1,5	682	124	124	929
Southern Darfur	2.859,0	1,1	0,3	0,5	1,9	385	105	175	665
Sub-Total North Sudan	26.797,0	21,3	16,1	5,9	43,3	795	601	220	1.616
Bahr el Jebel		1,5			1,5				
Western Equatoria		0,6			0,6				
Eastern Equatoria		0,6			0,6				
Western Bahr el Gazal		0,9			0,9				
Northern Bahr el Gazal		0,6			0,6				
Unity		0,6			0,6				
Jongli		0,6			0,6				
Upper Nile		1,2		0,2	1,4				
Lakes		0,6			0,6				
Warap		0,6			0,6				
Sub-Total South Sudan	5.116,0	7,8	0,0	0,2	8,0	1.525	0	39	1.564
Total	31.913	29,1	16,1	6,1	51,3				1.607

Annex 2.2

The Oil Sector³

Exploration:

Petroleum exploration in Sudan began in the early 1960s. The activity was originally concentrated offshore in the Red Sea. The only significant offshore discovery was Chevron's Suakin gas field in 1976. Chevron's exploration in the 1960s and 1970s led to several oil finds in Southern Sudan near the towns of Bentiu and Malakal. Chevron abandoned its concessions in Sudan in 1983, since they were in an area where fighting was taking place between government and rebel forces. The French Total also suspended its offshore activities, but retained its rights to its concessions, the main one being in the Melut Basin deep in the South-East.

The Canadian Arakis Energy acquired a portion of Chevron's former concessions north of Bentiu in 1993, and began development of the Heglig and Unity fields within its concessions. Production on a small scale started in 1996 (about 2000 barrels/day). This oil was processed and consumed within Sudan.

In 2001 the Swedish Lundin Oil, operating in joint venture with Austrian OMV and Malaysian Petronas and Sudapet, announced that it had struck oil at the Thar Jath exploration well in Unity State South of Bentiu. However, production has not commenced due to the seriousness of the security situation in the area. Oil has also been identified in the CNPC blocks 3 and 7 north of Malakal and in block 6 near Muglad.

As at December 2001, Sudan's proven reserves of crude oil in the Heglig and Unity fields were reported at 624 million barrels. At current rates of extraction they would last only eight years. Other areas where oil has been struck may contain a further 3-400 million barrels. Sudanese officials have cited reserve estimates as high as 3000 million barrels. Exploration is continuing in the Melut Basin in Central Sudan by several consortia, involving the Canadian Forster Resources, Qatar's Gulf Petroleum Corporation and several Sudanese companies as well as Sudapet. Sudanese officials have announced plans to begin oil exploration in north-west Sudan, the Blue Nile Basin and the Red Sea area and indicated that Japanese, European (e.g. Romanian) and Middle Eastern companies had expressed interest in the new concessions. Russia has recently acquired exploration concession for the central Khartoum block.

Crude Production:

The remote location of the Heglig and Unity production fields some 900 km from the Red Sea coast meant that it would require very substantial capital investment to transport the oil to a seaport. To attract the necessary capital and spread the risks, Arakis in December 1996 entered into a consortium, the Greater Nile Petroleum Operation Consortium (GNPOC), consisting of China National Petroleum Corporation CNPC (40%), Petronas of Malaysia

³ This section is mainly based on (i) EIA (Energy Information Administration) website updated December 2001, (ii) Sudan: IMF Staff Report for the 2000 Article IV Consultation and Fourth Review of the First Annual Program under the Medium-Term Staff Monitored Program, June 2000, (iii) Sudan – Recent Economic Developments, IMF October 2001 (iv) Revenue information from the Budget Director of the Ministry of Finance and National Economy, (v) Discussions with the Acting Undersecretary of the Ministry of Energy and Mining on 30th May 2002 and (vi) foreign trade statistics 2001 from Bank of Sudan.

(30%), Arakis (25% and field operator) and Sudapet (5%)⁴. The GNPOC raised about USD 700 million for investment, but this was insufficient to complete the project. The US sanctions, introduced in 1997, hindered attraction of further capital to GNPOC, until in October 1998 an additional infusion of capital was made in connection with the take-over of Arakis by the Canadian Talisman Energy. Construction of the 1640 km pipeline from the fields to an export terminal near Port Sudan began in May 1998 on an accelerated schedule. The first cargo of "Nile Blend" departed the export terminal in August 1999. Originally built to a capacity of 150,000 bbl/day, the pipeline is currently pumping 245,000 bbl/day and a capacity expansion to at least 300,000 bbl/day by the end of 2002 is in progress. To date total investment in the producing oil fields and the pipeline amounts to roughly USD 2 billion.

Crude oil production averaged 199,000 bbl/day during 2000 and 209,000 bbl/day during 2001, reaching about 240,000 bbl by May 2002. It is the Government's plan to reach 450,000 bbl/day by 2005.

There are plans for a new pipeline from the Muglad fields to the El Obeid refinery to carry the particularly heavy crude from these fields. The more costly transportation of the heavy crude would favour a shorter distance, while the lighter Nile Blend from the current producing fields may be destined for crude export. At a level of 10,000 bbl/day this development could be in operation by end of 2003.

Local Refining and Consumption:

With the opening of the 50,000 bbl/day Khartoum Oil Refinery in June 2000 (built and financed by CNPC and operated as a 50/50 joint venture between SPC and CNPC), Sudan has acquired the capability to process all petroleum products for the local market. A portion of the surplus gas output will eventually be used for electricity generation.

Sudan has two other oil refineries. The Port Sudan facility (originally built to refine imported crude) has a capacity of 21,700 bbl/day, and the El Obeid facility a capacity of 10,000 bbl/day. There are plans to expand capacity at the Port Sudan facility by 70%. Port Sudan and Khartoum are connected by a petroleum products pipeline, which originally transported refined products from Port Sudan to the main market in Khartoum. The pipeline flow has now been reversed and pumps petrol from the Khartoum refinery to the coast for export.

The domestic market for petroleum products is also developing rapidly. The economic growth, associated boom in imports of motor vehicles (up 17% from 2000 to 2001) and use of electricity, combined with cheaper petroleum products⁵, is leading to rapidly rising growth in consumption of petroleum products. Annual growth in local consumption picked up from 4% in 1998, to 9% in 2000 and about 15% in 2001.

The expanding local consumption has necessitated continued importation of some petroleum products, particularly gasoil and heavy fuel oil. These products are being transported from Port Sudan by road.

Local demand is expected to receive a very significant boost in the near future, when the two power generating plants at present under construction near Khartoum go into operation.

⁴ Sudapet is a Government owned company, established for the specific purpose of holding the Government's share in GNPOC. The Sudan Petroleum Corporation (SPC) is a fully integrated part of the Ministry of Energy and Mining (MEM), which makes a distinction between SPC and MEM meaningless.

⁵ Following the opening of the Khartoum refinery, the price of gasoline was reduced by about 8% throughout the country and the price of gas for domestic cooking dropped to less than half its previous price.

International Trade:

Export statistics for 2001 show that 73% of petroleum exports went to China. Other important destinations included Singapore (10%), Japan (6%) and South Korea (4%) with most of the balance going to Malaysia and Middle East states. The heavy reliance on East Asian markets is said to be a consequence of the quality of oil blend, which has a high wax content and requires heating for handling at temperatures below 33°C. The high level of exports to China is also linked to Sudan's repayment to China for the financing of the Khartoum refinery, which so far has taken place in kind. According to SPC the repayment will be changed to cash basis from later in 2002. Marketing to European Mediterranean countries has been attempted but has been rather disappointing. SPC has announced plans to lay pipelines to supply Eritrea and Ethiopia with petroleum derivatives from the Khartoum Refinery. SPC is also studying the feasibility of running a pipeline from the Adayel oil fields (Melut Basin) to Ethiopia. In June 2001 Sudan agreed to provide Ethiopia with 85% of its oil requirements as from 2002. This plan is yet to be implemented. In 2001 Sudan started exporting small quantities to neighbouring countries (Kenya and Ethiopia) and is reported to be considering exports to Uganda, thus beginning to exploit its position as one of the few oil producing COMESA countries. In August 2001 OPEC granted Sudan observer status at OPEC meetings, in recognition of Sudan's growing significance as an oil exporter.

Economic Impact:

The onset of oil production has provided an important boost to the economy, contributing a leap in GDP in 2000 of 11% (ref. Table 1.2-1). In 2001 the oil sector maintained a share of about 12% of GDP, a level expected to continue in 2002. However, compared to most other oil-producing countries in the region, Sudan's proven reserves in on-stream fields are relatively small and exploitation of potential fields elsewhere is obstructed by the war.

Oil revenue has already become an all-important source of federal government revenue. Sharing of the oil is based on an entitlement model, that gives first priority to recovery of investment and operational costs of GNPOC at the oil fields (ref. Box 1.2-2). The government's share of oil sector income (calculated in kind) is therefore determined by (i) the production level, (ii) the oil price, and (iii) the operating costs of the GNPOC. From this is deducted the cost of pipeline transportation to Port Sudan and to the refineries in El Obeid and Khartoum. In addition the Government may benefit from profits made by the Sudapet held share of GNPOC and from profits from the refineries.

During 2000 and 2001 Government revenue from the oil sector reached some USD 550-570 million, corresponding to more than 40% of total revenue for the Federal Budget, or 4.5-5.0% of GDP.

Table 1.2-1 The oil sector: Recent development and prospects in the medium term

	1999	2000	2001	2005 Low projectn	2005 High projectn
Crude oil production ('000 barrels)	14,885	65,580	75,900	75,900	160,000
Government Share (barrels)	5,992	41,245	28,800	54,648	80,000
Crude oil export ('000 barrels)	13,849	49,242	56,162		128,000
Oil export price f.o.b. (USD/barrel)	19.8	26.2	22.6	17.3	20.0-22.6
Total exports, petroleum prod. (USD mill)	276	1,298	1,381	1,045	
Total imports, petroleum prod. (USD mill)	185	108	98		
Oil sector/GDP (%)	0.6	11.6		6.4	16-18
Government budget revenue					
oil revenue (USD mill)	61	548	567	602	950-1,360

non-oil revenue (USD mill)	738	721	816	1495	
oil revenue/total revenue (%)	7.6	43.2	41.0	28.7	
oil revenue/GDP (%)	0.6	4.9	4.6	4.0	6-8

Sources: IMF Oct. 2001, Ministry of Finance and Bank of Sudan.

High projection 2005 based on Government plans and targets.

Low projection from IMF June 2000.

BOX 1.2-2 BUDGET REVENUE FROM OIL [example]

Crude Oil Flows		(barrels per day)
Production		160,000
Recovery of operational costs (same year) and investment (over 4 years)		<u>67,200</u>
Production to share between government and oil companies		92,800
Government share (72%)		66,816
Deduction for pipeline fee		<u>14,282</u>
Residual available as revenue		52,534
of which	for export	7,080
	Khartoum refinery	36,364
	El Obeid refinery	9,090
Price of Sudanese oil (net of port fee)		20.8 USD/bbl
Total budgetary revenue of the Federal Government		USD 359.7 million

Source: IMF June 2000

Opportunities and Challenges:

Development of the oil resources has been highly controversial. Various international human rights organisations have accused the Sudanese Government of financing wide-scale human rights abuses with oil revenues, including the mass displacement of civilians living near the oil fields. The SPLA has declared that it considers oil installations as legitimate military targets as oil development has provided the Government the financial resources to expand its war effort. Several attacks on oilfield facilities, the pipeline and military presence near the oil fields have been (or claimed) launched during the last six months of 2001. Broadened US sanctions against GNPOC in early 2001 reportedly had little effect on production and export of Sudanese oil. The US Congress is considering a Sudan Peace Bill, which would toughen US policy towards Sudan, including imposition of additional sanctions on oil companies operating in the Sudan. The most likely target for such sanctions would be Talisman Energy, which is listed on the New York Stock Exchange. However, Sudanese oil production is highly profitable; Talisman reporting that the production costs are less than half those at North Sea fields. Investors ready to take over Talisman's shares in GNPOC, therefore, may not be difficult to identify. On the other hand, mobilising finance for expansion of production would be affected, if one of the major players were to pull out and other potential investors use their resources to take over existing investments.

Expansion of oil production will depend in the short to medium term on access to new oil fields where wells have already proven productive. The security situation in the war-torn parts of the country, where most of these fields are located, will determine progress. Longer term developments, beyond 2007, will similarly be determined by access to and security in the exploration blocks, but at the same time by access to sufficient capital for investment in new

pipelines and related infrastructure. Under ideal conditions, investments of USD 500-1000 million p.a. would not be unrealistic.

Table 1.2-1 presents two medium term projections. The low projection was developed by IMF in 2000 and is based on a stagnant output from existing production fields, thus assuming an unchanged security situation and limited new investment. It also assumes a drop in the crude oil price based on long term forecasts. The high projection reflects the Government's target of reaching an output level corresponding to the present capacity of the pipeline from Heglig/Unity fields to Port Sudan and full capacity utilisation of the three refineries, including the planned expansion of Port Sudan. This would necessitate substantial new investment over the coming 3 years in order to bring at least the Muglad fields into production. The oil price in the high scenario is assumed to remain at or close to current levels.

The two projections shows how differently the impact of the oil sector on the economy and the federal finances may turn out, depending on the chosen assumptions for the security situation, capital investment and international oil prices. The low scenario foresees a drop in importance of oil from its present 12% to 6-7% of GDP in 2005, and correspondingly a reduction in Government revenue to 4.0% of GDP. The high projection on the other hand indicates a potential of increasing the oil sector share of GDP to 16-18%, with Government revenue reaching 6-8% of GDP. Both cases assume continued moderate real growth (about 6% p.a.) in the non-oil sectors and constant unit production costs.

Annex 2.3

Food Security

The current state of food security in the Sudan:

Availability

There are severe problems in obtaining accurate data on even basic food security parameters such as domestic production, storage losses, trade and consumption, making it difficult to prepare precise assessments of the prevailing food security situation across the country. Such problems are especially serious in the war-affected southern states where civil administrative infrastructure is non-existent.

Recognising these inherent difficulties, available assessments indicate that while there is considerable inter-seasonal variability in domestic staple food production, the Sudan produces sufficient quantities of staple cereals (mainly sorghum and millet but also wheat and maize) to meet food, animal feed and seed needs, while commercial imports of wheat supplement domestic production to satisfy increasing urban demand. In addition, the country possesses a large livestock population and there are considerable fish resources along the Nile, in the wetlands of the south and along the Red Sea coast.

The FAO/WFP Crop Assessment Mission for the 2001 growing season forecast a 38% increase in domestic cereal production to 4.8 million tonnes, which is 9% above the average for the previous 5 years. The cereal balance analysis indicates a net surplus of 891,000 tonnes over and above food, animal feed and seed requirements, equivalent to almost one fifth of annual human food needs.

Access

Despite a normally satisfactory overall food supply situation, the national assessment hides marked variances in the adequacy of supplies between and within states. An analysis of food market information indicates a high degree of market dislocation. The inability of traders to move supplies from surplus to deficit areas has resulted in farmers abandoning their harvests in some parts of the country while acute food shortages and unaffordable prices persist, even within the same state. Even when markets are supplied, the purchasing power of certain population groups, whose livelihoods have been destroyed or disrupted by the prolonged conflict and other factors, are inadequate to meet their essential food needs.

Vulnerability & dependency.

The protracted civil conflict in the south of the Sudan has disrupted and destroyed the livelihoods of small farmers through out the region and has created a significant and persistent population of IDPs in and around garrison towns and other secure areas as well as in the North, especially around Khartoum.

Livestock and trade are important aspects of rural livelihoods throughout the Sudan. In addition, migratory labour, both within the Sudan and to neighbouring countries such as Libya, has long been a traditional way of life for many Sudanese. However, a variety of factors, including the prolonged civil and ethnic conflict, the imposition of livestock trading bans and government restrictions on the movement of people and commodities, have disrupted and undermined these traditional livelihoods in many parts of the country.

In addition, the gradual encroachment of desertification, particularly in the north west of the country (Darfur and Kordofan), has forced more permanent migrations of people and livestock which in turn has increasing population and livestock pressures on already fragile ecological and cultural environments. This in turn has created ethnic conflicts over

diminishing natural resources, especially water, as well as further land degradation and desertification.

Although relatively small in terms of overall food requirements, food aid has become a recurrent feature of the annual food situation in the Sudan. Of particular concern is the fact that humanitarian assistance has been focused on a persistent sector of the population whose livelihoods have been destroyed and who have been uprooted from their homes as a result of the prolonged civil conflict in the south. Dependency on humanitarian assistance has become a serious concern both in the war torn south and amongst IDPs in other parts of the country. Results from UNICEF's 2000 Multiple Indicator Cluster Survey of the six southern states (Bahr el Ghazal, Upper Nile, Lakes, Jonglei, Western Equatoria and Eastern Equatoria), for example, indicated that more than half the households were largely reliant on relief food supplies. In Bahr el Ghazal, the figure was more than three-quarters.

Despite an overall net surplus of nearly 900,000 tonnes, the FAO/WFP Crop Assessment Mission estimates that some 2 million people in Unity, Bahr el Ghazal, Equatoria, Jonglei, Red Sea State and parts of Kordofan and Darfur will require a total of 155,000 tonnes of food aid during 2002. While food aid needs in southern states are directly related to continued military and inter-tribal conflict, low harvests due to poor rains is the main contributing factor in the northern states of Kordofan, Darfur and Red Sea.

Food security constraints:

The principal underlying cause for food insecurity in the Sudan is the protracted civil conflict. Decades of civil unrest have resulted in a complex humanitarian crisis which has led to a neglect of productive investment, not just in the south but throughout the country, and to an emphasis on humanitarian relief operations by the donor community.

The protracted civil conflict has resulted in the destruction or disruption of livelihoods amongst smallholder farmers and nomadic pastoralists. It has led to widespread displacement of civilian populations, making them dependent on humanitarian assistance. Transport and communications infrastructure has been destroyed, compounding problems of food movements between surplus and deficit areas, and traditional trading routes for livestock and other commodities have been disrupted.

More generally, the demands of the war effort have pre-empted public expenditure and investment in essential agricultural support services such as extension and research.

As a result of Sudan's isolation from the international community, private foreign investment as well as donor development assistance have dried up.

Food security potential:

The single most important factor in reducing poverty and increasing food security in the Sudan is an end to the present civil conflict between the north and the south and a resolution of inter-tribal conflict over natural resources which pervade many parts of the Sudan. Sudan's potential to achieve food security is based primarily on its abundant natural resources and its strategic geo-political location which offers it considerable opportunities for trade and commerce. With a normalisation of the internal political situation, the Sudan would have the opportunity to make productive use of its plentiful resources and realise its potential as a major agricultural, livestock and trading power in both an African and Middle Eastern context.

Although much of the Sudan is classified as arid and semi arid and there are clear indications of gradually encroaching desertification in the north west, the country possesses a diverse

climate which coupled with its under-utilised and under-optimised irrigation potential of the Nile offers opportunities for a wide range of highly productive agricultural activity.

Only about 20% of Sudan's 84 million hectares of arable land is presently cultivated. While there is considerable potential for the expansion of arable land, significant opportunities also exist to raise productivity levels in existing smallholder and large-scale cultivated areas which suffer from low input utilisation, poor management and inadequate capital investment.

A similar situation exists in irrigated areas: Although there remains considerable potential to extend areas irrigated both from Nile and ground water resources (at present the Sudan utilises about 60% of its water right under the 1959 Nile Agreement), land tenure reform, improved management and increased capital investment could raise productivity in existing large-scale and smallholder irrigated schemes.

Sudan also possesses considerable areas of natural pastures which produce high quality livestock. Livestock numbers are estimated at 35 million head of cattle, 42 million sheep and 37 million goats. The bulk of this potential remains unexploited due to the neglect of the tradition nomadic pastoralist sector and the absence of any significant livestock marketing or processing infrastructure. A livestock trading ban due to outbreak of Rift Valley Fever has had a major impact on export trade with limited live exports resumed to the Middle East following its lifting in 2001.

Finally through the discovery and exploitation of significant oil and natural gas deposits, Sudan possess a potentially powerful fiscal instrument to develop the country if it is utilised in a prudent and constructive manner.

Past and current European Commission support to food security in Sudan:

Until 2000, the main financial tool utilised to support food security in the Sudan was the co-financing budget line, which was directed through NGOs. Between 1995 and 2000, the average annual budget allocation from this budget line amounted to €7 million, which was largely targeted on the "transition zone" area where funds were used to address temporal food insecurity amongst vulnerable groups during the inter-harvest periods. Funds were also allocated to improve information and assessment on food security and vulnerability status.

In 2000, as part of its endeavour to support food security in the Sudan, the EC established a Food Security Unit (FSU) in Khartoum. The FSU has a mandate to develop and support food security initiatives, which emphasise sustainability and capacity building over the whole country. The expected results of this initiative are to; (a) enhance the implementation capacity of EC funded programmes through European NGOs, (b) strengthen and coordinate humanitarian activities and (c) progressively reduce quantities of free food aid.

With the establishment of the FSU, the EC committed food security budget line resources to the Sudan in 2000. Six new NGO programmes, with a global budget of €15 million, were initiated in the government-controlled north. The emphasis of these new initiatives is to reduce dependency on humanitarian assistance and promote greater self-reliance amongst the food insecure. Amongst the focal areas for such assistance have been: the development of vulnerability assessment information systems; the resettlement of IDPs; improving access to water and; the diversification of coping mechanisms. The targeted population is over one million persons and all the programmes have a duration of 3 years. In addition, three other NGO programmes, with a total budget of €4 million, are currently funded in the SPLA/M-controlled south. Activities range from the rehabilitation of agriculture, to animal health and training and access to potable water.

In the context of food aid, the EC has provided 24,000 tonnes of commodity aid to drought affected populations in Darfur, Kordofan and Red Sea State.

Food security policy environment:

The European Commission

Food security is an integral element in the EC's development cooperation policy. The EC believes that food security is best achieved through policies oriented towards sustainable and equitable economic growth and poverty reduction. Peace, good governance, adherence to the rule of law and conflict prevention are considered to be essential pre-requisites for lasting food security.

The EC's policy on food security has evolved over time and now recognises the role and importance of demand and supply side factors in ensuring both adequate availability of, and access to food as well as the need for effective crisis prevention and management support.

The EC has at its disposal a wide range of financial instruments that enable it to take action on food security and which allows it to respond flexibly and to adapt programmes to specific conditions. In addition to the European Development Fund the food security budget line supports initiatives to redress food deficit and structural food insecurity situations.

The Government of the Sudan

The Government of the Sudan is since 2000 in the process of preparing a Poverty Reduction Strategy Paper (PRSP). A first draft is now scheduled for release in October 2002. A 25 member National Council under the chairmanship of the Ministry of Finance was established to oversee the preparation of the PRSP. A National Technical Steering Committee supports the work of the National Council and four national experts have been recruited to assist in the process. A PRSP Advisory Committee has been established to provide an interface between the government and the donor/NGO community. Although state level technical steering committees have also been created, it is not clear to what extent the PRSP process has involve a more comprehensive stakeholder consultation process, especially in the SPLM-controlled southern states and more generally with regards to the private sector and civil society. These issues raise questions regarding the validity and applicability of the PRSP to the whole country and to all stakeholders. In the event of a peace agreement, an opportunity will be opened for broadening the geographical coverage of the consultation process and creating a PRSP embracing the entire nation.

Food security and rural development has been identified as one of six priority sectors within the PRSP. A preliminary version of the food security and rural development component has been drafted. Discussions with the Ministry of Agriculture and Ministry of Finance emphasised immediate concerns over marked inter-season volatility in staple food prices and the dislocation of areas of surplus and deficit. In this context, the GoS places heavy emphasis on the role of strategic food reserves and has established a National Commodity Reserve Authority to manage the operation of a strategic food stock. Although the authority's terms of reference specify a target level of 2.5 million tonnes, discussion with the Ministries of Finance and Agriculture indicate a more modest ceiling of 600,000 tonnes. Following its initial establishment with public funds, the reserve is expected to operate on a revolving fund basis. The food reserve is seen by the GoS as an essential instrument in balancing availability between surplus and deficit regions and in reducing inter-seasonal price volatility. It, however, remains unclear as to whether the reserve facility has the capacity to regulate intra or inter seasonal price fluctuations in an efficient and cost effective way.

Under the guidance of an IMF Staff Monitoring Mission, the Government has undertaken a number of structural reforms notably in the area of revenue collection. One of the reform measures implemented has a direct bearing on food security, being the abolition of the agricultural taxation of crop production, inter-state commodity trade tax and export commodity tax.

The GoS is currently considering proposals for the establishment of an inter-ministerial Food Security Council, which would have an advisory committee on food security policy formulation. Within the Ministry of Agriculture, the Food Security Unit has primarily a crop monitoring and forecasting function. There is a current initiative to establish a state level crop forecasting and monitoring system with the intention of disaggregating to district level at some time in the future. The Ministry of Finance operates a Market Information System which reputedly collects daily price information on a variety of agricultural commodities at state level auction markets throughout the country.

In both, geographic coverage is clearly restricted. Neither system currently receives any kind of donor support and is therefore financed solely from the government budget.

A national early warning system is presently located in the offices of the Humanitarian Aid Commission (HAC) and has received technical support from WFP.

The SPLM

In southern Sudan, the SPLM's principal development policy is set out in its document "Peace Through Development" issued in February 2000. The document focuses primarily on the priorities of re-establishing civil authority structures, the provision of basic social services and the reconstruction of capital and institutional infrastructure. Although neither poverty-reduction nor food security are recognised as priority sectors, the document does make specific reference to the need to reduce dependency of humanitarian assistance and increase self-reliance; give priority to food self-sufficiency; reduce vulnerability to drought risk; improve crop storage, and improve livestock productivity. Recognising the multi-dimensional nature of food security, many of the initiatives identified in the Peace Through Development document would have an impact on reducing poverty and enhancing access to food. Nevertheless, no coherent poverty reduction strategy existing for the southern states of Sudan.

Cross cutting issues:

A number of cross cutting issues need to be specifically incorporated into any effective strategy aimed at reducing poverty and improving food security. These include:

Gender

Gender is a sensitive and critical issue across the Sudan. In the south, after decades of civil conflict, gender concerns focus on the disproportionate size of the female population (a recent UNICEF assessment reports that there are twice as many adult women than men) and its implications for development. In the north, while the gender ratio is more balanced, concerns focus on issues of representation, rights, self-determination and division of labour.

Environment

There are widespread concerns regarding environmental degradation in the Sudan ranging from the encroachment of desertification to the impact of IDP concentrations in locations around the country. In agricultural areas, poor land-use management and low input utilisation have led to problems of soil infertility and erosion. Disruptions to traditional nomadic pastoralists' livelihoods have created heavy livestock concentrations in some areas and resultant pasture degradation. Wildlife resources throughout much of the country have also been largely depleted with several unique species facing the threat of extinction.

Ethnic conflict

Increasing pressure on available natural resources has been a major factor in increasing ethnic conflict within the country. Measures to avoid and mitigate potential conflict situations need to be addressed. In this respect, there is increasing awareness of the potential role of early warning systems in conflict resolution.

Private sector participation

The private sector has a leading role to play in poverty reduction and food security in the Sudan. In this context, state and EC interventions should clearly be restricted to the domain of public goods and the promotion of a conducive environment for operation of the private sector in productive, employment generating activities.

Annex 2.4

Education and Training

Introduction:

Divided among 600 tribes and ethnic groups, who speak some 100 languages and dialects, natural contrast and human diversity in the population has interacted through a rich history to form a society characterised by marked multicultural, multiethnic, multi-religious and multi-linguistic features.

The civil conflict has directly or indirectly impeded the provision of basic services, especially in the rural areas, and caused widespread disruption to social, economic and administrative activity. Of those essential services, basic education appears to have suffered the most.

Poverty both affects and is affected by education. The concept of education as human capital recognises that the level of individual and societal productivity increases with education. The low levels of access and retention at the basic education level, and the high levels of illiteracy (50%) in the population are fuelling poverty.

Social indicators show that the Sudan compares very unfavourably with relevant international averages of literacy and school enrolment. National expenditure on education is low at an estimated 3.2% of GDP of which the government system provides only 1.8% of GDP, the rest being financed by parents. These national averages cover wide regional variations. The educational situation in the West, in the South and in selected locations in the East of the country, as well as among IDPs around Khartoum, suffers from particularly low access and standards and need special attention.

The formal structure of the education system in Sudan is divided into four levels: pre-schooling, basic or primary education, secondary education, and higher education. There is also a focus on non-formal adult literacy and vocational training.

Pre-school education:

The Comprehensive National Strategy 1992-2002 aimed at incorporating pre-school education into the formal education system and it is provided by two types of institutions for children four and five years old, kindergartens and Koranic schools (Khalwas). However, the non-religious kindergartens remain overwhelmingly an urban phenomenon and are deficient in many respects, not paying sufficient attention to the health, nutrition, psychological and cognitive aspects of child development. The Khalwa is an institution whose functions overlap to some extent with those of kindergarten and primary school. Its primary role is clearly religious, at which it is recognised to be effective, but the value of its role to wider education remains unclear. Attempts to incorporate into its curricula other elements of basic education, as defined by the 1990 Jomtien World Conference on Education for All, have so far been frustrated. However, it is now seriously contemplated as one of the channels to promote basic education if some changes in its content and methods are introduced.

Pre-school education enrolment in northern Sudan grew by 3.9 percent in the period 1990 to 1998 to reach 19.2 percent of pre-school-age children with the attendance of girls having risen by 9.5 percent during that period. There were considerable regional disparities in enrolment with Northern State having the highest enrolment of 50.7% in 1998 with girls being in the majority with 55% of the total enrolled.

Basic Education:

Enrolment in basic education (6-13 years group) had been showing positive trends up to the mid-1990s. Following the Jomtien World Conference on Education for All, the Sudanese Government made major investments in basic education and since then enrolment rates increased to 61% in 1995. The proportion of females to males was also significantly increased from 0.55 to 0.75. In the second half of the 1990s, enrolment rates have dropped as evidenced by the current school enrolment figure of 48% (50% male and 47% female), indicating that at least half the primary school-age population of northern Sudan is not in school. MICS 2000⁶ data indicate wide geographical disparities with lowest enrolment rates for South and North Kordofan, Blue Nile, West and South Darfur, but astonishingly small gender disparities in enrolment and retention rates (ref. Social Indicators [Annex 2.6](#)).

Retention rates are low. The Education for All (EFA) 2000 survey indicates that only half of those who enrol in first grade will complete primary school. Low levels of learning achievement due to poor quality of basic education exacerbate the low enrolment and retention rates. This is evidenced by the low level of trained teachers, lack of learning materials and of clean and healthy learning environments. Whereas in 1990/91 90% of teachers had adequate training, this had fallen to 60% in 1998/99 (with only 40% in southern Sudan). Trained teachers are leaving the profession *en masse* due to the low and irregularly paid salaries (the equivalent of €25 per month). HIV/AIDS prevention is hardly dealt with in schools at present, nor is information materials on the subject disseminated and it is argued that the curriculum needs to devote more attention to life skills and peace building. Children in IDP camps and from the poor and nomadic communities lack stimulation and preparation for basic schooling. Performance in terms of pass rates at the final exams is reasonably good. However, the high drop-out rates in the system probably mean that only the best performing pupils are left at the end of grade 8. Results in mathematics and English language are generally very poor.

In Southern Sudan, estimates of enrolment rates vary between 20% and 40% of its 1.0-1.5 million primary school-age population and of these, only 25-30% are girls. This gender disparity may reflect the situation that many women and their daughters now have to take on the work that was traditionally handled by men, since men are involved in the north/south conflict or disabled or killed as a result of their involvement in the conflict. Wide disparities are also seen in the South, with school enrolment much higher in Eastern and Western Equatoria than in the Upper Nile region (where hardly any child gets an education). Much of the educational infrastructure has been destroyed by war and what remains is poor. After a steady decline in the number of schools since the resumption of the civil conflict in 1983, a number of new schools have been established in non-government controlled areas, bringing the total to some 1300-1500 schools with 6000-7000 teachers. The average number of pupils per teacher is about 50% higher than in the rest of Sudan. Around 45% of schools function in the open under a tree, 45% are housed in structures made of local materials, while only 10% are large schools located in buildings.

Roughly half of the country's primary school teaching force (totalling 120,000) has received little or no training. About 90% of headmasters are not qualified for the post according to set criteria. Those qualified are more likely to work in urban areas. And since teachers are often not paid for long periods or are working on a voluntary basis, supported in kind by the local community, they tend to concentrate on private tuition, or are shifting to the increasing number of private schools. In remote rural areas they survive by farming themselves, leaving limited time for teaching. The consequence is again that the rural poor are the ones to suffer.

⁶ Multi Indicator Cluster Surveys undertaken by UNICEF

The serious lack of basic schooling has serious implications for the future potential of Sudan considering that almost 50% of the total population of Sudan is in the 0–15 years age group. This means that the current youth population of Sudan will be unprepared and therefore unable to participate substantively in the economic and political mainstream of Sudanese society. This trend has dire implications for the future development of the country.

Secondary and Higher Education:

In order to improve the balance between various stages of education and link this to the changing labour market requirements, the Government has further expressed the policy target of enrolling 67% of the basic school leavers in secondary school. At present a total of 440,000 students are enrolled in some 1000 secondary schools in government-controlled areas. There are 23,000 teachers. As in basic education the gender disparity in secondary education is very limited as far as the academic line is concerned. In technical schools girls constitute only 40% of the students.

The percentage of technical to academic secondary education was 12.8 percent in 1984/85, but has dropped to 5.5% in 2000. The number of students in technical schools has remained almost constant during the last ten years. The shortage of funding for establishment of new secondary schools led the state governments to opt for academic schools at the expense of the much more costly technical ones.

Government policy on secondary education stresses access to all who have successfully completed basic education, with technical education being given high importance (60%) in the planned syllabuses of comprehensive secondary schools. The Government also recently introduced the integrated secondary school with a new curriculum including even computer programming. The new topics will require trained teachers and support equipment.

The 1990 Higher Educational Conference recommended the immediate doubling of the student intake in established universities and the licensing of new private colleges. As a result, between 1989/90 and 1996/97 the total enrolment of students in higher educational institutions rose from 6,080 to 34,860, nearly a six-fold increase. Unlike basic education, there are more female than male students in higher and university education. However it should be noted that these female students are most probably from a narrow more affluent socio-economic stratum. The number of universities has increased considerably in the last decade to around 33 universities. However, staff development programmes did not match the rapid expansion and with lower salaries and less qualified teachers, as well as shortages of facilities (lecture theatres, laboratories and libraries), equipment and reference materials, the standard of university education and research declined.

In the South secondary and higher education is virtually non-existent. Only a handful of secondary schools exist. The only university (in Juba) has been relocated to the North.

Emigration of skilled Sudanese constitutes a brain-drain of substantial proportions. Because of the relatively low salaries at home and the reportedly good reputation of Sudanese abroad, a large proportion of Sudanese professionals (not least medical doctors) migrate each year to work abroad, particularly to the states of the Arabian peninsula. The result has been that at times as many as two thirds of Sudanese professionals and the skilled work force have been working abroad.

While there is clearly a shortage of some types of professionals, high unemployment among university graduates is reported at the same time. This points to capacity in the higher

education system being excessive and out of balance with effective demand. The declining technical education at secondary level is suggested as an important cause leading to too many graduates in social sciences and humanities and too few in medical, economic and technological subjects.

The federal budget for education is primarily being spent on higher education, both through the Ministries of Higher Education, the Ministry of Science & Technology and the student support funds controlled by the Ministry of Finance and National Economy. The private sector has also become very active in this area. Many universities and centres of higher learning are being established in urban centres, since higher education tailored to effective demand is usually a highly profitable investment for the students. Yet only a fraction of children have any hopes of ever attending higher learning institutions (public or private) as most never get the opportunity to complete a basic education.

Adult Literacy:

The 1993 national census put literacy rates for those over 15 at 53% of the population in the northern states. The MICS estimates this to be 49.9% in northern Sudan (EFA 2000 indicates a rate of 57.2%), 38.4% in rural areas and 66% in urban areas. Literacy rates are considerably higher in Khartoum and Northern/Central regions, while rates are low in the Darfur and Kordofan States and in the southern states. In the rural areas disparities between men and women are higher than in urban areas, as illustrated by the Darfur states where discrepancies of around 40% exist. The situation in the South is again considered to be substantially worse than in the North.

The Government launched a national campaign in 1992 aiming to eradicate illiteracy among 7.9 million adults. This resulted in a rise in literacy rates, mainly in the Darfur states but subsequent years' official figures show declining literacy rates, while funding of the campaigns vanished. Nevertheless, a new literacy campaign aimed at drastic reduction of illiteracy in five years is currently under preparation. Unless basic education is strengthened, adult illiteracy risks further increase.

Vocational Training

The Government's objectives in the area of human resource development, as stated in the Ten-Year Action Programme 2001-2010, include 'disseminating vocational education and training in all states, starting with those suffering from the consequences of war'. Vocational training will offer opportunities for those who did not get a formal primary education to acquire skills that will enable them to enter the job market or to establish own micro-enterprises.

13 training centres have been established with a capacity of 16,000 apprenticeship students. Five centres are in Khartoum, five in other northern states and three in government-controlled towns in the South. Five of the centres are in such bad condition that they are out of operation and total enrolment is only 5000 students. There are no vocational training centres in non-government controlled areas of the south. Responsibility for vocational training was handed over to the state governments in 1994, but four centres remain under federal management and financing. Apprenticeship courses last for 3 years and require a successfully completed grade 8 exam. It is therefore available only to the few who get that far in basic education. The centres also offer short courses for school drop-outs and upgrading of working technicians. Tuition fees are low and cover only 10% of actual operating costs. The schools do not have boarding facilities. The low capacity utilisation is a result of the lack of finance to run the centres. Only half of the qualified applications are accepted.

Plans for development include (i) rehabilitation of existing centres, (ii) establishment of new centres in conflict affected areas such as Nuba Mountains and Blue Nile State, (iii) introduction of production-related training in order to earn an income from students' work to finance operations, (iv) letting out part of premises to small enterprises for income generation and proximity of students to productive entities, (v) offering short special courses to special industries (e.g. oil) against full tuition fees.

In addition to the government system, some vocational training centres are supported by international NGOs and run on a private basis, though with external donor support. An example is the Don Bosco Centre in El Obeid, receiving assistance from Italy and technical assistance from Germany.

Government policy:

The 1990 Jomtien World Conference 'Education for All' recommendations have been embodied in the CNS 1992-2002 and in education policies since early 1990. It stresses the importance of expansion of pre-school and informal education, generalisation of basic education before the year 2000, education equity, eradication of illiteracy, improvement of quality of education and school environment, special care for the deprived groups and the development of secondary education.

Education finance is a key to any progress towards Education for All. The administrative system of the Sudan has been marked by extensive decentralisation since the federal system was introduced in 1993. This process is of paramount importance for the prospects of basic education, whose operation is now in principle the responsibility of the mahalya (locality). However, financing of basic education is in practice split between all levels of government. At federal ministry level hardly any funds are spent on basic education, but textbooks are funded by the federal budget from special resources for state support. Teachers are recruited and deployed by the states but the responsibility for paying their salaries is left with the mahalyas, for which (among purposes in other sectors) the state governments provide monthly subsidies. Very often, however, the mahalyas use the subsidies for expenses other than teacher remuneration due to their cash-strapped situation with substantial arrears building up as a consequence. The physical school environment is the mahalyas' responsibility, but in practice ends up being funded by parents' contributions. No mandatory tuition fees are charged.

The tax base of most mahalyas is extremely limited, and especially so in rural areas. The new national policy of abolishing taxes on agriculture, introduced in 2001, has further undermined the mahalyas' tax base. Though very little consolidated data is available on education finance at state and mahalya level, the few and rather optimistic cases reported, based on better-off states, indicate that public spending on basic education per pupil even here is less than half the average for the Least Developed Countries.

While there is an enormous need for upgrading of teachers, and training of more, policy established since 1990 has made teacher education a graduate degree belonging to the university faculties of education. As a result it has become economically and practically impossible to upgrade the skills of existing teachers and much more costly to educate new ones. Those teachers who take a graduate education degree often decide to do the additional course that give them the teaching qualifications for secondary schools, leaving very few to serve in primary schools. Teacher education has also become a responsibility of the Ministry of Higher Education and its operation the function of autonomous university councils,

separating it from the Ministry of Education, which is responsible for basic education policy and planning.

Language policy is an unresolved issue of major importance, which partially reflects the root causes of conflict. Arabic is the official language of the Sudan. However, in the South it is used by only a minority of the population, particularly outside towns under government control, and English has traditionally been the language of instruction. The past has seen various policies on language for education, dividing instruction between vernacular, Arab and English according to level of education and geographical area. The Khartoum Peace Agreement specifies the promotion of languages as coming under the powers of the federal states. These policies appear never to have been implemented. Resolution of the language problem would be required before an educational programme at a national scale is likely to be supported by the major political movements.

The policy of Education for All is under serious threat. Little if any progress can be detected from studies made of the sector, except possibly for a few specific locations such as Khartoum. Financing of basic education is increasingly being left to parents so that only the better off can afford to send their children to school and enable them to complete even grade 8. As parents are increasingly paying for most of the education costs, the need to economise the scarce resources will hinder major shortcomings in school environments and facilities to be bridged. The shortage of qualified teachers is not being effectively addressed by a combination of excessive aspirations and inadequate finance. Fragmentation of policy making, planning and operational responsibilities, both between ministries at federal level and between the three layers of government, is making matters worse. The low enrolment and high drop-out rates further highlights the need to address non-formal education and temporary basic education initiatives to cater for adolescents. Finally, the sensitive question of teaching languages must be effectively addressed in order to make progress on a global scale.

Annex 2.5

Non-State Actors Involvement Process

The Sudanese context:

The Cotonou Agreement framework provides a unique opportunity to build on the current conducive atmosphere between the Government, the Non-State Actors and the Commission, and is viewed as such by Non-State Actors. The process of civil society involvement in EC-Sudan Cooperation, as defined in the Agreement should allow greater space for NSAs, in all their diversity, to be recognised and able to operate.

Furthermore, the participation and contribution of NSAs in the various stages of EC-Sudan cooperation is an important mechanism for allowing a pluralist/democratic debate.

Given the absence of development co-operation throughout the last decade, the genuine involvement of NSAs at all levels is vital not only to ensure effective policymaking and programming, but also to ensure ownership and sustainability

○ *The NSA Process Development (Phase I)*

The study, carried out during March-May 2002 by ECDPM and based on a participatory approach/methodology, was a process in itself. The starting point was to *identify a wide variety of Sudanese Non State Actors* as defined in Article 6 of the Cotonou Agreement⁷ (not only the most visible and established ones), to be involved in the process. The second stage of the process concentrated on a wide *dissemination of information* on the Cotonou Agreement and its provisions related to the involvement of Non State Actors. Although an initial survey to identify NSAs was conducted in some regions, the process of dialogue and consultation was restricted to Nairobi and Khartoum, for financial and time constraints.

The four workshops conducted over the three months period of the study in both Khartoum and Nairobi, witnessed a wide diversity of NSAs with differing political affinities sitting together, discussing and ultimately agreeing on *priority recommendations for capacity building, coordination and dialogue*, necessary for their effective participation. To ensure *continuation and ownership* of the process, provisional Non State Actors' co-ordinating committees were established in both Khartoum and Nairobi.

The timeframe allocated to the process (3 months altogether) has allowed *NSAs to better understand their roles* and prepare themselves *to enter dialogue* within the framework of the Cotonou Agreement.

Three levels of dialogue focussed on NSAs participation in Cotonou have taken place: dialogue among NSAs; dialogue between NSAs and the EC, and in the North, dialogue between NSAs and the Government of the Sudan.

The positive dynamic generated in the workshops allowed dissemination of information on the *Country Support Strategy* and an initial debate on this subject.

⁷ Non State Actors are defined as being "Private Sector, Economic and Social partners, including trade union organisations, and Civil Society in all its forms according to national characteristics."

In both the North and the South, the whole process was a *confidence-building* exercise in the sense that it facilitated coordination and dialogue among the different stakeholders. Both the study itself and the willingness of the EC to enter into dialogue with NSAs were perceived by NSAs as positive developments and signs of commitment and raised important expectations of future EC involvement with NSAs.

In both Khartoum and Nairobi, interim NSA committees with provisional mandates were established to allow a dialogue to begin on the CSP Process. A broad range of organisations are represented in both Committees created after the NSA conferences held as part of the Study on NSAs Phase I.

Both committees have a mandate to broaden and strengthen their representation to ensure that they become credible and legitimate interlocutors. Their mandates also includes the task of designing a plan for decentralising the process of NSA involvement to the local level throughout the country, and proposing inclusive structures to ensure all NSAs may have a voice.

In Khartoum the interim committee's composition includes the private sector, trade unions, and a variety of civil society groups with various forms of registration, ensuring special representation for persons from the South, the Nuba Mountains, women and youth. In Nairobi all three of the main umbrella groups for civil society organisations were involved and a broad range of organisations sit on the interim committee.

○ *Proposed options for further involvements of NSAs in the Cotonou Process*

Given the positive outcomes of the process so far, it is important to capitalise on the confidence built. To allow the process to move forward, the following actions should be considered:

Issues	Objectives	Actions proposed
<i>Dialogue, EC-NSA</i>	To allow NSAs to participate in the programming exercise (NIP) and allow further dialogue with the EC and GoS. (Cotonou Article 4)	<ul style="list-style-type: none"> ➤ To provide timely information to the co-ordinating committees, an accessible contact point in the EC Delegation, and opportunities to meet on a fairly regular basis.⁸ ➤ To support specific workshops on the programming exercise.
	<p>To facilitate further NSAs co-ordination and ownership of the process</p> <p>To develop a credible body to act as an interlocutor for the wide diversity of NSAs (Cotonou Article 4)</p>	<ul style="list-style-type: none"> ➤ To support financially the co-ordinating committees for a six-months period
<i>Capacity building support</i>	To prepare and ensure effective participation of NSAs as development partners. (Cotonou Article 7)	<ul style="list-style-type: none"> ➤ To identify and design, in a participatory manner, a NSA capacity building program.
Decentralisation to the local level	To ensure genuine involvement of Sudanese NSAs at the local level, and ownership of development programs by the populations concerned (Cotonou Article 2)	<ul style="list-style-type: none"> ➤ To support strategic NSAs workshops at local level on Cotonou (particularly in the South, both GoS and non GoS controlled areas). ➤ To facilitate flows of information on the Cotonou Agreement (especially by using the Press and Non State Actors networks) ➤ To support further identification of NSAs especially in areas of the South not covered by the survey)
Joint initiatives	To capitalise on the confidence built both in the North and the South and the opportunity provided by Cotonou for NSAs involvement in designing policies and programs.	<ul style="list-style-type: none"> ➤ To support joint NSAs workshop in a neutral country on a specific area of mutual concern.

⁸ Meetings on the first draft of the CSP were held by the EC with the NSA Committees in both Khartoum and Nairobi during June 2002.

○ *Further developments are needed (phase II)*

The Government has requested a second phase. The following main objectives of the second phase were discussed and agreed by the Government:

- To complement and develop the Study on Non State Actors in the Sudan, namely by extending the process to other areas not covered by the first study (particularly Juba) and by conducting a joint North/South activity.
- To help the newly formed Non State Actors Co-ordinating Committees, both in the North and in the South, to be operational to allow them to act as an effective interlocutor for the EC and the Government (in particular for the programming exercise)
- To identify and draft a Financing Proposal for a Capacity Building Programme for NSAs in the Sudan, in close consultation with NSAs themselves.
- To prepare the NSAs component of the Country Support Strategy and prepare the draft procedures and areas for implementation of actions by the NSA under the CSP/NIP

Approach Proposed (phase II)

The proposed approach for this second phase is based on the recommendations from the process so far. The aim is to ensure that the outcomes are both pertinent to the Cotonou process (contribution to the current programming process) and that they contribute effectively to the development of a sustainable participatory process in the Sudan.

The expected benefits of the consultative process of policy formulation, as foreseen under Cotonou, are increased ownership, new public-private partnerships, consolidation of democratisation and improved sustainability. It is essential that this consultancy take stock of other relevant programs and initiatives, to ensure coherence and complementarity.

The approach will focus on :

- Consultation of a wide range of Non State Actors and Government officials at all levels;
- Consultation of Member States of the European, International Organisations and International NGOs;
- Identification of needs and priorities in terms of capacity building, to allow the drafting of a financing proposal.

Annex 2.6 - Social Indicators ⁽⁹⁾

	Survey Average North	Urban North	Rural North	Urban South	Khartoum State	State, worst affected	Av. Sub-Saharan Africa ¹⁰	Av. Low Income Countries
Education								
Illiteracy, pop. above 15 years	50%	33%	61%	53%	25%	73% W.Darfur	38%	38%
Gross primary school enrolment, in % of school age population	48%	66%	38%	68%	77%	24% S.Darfur	78%	96%
do. for boys	50%	67%	40%	68%	78%	26% S.Darfur	85%	102%
do. for girls	47%	66%	36%	67%	75%	23% S.Darfur	71%	86%
Drop-out rate, grade1 entrants not reaching grade 5	30%	18%	39%	4%	16%	95% S.Darfur		
Health								
Life expectancy at birth	55 yrs						47 yrs	59 yrs
Infant mortality, per 1000 live births	68	67	68		69	116 Red Sea	92	77
Under 5 mortality, per 1000 live births	104	101	105		103	172 Blue Nile		
Child malnutrition, (% of children <5 wasted)	11%	10%	12%		12%	17% N.Kordofan		
Maternal mortality, lifetime risk per 1000	33	31	33					
Water and sanitation								
Access to improved source of drinking water	60%	79%	47%	61%	89%	24% Blue Nile	55%	76%
Access to sanitary means of excreta disposal	60%	81%	46%	48%	87%	36% N.Kordofan		

⁹ Data obtained from UNICEF Safe Motherhood Survey 1999 and Multi Indicator Cluster Survey (MICS) 2000. A MICS 2000 for the non-government controlled South has also been conducted and published, but direct comparison to that of the Government controlled areas is not possible as the indicators are often differently defined.

¹⁰ Averages for Sub-Saharan Africa and Low Income Countries obtained from World Bank.

Annex 3

Donor Matrix

Due to political and arrears problems, many donors such as the EC suspended their aid operations in Sudan with the result that the country remained isolated for most of the 1990s. Exceptionally a few aid agencies continued assistance, including IFAD, IDB, OPEC Fund, the UN Agencies and a few bilateral donors. The suspension of aid for political reasons resulted in greatly diminished aid inflow, which prevented the Government from servicing loans from other institutions. The latter institutions then had to stop lending due to accumulating arrears on earlier loans. The decrease in official development aid from \$41 per capita in 1982 to \$29 in 1990 and \$6 in 1995 illustrates this change.

Many of the UN organisations continuing aid provided humanitarian assistance only, as did a number of NGOs, partly supported by funding from major foreign aid donors. During the 1990s it is estimated that total foreign aid (ODA) may have amounted to some USD 70 million p.a. However, humanitarian assistance of large proportions have been granted alongside and has reached about USD 225 million p.a. ref. table 3.1 below. A substantial proportion of EU's humanitarian aid has been channelled through ECHO and implemented by a wide range of international NGOs and UN agencies (ref. table 3.2)

The Government made considerable efforts to normalise its relations with the donor community. A major break-through in Sudan's relations to the international community began in 1997 when the country entered into a three-year IMF Staff Monitored Programme for economic adjustment. During 1998-2000 regional and Arab bilateral development institutions concluded debt rescheduling and relief programmes, which permitted resumption of lending by the Arab Monetary Fund, the Arab Fund for Economic and Social Development, the Abu Dhabi Fund, the Saudi Fund for Economic Development and the Kuwaiti Fund.

The dialogue on normalisation is progressing with the World Bank, the AfDB and some bilaterals, in addition to the work now ongoing on the EC Country Support Strategy.

Country Support Programming with a medium-term perspective is in progress by IFAD, UNDP and UNIDO, while the programme with UNICEF has already been signed. The IMF is considering a Medium Term Fund Monitored Programme for 2003-2005 and the World Bank has commenced work on a Country Economic Memorandum to be ready by September 2002.

In the current situation, it is impossible to predict what level of development assistance would be available to the Sudan (not to speak of sector distribution and donor sources) were the Government's relations with the Paris Club members and the USA to change significantly. The attached table 3.3 attempts an indication of the likely investment programme for the coming five years, assuming that the political situation as regards external relations does not change significantly. The table therefore shows only projects, which are ongoing, for which funding has already been pledged, or which are funded on an annual budgetary basis (Government and donors)

at levels likely to continue. Investments financed by USA and some EU Member States refer to non-government controlled areas in the South. No comprehensive database on donor funding commitments exists, so the figures in the table are approximate and indicative only, missing out many small projects with a value below Euro 1 mill.

Table 3.1 Total Humanitarian Assistance to Sudan during 2001

Donor	Amount in million USD	Percent of total
United States	117.5	52.0%
European Commission	36.0	15.9%
Sweden	13.2	5.8%
Japan	10.2	4.5%
Netherlands	9.9	4.3%
United Kingdom	7.0	3.1%
Canada	6.8	3.0%
Italy	5.1	2.3%
Norway	3.5	1.5%
Switzerland	3.2	1.4%
Denmark	2.6	1.1%
Germany	2.2	1.0%
UNHCR	1.9	0.8%
NC/Netherlands	1.5	0.7%
Finland	1.2	0.5%
Others	4.6	2.0%
Total	226.1	100.0%

Source: UN Consolidated Inter-Agency Appeal 2002, adjusted for misrepresentation of EC support.

Table 3.1 - ECHO's operations 1998-2002

		1998	1999	2000	2001	2002
HEALTH AND NUTRITION	NORTH	GRC IRC (US) MSF-NL GOAL MSF-F ACF-F HSF UNICEF TOTAL : Euro 1 970 000	IRC – ES GOAL NCA UNICEF MSF-NLD MSF-FRA CROIX ROUGE – GBR CARE – UK ACF-FRA TOTAL : Euro 2 580.000	MSF – FRA MSF-NLD IRC GOAL TEARFUND SCF UNICEF-BE IFRC EDM CARE-UK TOTAL: Euro 2 017.000	MSF – FRA GOAL IRC-ES SCF IFRC CARE UK UNICEF ACF OXFAM TOTAL : Euro 3 530.000	Helpage-UK FICR SCF-UK IRC-E MSF-NL ACF-F CARE-UK UNICEF TOTAL : Euro 2 660 000
	SOUTH	PSF-F UNICEF MSF-NL COSV-I MSF-B MDM-F MEDAIR TOTAL : Euro 3 040 000	MSF-NLD EDM MDM-FRA PSF-FRA ORDRE DE MALTE COSV – MILAN UNICEF TOTAL : Euro 3 120.000	COSV – MILAN MEDAIR – CHE PSF-F MSF-B ACF CARE TOTAL : Euro 1 980.000	PSF-FRA MEDAIR COSVI-MILAN UNICEF TOTAL : Euro 2 820.000	UNICEF MEDAIR-UK MALTESER-D TEARFUND-UK COSV-I PSF-F TOTAL : Euro 3 245 000
WATER AND SANITATION	NORTH	CARE-UK SCF-UK UNICEF IRC (US) FICR TOTAL : Euro 1 755 000	ACF-FRA UNICEF SCF-UK TOTAL : Euro 1 170.000	OXFAM-UK IRC-USA TOTAL : Euro 860.000	CRE UNICEF OXFAM SCF-UK SRC CARE TOTAL : Euro 2 125.000	Croix-Rouge-E UNICEF TOTAL : Euro 1 160 000
	SOUTH	UNICEF OXFAM-UK IAS MEDAIR TOTAL : 965 000	IAS –SWE UNICEF TOTAL : Euro 880.000	OXFAM UK UNICEF TOTAL: Euro 570.000	OXFAM UNICEF TOTAL : Euro 1 350.000	OXFAM-UK UNICEF MEDAIR-CH TOTAL : Euro 1 340 000
		1998	1999	2000	2001	2002
FOOD SECURITY	Both zones	UNICEF CARE-UK WFP TOTAL : Euro 10 920 000				
	NORTH	CARE-D Spanish Red Cross ACF-F UNICEF TOTAL : Euro 1 160 000	SOH UNICEF TOTAL : Euro 840.000	UNICEF UNICEF-BE TOTAL : Euro 480.000	OXFAM GAA TOTAL : Euro 460.000	FAO TOTAL : Euro 108 000

		1998	1999	2000	2001	2002
	SOUTH	VSF-B VSF-CH INTERMON-E SCF-UK OXFAM-UK CARE-UK UNICEF MEDAIR MSF-B MSF-CH MSF-NL TOTAL : Euro 5 350 000	CARE –UK SCF SCF-UK UNICEF WV-DE VSF-BE VSF	CARE – UK SCF UNICEF VSF-BE VSF-CH	SCF – UK CARE ACF VSF-BE	VSF-B FAO SCF-UK ACF-F CARE-UK
	Total	Euro 17430000 (higher than usual due to the famine situation)	Euro 40050000	Euro 2210000	Euro 3640000	Euro 4386000
LOGISTICS	Both zones	ICRC UNICEF Trinity College Dublin TOTAL : Euro 2 636 967				
	NORTH	UNICEF TOTAL : Euro 1 100 000		UNDP UNICEF TOTAL : Euro 750.00	UNICEF TOTAL : Euro 650.000	UNDP WFP TOTAL : Euro 785 000
	SOUTH	UNICEF ICRC GAA(D) SCF (UK) CARE-UK TOTAL : Euro 3 970 000	UNICEF TOTAL : Euro 440.000	UNICEF SCF-UK TOTAL : Euro 380.000	SCF UNICEF TOTAL : Euro 630.000	SCF-UK OXFAM-UK UNICEF TOTAL : Euro 825 000
RELIEF	NORTH		IRC GAA TOTAL : Euro 517.000	HELPAGE ACF IFRC TOTAL : Euro 895.000	GAA ACF HELPAGE IRC-ES TOTAL : Euro 1170.000	GAA-D OXFAM-UK TOTAL : 535 000
	SOUTH		CRUZ ROJA – ESP SCF-UK MEDAIR TOTAL : Euro 695.000	WVI-D GAA ICRC TOTAL : Euro 1 300.000	WV – DE ACF-FRA TOTAL : Euro 940.000	CICR WORLD VISION-D TOTAL : Euro 1 050 000
Total North		Euro 5,985.000	Euro 5,107. 000	Euro 5,002.000	Euro 7,935.000	Euro 5,248.000
Total South		Euro 13,325.000	Euro 8,300. 000	Euro 5,960.000	Euro 8,920.000	Euro 10,738.000
Total Both zones		Euro 13,556.967				
Total		Euro 32,866.967	Euro 13,407. 000	Euro 10,962. 000	Euro 16,855.000	Euro 15,986.000

Annex 3 Table 3.2

DONOR MATRIX
(indicative national investment programme 2002-2007)

<i>in million EUR</i>	Governan ce Peace Building	Food Security Agriculture	Minerals Energy	Industry Trade	Transport Communic	Water Sanitation	Education Training	Health AIDS Population	ALL SECTOR S
Government		500	360	220	270	80	270	270	1970
Private Sector			1500						1500
European Commission		20				5		5	30
United Kingdom	1								1
Netherlands	1					1	1	1	4
Germany		1					1		2
France	1								1
Italy							1		1
USA		25		3			22		50
China			250						250
Malaysia			250						250
Saudi Fund			250						250
Kuwaiti Fund			250						250
Arab Fund f/Social & Econ			250		120				370
Abu Dhabi Fund			250						250
OPEC Fund		35							35
Islamic Development Bank					24	10			34
IFAD		21							21
UNDP	20								20
UNICEF	6					5	5	5	21
ALL FINANCIERS	29	602	3360	223	414	101	300	281	5310

Annex 4

Criteria for Selection of Focal Sectors

The choice of focal sectors for this Country Support Strategy has been made on the basis of the following seven criteria:

- potential for contribution to peace building and conflict resolution;
- the poverty relevance of the sector/area;
- actual progress and potential for progress in the reform process (openness for reforms);
- relevance of the sector/area to EU's development policy objectives and the Cotonou Agreement;
- proven or potential comparative advantage of EC in the Sudan in the sector/area;
- the net funding requirements of the sector/area, considering the donor matrix results;
- potential for balanced support to the North and the South.

The assessment of these criteria in main functional sectors is summarised in the following table, where the functional sectors correspond to the areas of potential EC support listed in the Statement of EC Development Policy (ref. main text chapter 1) with trade and regional cooperation integrated into the functional sectors and 'energy' added as a separate sector due to its great importance in the Sudanese economy.

ASSESSMENT OF SECTOR RELEVANCE BY EC

	Macro Economic Support	Governance	Food Security	Private Sector	Transp. Infrastr.	Energy	Edu- Cation	Health/ Population/ AIDS	Water / Sanitation
Relevance for Peace Building	L	H	H	L	L	L	H	L	M
Poverty relevance -direct -indirect	M	H	H	M	M	M	H	H	H
Reform Process -actual progress -potential progress	H H	M M	L M	H H	M	M M	L M	L M	M M
Relevance for EU Development policy/ Cotonou agreement	H	H	H	H	H	L	H	H	H
EC's comparative Advantage (in Sudan) -experience in recent years -potential	N H	M H	H H	L M	N H	N M	N M	L M	L H
Net funding Requirements (after Other donors)	H	M	H	M	H	M	H	M	M
Potential for balanced support to North and South	L	H	H	L	H	L	M	H	H
Rank Category	(3)	(2)	(1)	(5)	(3)	(5)	(2)	(4)	(4)
H = High, M = Medium, L = Low N = none									

By giving (albeit subjective) marks, it has been possible to rank the sectors according to their relevance for future EC-Sudan co-operation as follows:

First rank: Food Security (in all its dimensions)

Second rank: Governance, Education

- Third rank: Macro-Economic Support and Transport
 Fourth rank: Health, Water Supply
 Fifth rank: Private sector, Energy

The two sectors chosen as the focal sectors for the Support Strategy are 'Food Security' and 'Education', with 'Governance' being the most important support area outside the focal sectors. These sectors are chosen particularly because it is within these that the root causes of the civil conflict can be found and, consequently, it is within these sectors that the peace building efforts and the establishment of a future for returning and resettled IDPs can best be supported. Further justifications for this choice are described more specifically below.

Food Security: Support to the sector represents a natural transition from food aid, through food security support as emergency response and short term support via EC budget lines, towards a medium term support strategy backed up by medium term resource allocations. Substantial experience has already been gained by the Commission from ECHO operations and from the interventions managed by the Food Security Unit at the Delegation in Khartoum. The EC has staff capacity at local regional level, which will expedite the process of programme identification and preparation as well as enable implementation monitoring from the very start. In its broad definition, the sector has a very large funding requirement (including local aspects of transport infrastructure, water supply and nutrition) with good prospects for an appropriate balance of funding between north and south.

Education: In addition to peace, macroeconomic stability and economic infrastructure, provision of education is the most important function of the public sector for the purpose of long-term development. It is the essential public function in determining if most, if not all, of the population will be given an opportunity to participate in the future economic development of the country and obtain a fair share of the related benefits. Education is also essential for participation in democratic processes and other governance-enhancing measures. At the same time it is the social sector that shows the largest gap between the standards in the Sudan and other low income countries, which combined with large inequalities between federal states indicate large funding requirements in geographical concentration areas of this support strategy. Apart from USAID funding in the south, very little development support is reaching the sector.

Annex 5

European Investment Bank

1. No projects have been financed under any of the two protocols of the Lomé IV Convention, as the Bank's activities in Sudan were suspended at the same time as EU cooperation. Under the Lomé I to III conventions the Bank financed eight projects with a financial contribution of EUR 50.5 m, all of them presently being in arrears.
2. The new Cotonou Agreement focuses on the promotion of private initiatives. It provides for the Bank to make financing available for projects in the ACP states from its own resources and the Investment Facility, essentially to foster the development of the private sector. The Bank has the further mission to help mobilise domestic and foreign capital for this purpose, either directly or indirectly through eligible financial intermediaries. It will dispose of a large variety of financial products: funding in the form of equity, quasi equity, loans both in local currency and foreign exchange, providing guarantees when necessary. It can operate in all sectors of activities (productive and infrastructure sectors plus private health and education), with domestic and foreign entrepreneurs.
3. Projects financed by the Bank must be financially, economically, technically and environmentally viable. Therefore special attention will be paid to the creation of a conducive environment for private investment and the measures to be taken to :
 - develop the private sector,
 - improve public administration, and
 - strengthen the financial sector.
4. The pace of implementation of reforms in these areas will undoubtedly have a determinant impact the resumption of the Bank's activities, which also requires the settlement of the arrears on the Bank's loans in Sudan.
5. The Bank could focus on interventions for projects that it would implement either alone or in cooperation with the EU Commission and other institutional (bilateral and multilateral) and commercial financiers inter-alia in the following sectors :
 - development of agricultural, agro-industrial activities;
 - expansion and upgrading of infrastructure such as telecommunications; energy production, transmission and distribution, water production, distribution and sewerage;
 - commercial exploitation of mineral resources; and
 - service industries including tourism.
6. It could also, in collaboration with the European Commission (using the various instruments developed to foster private sector activities) and the Centre pour le

Developpement de l'Entreprise (CDE), assist in the reinforcement, and diversification of the financial sector and the development of the private sector, including SMEs and micro enterprises through microfinance institutions, which generate employment and play a key role in poverty alleviation.

7. Based on the assumption that the Government will pursue its efforts for improving governance, complying with the recommendations of the Donors, the Bank could certainly be able to contribute to the financing of a large number of projects. The needs for investments and external financing are huge considering the low development of the country, in particular its infrastructures, and its substantial potential for growth. Regional projects could also be considered.

Sudan at a glance

9/21/01

POVERTY and SOCIAL	Sub-Saharan Africa				
	Sudan	Sub-Saharan Africa	Low-income		
2000					
Population, mid-year (millions)	29.7	659	2,459		
GNI per capita (Atlas method, US\$)	320	480	420		
GNI (Atlas method, US\$ billions)	9.4	313	1,030		
Average annual growth, 1994-00					
Population (%)	2.1	2.6	1.9		
Labor force (%)	3.0	2.6	2.4		
Most recent estimate (latest year available, 1994-00)					
Poverty (% of population below national poverty line)	--	--	--		
Urban population (% of total population)	36	34	32		
Life expectancy at birth (years)	55	47	59		
Infant mortality (per 1,000 live births)	69	92	77		
Child malnutrition (% of children under 5)	--	--	--		
Access to an improved water source (% of population)	--	55	76		
Literacy (% of population age 15+)	42	38	38		
Gross primary enrollment (% of school-age population)	51	78	96		
Male	55	85	102		
Female	47	71	86		
KEY ECONOMIC RATIOS and LONG-TERM TRENDS					
	1980	1990	1999	2000	
GDP (US\$ billions)	7.6	13.2	10.4	11.2	
Gross domestic investment/GDP	14.7	--	16.7	17.8	
Exports of goods and services/GDP	10.6	--	--	--	
Gross domestic savings/GDP	2.1	--	--	--	
Gross national savings/GDP	3.9	--	--	--	
Current account balance/GDP	--	-9.9	-15.2	-13.9	
Interest payments/GDP	0.6	0.1	0.1	0.0	
Total debt/GDP	68.0	112.1	155.1	140.0	
Total debt service/exports	25.1	7.5	6.7	3.3	
Present value of debt/GDP	--	--	208.0	204.4	
Present value of debt/exports	--	--	2,543.4	1,233.7	
	1980-90	1990-00	1999	2000	2000-04
(average annual growth)					
GDP	0.4	8.1	5.2	8.3	6.2
GDP per capita	-2.0	5.9	2.9	5.8	3.9
Exports of goods and services	-6.3	--	--	--	--

Development diamond*

Life expectancy

GNI per capita

Gross primary enrollment

Access to improved water source

Legend: Sudan (green), Low-income group (red)

Economic ratios*

Trade

Domestic savings

Investment

Indebtedness

Legend: Sudan (green), Low-income group (red)

STRUCTURE of the ECONOMY	1980	1990	1999	2000
(% of GDP)				
Agriculture	32.9	--	--	--
Industry	14.1	--	--	--
Manufacturing	7.5	--	--	--
Services	53.0	--	--	--
Private consumption	81.9	--	--	--
General government consumption	16.0	--	--	--
Imports of goods and services	23.1	--	--	--
	1980-90	1990-00	1999	2000
(average annual growth)				
Agriculture	-0.6	13.2	3.2	2.1
Industry	2.5	5.4	--	--
Manufacturing	3.4	4.0	4.7	9.8
Services	1.7	3.6	--	--
Private consumption	0.0	--	--	--
General government consumption	-0.5	--	--	--
Gross domestic investment	-1.8	--	--	--
Imports of goods and services	-7.2	--	--	--

Growth of investment and GDP (%)

Legend: GDI (green), GDP (red)

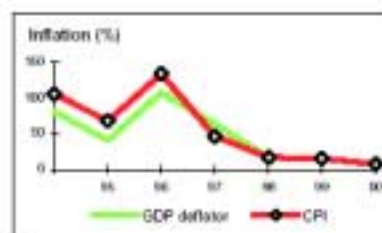
Note: 2000 data are preliminary estimates.

* The diamonds show four key indicators in the country (in bold) compared with its income-group average. If data are missing, the diamond will be incomplete.

Sudan

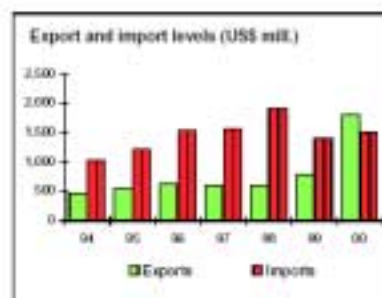
PRICES and GOVERNMENT FINANCE

	1980	1990	1999	2000
Domestic prices				
(% change)				
Consumer prices	25.5	69.0	16.0	8.0
Implicit GDP deflator	22.0	62.4	16.0	8.0
Government finance				
(% of GDP, includes current grants)				
Current revenue	..	6.3	8.4	11.1
Current budget balance	..	-7.4	0.4	1.5
Overall surplus/deficit	..	-22.9	-0.9	-0.8



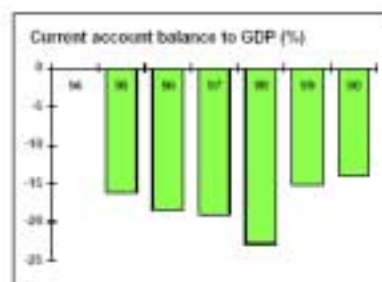
TRADE

	1980	1990	1999	2000
(US\$ millions)				
Total exports (fob)	..	443	790	1,007
Groundnuts	..	11	5	12
Cotton	..	229	45	51
Manufactures	..	11	..	..
Total imports (cif)	..	1,035	1,412	1,514
Food	..	231	276	323
Fuel and energy	..	244	237	139
Capital goods	..	304	490	492
Export price index (1995=100)	..	50	81	80
Import price index (1995=100)	84	82
Terms of trade (1995=100)	97	98



BALANCE of PAYMENTS

	1980	1990	1999	2000
(US\$ millions)				
Exports of goods and services	779	532	832	1,838
Imports of goods and services	1,698	1,453	1,551	1,871
Resource balance	-919	-922	-720	-33
Net income	-143	-754	-1,318	-1,859
Net current transfers	257	407	457	339
Current account balance	..	-1,299	-1,581	-1,553
Financing items (net)	..	1,350	1,617	1,644
Changes in net reserves	177	-62	-36	-90
Memo:				
Reserves including gold (US\$ millions)	33	10	53	116
Conversion rate (DEC, local/US\$)	5.88E-2	1.2	236.0	257.1



EXTERNAL DEBT and RESOURCE FLOWS

	1980	1990	1999	2000
(US\$ millions)				
Total debt outstanding and disbursed	5,177	14,762	16,132	15,636
IBRD	46	19	3	1
IDA	190	1,028	1,208	1,062
Total debt service	264	50	57	62
IBRD	8	11	4	3
IDA	1	10	0	4
Composition of net resource flows				
Official grants	388	433	..	..
Official creditors	520	171	-6	-4
Private creditors	138	0	0	0
Foreign direct investment	..	..	..	..
Portfolio equity	0	0	..	..
World Bank program				
Commitments	..	..	0	0
Disbursements	38	121	0	0
Principal repayments	4	14	3	4
Net flows	34	107	-3	-4
Interest payments	5	8	1	3
Net transfers	28	99	-4	-7

