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**REPUBLIC OF THE SUDAN**

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**EUROPEAN COMMUNITY**

**COUNTRY STRATEGY PAPER**

**AND**

**NATIONAL INDICATIVE PROGRAMME**

**FOR THE PERIOD**

**2002-2007**

## EXECUTIVE SUMMARY

EC formal assistance has remained suspended in the Sudan since 1990, due to EU concern 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 the concerns. In December 2001, the two parties agreed on the need for the continuation and intensification of the Dialogue, in the framework of Article 8 of the Cotonou Agreement, which at the same time aiming at a progressive normalisation, conditional to progress on the themes discussed within the Dialogue, to be assessed at the end of 2002.

The Sudan, the biggest country in Africa, has been confronted with a civil conflict, which started in the late fifties, and which has profoundly divided the country. Its consequences are of enormous dimensions: it is estimated that two million people have died since 1983; more than 4 million people have been displaced; livelihood and cultural identities have been destroyed; the environment is being irreversibly degraded; human rights violations have been massive; and many parts of the Sudan have been marginalized. Consequently, large segments of the population have lost their capacity to cope themselves with their livelihoods, while two generations have lost their chance for education.

Due to the recognition by the conflicting parts that the conflict cannot be brought to an end through military means, to increased international focus on the Sudan, it is widely recognised that opportunities for peace now exist, and could finally be achieved. The Sudan would then be able to fully develop its enormous human and natural potential.

The Country Strategy has been prepared against this background. 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. Because of the context of the Sudan, the strategy should address basic needs at local levels. The strategy will focus on two main sectors: Food Security, with 30% of the resources of the National Indicative Programme; and the improvement of education and training, with 40% of the resources. In addition, key cross cutting issues will be given priority with an allocated 20% of the resources: Human Rights, Good Governance, and the rule of law; direct support to the Peace Process and to peace building initiatives; the strengthening of the civil society and the involvement of Non State Actors; while funds will be made available for the improvement of the knowledge on key issues related to the strategy.

The strategy will be implemented in North and South Sudan, with agreed modalities for implementation in Non Government controlled areas. The geographical concentration has been based on assessed needs combined with the effects of EC support on the quest for peace. Because of the extreme complexity and volatility of the situation in the Sudan, the strategy will be implemented in a flexible and progressive way, with needed adjustments to be made possible. Particular attention has been given to establish a connection between what has been done in recent years with Commission's own funds, and actions to be implemented on the basis of the present country strategy.

## 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 shall 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 shall 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 2006, 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 cooperation; 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 coordinate their policies on development cooperation 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 cooperation 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 characterized by extensive government controls and imbalances. Regulated prices, markets and credit have 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 liberalized, consumer subsidies were eliminated, the exchange rate was unified at a market determined rate, foreign trade regime was deregulated, liberal investment regime initiated, and an ambitious privatization programme was launched. The economy responded favourably to these reforms. Real GDP growth accelerated to about 6.0% on average for the period 1997-2001, and inflation declined from an average of 133% in 1996 to 5% in 2001, fiscal buoyancy increased markedly, the rate of return on deposits became positive in real terms, financial disintermediation has been halted, and the private sector gained confidence in the economy.

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

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

- i. Continue with the macroeconomic structural reform to strengthen public finances, and increasing the effectiveness of monetary policy.
- ii. Improving the living conditions for the population targeting poverty alleviation and creating employment opportunities.
- iii. Advancing rural development specially in Southern Sudan and areas affected by war and natural disaster, with particular emphasis on education, health, safe drinking water and sanitation.
- iv. Accelerating the pace of privatization with adequate safety net arrangement, dismantling government monopolies and introducing more transparency in the regulatory framework to remove impediments of growth.
- v. Continuing 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. Streamlining the taxation system, removing all remaining tariff and non-tariff barriers with the objective of paving the way to the Sudanese economy for globalization.
- vii. Encouraging participation in the planning and decision making process through civil societies and trade unions.

The development efforts in Sudan since 1997 were undertaken in consultation with the IMF, through Staff Monitored programs, which reversed its punitive measures against Sudan that have started in 1990 by declaring Sudan as non cooperative country, and suspended Sudan's voting rights in 1993 thereby bringing the country close to expulsion from the Fund in 1997. Through 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 as a

recognition for Sudan's satisfactory economic performance. Of recent, and as a testimony to the progress achieved in the economic reform, the Fund staff agreed with the Government on a "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 mobilization of substantial financial assistance from international community.

The Government has agreed with the Fund to develop more fully a medium-term framework in the remainder of year 2002, in consultation with the Fund staff and other international organizations, based on the Government objectives set above which would constitute the base for foreign assistance.

A major challenge in the medium term program is the poverty alleviation, which constitute prime objective in the government medium term outlook. The government has started addressing the poverty issue in the National Comprehensive Strategy 1992-2002 with special focus on macro economic adjustment policies, investments in basic services and strengthening of the social safety nets (Zakat Fund, National Pension Fund, Social Security Fund, Health Insurance Corporation, Students Support Fund, Support Fund for Retrenched Workers, and the Saving and Social Development Bank).

However, lessons learned from this experience indicated that a comprehensive approach is deemed necessary to address poverty issues. The Government has started in 2002 to formulate Poverty Reduction Strategy Paper, within its medium term objectives. Preparation of PRSP is yet at an early stage. Overall directives and principles, which were set out for the paper included the following issues as being crucial for addressing poverty: (i) Peace and Reconciliation (ii) The importance of continuing with prudent macroeconomic adjustment effort (iii) Advancing rural agriculture and food security (iv) Improving social services (v) Effective participation (v) Setting appropriate implementation mechanisms. Several workshops and consultative efforts have been made to mobilize effective participation from the different sectors in which several issues related to poverty 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.

### **3. AN ASSESSMENT OF THE POLITICAL, ECONOMIC AND SOCIAL SITUATION**

#### **3.1 REGIONAL ANALYSIS**

The Sudan has borders with 9 other countries. Its geographical situation, the biggest country of the African Continent with 2.5 sq million Km, at the cross-roads between Egypt and the Arab world on one side, and the Horn and East and Central Africa on the other side, is the long-term determining factor of its regional policy. Conflicting interests between Egypt and the countries at the headwaters of the Nile notably Ethiopia, represent a particular challenge to Sudan's relations with its neighbours, and these conflicts of interests have had visible repercussions on the internal political situation, in particular with regards to the conflict in southern Sudan.

In the last 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 the

purchase of Sudanese oil and the use of the port of Port Sudan. The choice of Ethiopia as the privileged commercial partner in the region for the Sudan makes the two countries the motor of IGAD and subsequently of regional cooperation and integration in the Horn of Africa. This represents a historic reorientation of Sudan's regional policy. The rapprochement with Ethiopia represents a courageous decision of the leadership of both countries, in particular in view of their respective identities with Christianity and Islam, and past historic and cultural patterns of hostility.

The Sudan has also restored good relations with Egypt as well as maintaining close ties with Libya and Chad. Khartoum was involved in diplomatic efforts leading to the Syrte Conference on the conflict in the Democratic Republic of Congo (DRC) in April 1999, which led to the withdrawal of the Chadian armed forces from the DRC. Recently, Khartoum decided to dispatch a small contingent to a joint Libyan-Sudanese peace-keeping force in the Central-African republic.

For many years, Khartoum and Kampala have practiced a policy of mutual destabilisation by supporting armed opposition movements, SPLM on one side, the Lord's Resistance Army (LRA) on the other. A long process of improvement of relations between the two countries started in December 1999 when they signed an agreement under the auspices of President Carter. The Government of the Sudan has severed its links with the LRA, and authorised the Ugandan army to enter into South Sudan in an attempt to bringing this rebellion to an end. Diplomatic relations have been re-established. It is significant that at the last ACP/EU Assembly in Cape Town in March 2001, for the first time a joint Sudan/Uganda resolution on the LRA, as a part of the resolution on East Africa, was adopted with backing from the European Parliament.

Relations with Kenya are correct, despite the paradox that Kenya hosts both the external headquarters of SPLM and IGAD peace talks. Kenya has shown an interest in Sudanese oil, while some Kenyan members of parliament as well as Kenyan-based religious groups have advocated a militant pro-SPLM position. Political circles in Kenya seem divided between economic interest linked to the oil, and a principled defence of self-determination for Southern Sudan, with strong religious and cultural connotations. The ambivalence of this position will only be resolved if and when the conflict in Southern Sudan is settled peacefully: peace would allow for the expansion of the oil industry and lead to the economic rehabilitation of Southern Sudan, with benefits for Kenya.

## 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 have reacted against their marginalisation by armed resistance starting in the late 1950s (Anyanya I) and, after a decade of peace following the 1972 Addis Ababa agreement, fighting without interruption since 1983 (Anyanya II, then SPLM/A, the Southern Peoples Liberation Movement/Army).

In April 1997, the Khartoum Peace Agreement and also the equivalent Fashoda Peace Agreement were signed between the Government of the Sudan and some Southerners,

who joined the Government in a North-South peace search and power sharing, splitting from the mainstream SPLM/A of Mr John Garang. Key principles negotiated and signed at the time, were included in the 1998 constitution, such as: the right of self-determination, democracy, fundamental freedom and rights of citizens, 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, and in particular, those related to sufficient budgetary provisions, and to military and security arrangements. In January 2000 Dr Riak Machar, 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, claiming that the Khartoum Peace Agreement had failed. In January 2002, his movement, the SPDF, reintegrated the SPLM/A. Other Southerners who had signed the Agreement remained committed, while continuously calling the attention of the Government to the need to provide it with the capacity to be implemented.

The mainstream peace process for the Sudan between the Government and the SPLM/A, is the IGAD process, which started in 1993. The members of the IGAD (Inter Governmental Authority on Development) are Djibouti, Eritrea, Ethiopia, Kenya, Somalia, Sudan and Uganda. The IGAD led peace process is internationally supported by the IPF (IGAD Partners Forum), of which the Commission is part. Despite serious lack of progress in the peace talks, the IGAD process under Kenyan leadership was re-endorsed by the IGAD Summit in January 2002. In 1997, a Declaration of Principles was negotiated by the two conflicting parts. It consecrates the right of self-determination of the peoples of southern Sudan (art 2), but states that the option of a referendum, "including on independence" (art 4), should only be chosen if no agreement can be achieved on the establishment of a "secular and democratic state" (art 3.4), granting the southern peoples "extensive rights of self-administration" (art 3.3.) and ensuring "fair sharing of wealth" (art 3.5). The right of self-determination is a central issue to the conflict.

The Joint Egyptian-Libyan Initiative (JELI) plays a particular role in the context of the Sudan conflict. Egypt and Libya, jointly or separately, have had repeated contacts with both parties to the conflict, as well as with the National Democratic Alliance. They have never hosted formal peace talks, but rather sought involvement in the IGAD process. The IGAD Partners Forum has supported the request. Kenya has in the past responded to the call for co-ordination between the JELI and the IGAD peace process with resistance. On its part, Egypt has presented a serious obstacle for co-ordination by its adamant rejection of southern self-determination. But despite these shortcomings and adverse effects, the fact remains that Egypt has strong vested interests and therefore should be involved in any peace process.

An assessment conducted by the US Special Envoy, Senator John Danforth, to test whether or not both conflicting parts were committed to peace, recommended in April 2002 a US increased engagement in the Sudan. In January 2002, as a part of the Danforth initiative, an unprecedented internationally monitored cease-fire agreement was signed in the Nuba Mountains. In March 2002, an agreement was signed on the protection of civilians in the conflict, which also has dispositions for international

monitoring, to make sure that it will be implemented. The US have been moving towards greater engagement in the Sudan.

Many key issues must be addressed in the framework of the civil conflict. Amongst them are the issue of State and Religion and the respect of cultural identities, proper mechanisms for the sharing of resources which is focussed in particular on the Sudan oil, proper mechanisms for the sharing of power between different Sudanese constituencies, the acute development gap between the North and the South, geographical delimitation of Southern Sudan, and the issue of self-determination as outlines above. Furthermore, the high-level negotiation process has been insufficiently connected to the grass roots level.

The Southern Sudan civil conflict remains the single most important issue to be addressed; it has considerable consequences in the country, in all its necessary dimensions.

### 3.2.2 State of Democracy in the Sudan

The Republic of the Sudan is a federal state with a directly elected president and a unicameral parliament. While three quarters of the parliamentarians are directly elected, the remaining quarter are selected through indirect or special elections to represent the interests of women, academics and other professionals. Each of the federation's 26 states has its own parliament whose representatives are elected following the same formula. According to the constitution, the governors of the states are directly elected by the people of the respective states. However, the relevant articles of the constitution have been suspended when the state of emergency was declared in 1999, and governors are currently appointed by the President. The appointment of the states' most senior government officials are also indirectly controlled by the federal government, thus limiting the participation of the citizens at state level.

The Sudanese constitution provides for important civil and political rights necessary in a democratic society. In practise however, recurrent harassment by security forces significantly limit the constitutionally guaranteed rights, in particular the freedom of expression. The right to freedom of assembly is not explicitly guaranteed, which has implications for the ability of political groups and parties to mobilise public opinion and support. Restrictive registration requirements for civil society organisations also limit their ability to participate in democratic life.

Political parties were banned in the Sudan after the National Islamic Front government came to power in 1989. This ban was lifted in 1999 and the government has encouraged the exiled leaders of some parties to return to the Sudan. Moreover, the role of political parties as competitors for political authority was acknowledged in the Political Associations and Parties Act as amended in 2000. But, despite these positive developments political parties still face limitations in their right to exercise democratic activities, which remain constrained mainly by security forces. Political parties are also confronted by internal difficulties and lack themselves 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 leaders coincide with the leaders of the respective religious sects. The UP and its President Sadiq El Mahdi returned to the Sudan in 1999. The DUP has opened a Khartoum office only in 2001 while its President Mohamed El Mirghani remains in exile. The National Islamic Front has been succeeded by the currently ruling National Congress Party (NC) led by President Omar El Bashir. 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. It currently operates underground and its strength is thus difficult to assess. 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 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 characterized by internal divisions and has so far been unable to coordinate a comprehensive common strategy.

The last presidential and parliamentary 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. The independence and impartiality of the General Election Commission was questioned. Consequently, 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.

A proper democratic system of government is characterised by the active participation of its citizens, and should thus maintain many different channels of communication between the government and the people. The government of Sudan has recognized this principle and has supported the participation 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.<sup>6</sup> This is an encouraging development towards an increased public participation, which can address remaining obstacles impeding full NSA participation in the democratic process

### 3.3 EU/SUDAN POLITICAL DIALOGUE

In 1995, the EU and the Sudan started a Political Dialogue. It was interrupted soon after it had started, in particular in relation with the assassination attempt of President Mubarak in Addis Ababa.

In November 1999, a renewed Dialogue was initiated. Issues to be discussed regularly at formal level were organised along 5 chapters: The Peace Process, Democracy and the Rule of Law, Human Rights, Terrorism, and relations with neighbours. In order to have broad-based information on the situation in the Sudan, it was also decided that contacts with all Political Forces, Parties, Non-Governmental Organisations as well as the SPLM/A will be fully utilised.

In December 2000, the first year of the EU/Sudan Political Dialogue was assessed by both Parties. It was decided to continue the process for a second year, while at the same time the future of European/Sudanese relations was to be considered more broadly with the aim of reaching complete normalisation of relations and the re-establishment of full development cooperation. The Dialogue was also to be focused on the peace process, human rights, democratisation and civil liberties. Sufficient progress had been achieved in 2000, on terrorism and relations with neighbours, and these issues were removed from the agenda. The EU expressed its commitment to look into funding programmes directly related to the themes of the Dialogue, and to implement the "Humanitarian Plus" programme on funds from the 6<sup>th</sup> 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 for the continuation and intensification of the Dialogue for a further year, allowing for regular joint assessments of correct and verifiable progress achieved with respect to democracy and to human rights; the progress made in the peace process will also be assessed with high priority. The parties decided to aim at a progressive normalisation, conditional to progress on the themes discussed in the framework of the Dialogue. The Dialogue is now conducted in the framework of Article 8 of the Cotonou Agreement. Measures to be taken by the EU to prepare for a possible normalisation of relations were agreed, and are being implemented (formal notification of the Cotonou allocation, implementation of the Humanitarian Plus Programme). Increased political interaction with opposition movements and with the SPLM/A, is being developed. In April 2002, for the first time, EU Heads of Missions conducted a mission in Southern Sudan, in Government controlled areas as well as in non-Government controlled areas, and met with the SPLM/A in Nairobi.

Should the decision be taken to resume formal assistance, it must be kept in mind that all dispositions of the Cotonou Agreement will apply, including Articles 8 and 96.

### 3.4 SOCIAL SITUATION/DEVELOPMENT/ENVIRONMENT

Development in the Sudan continues to be overshadowed by the civil war and related humanitarian emergencies. In 2002 the Sudanese civil war entered its twentieth year since its resumption in 1983, 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. In 2001 GDP per capita was approximately US\$385. Within this, 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, the 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 displaced persons (IDPs) in the world. In this situation, large numbers of the population continue to live in survival conditions only.

UNDP's annual human development index for 2001 ranked Sudan 138<sup>th</sup> out of 162 countries. However this measurement 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 to 70% in Khartoum State in Northern and Gezira States to about 30% in North Kordofan, in West Kordofan and Blue Nile States. Primary school enrolment levels range from over 75% in Khartoum and Nile River States to less than 40% in the three central states of Kordofan and less than 30% in Blue Nile and South and West Darfur States.<sup>1</sup> In Upper Nile and Jongli in the South hardly any child receives a full basic education. Overall, international comparison indicate that the health situation in large parts of the North, in spite of declining trends, is still at par with the levels in Sub-Saharan Africa and the group of Low Income Countries, whereas 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 the spread of HIV/AIDS is as yet unmeasured, but of increasing concern. 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 for war-affected areas. For such areas there are few reliable data besides the regular food security assessments carried out by FAO and WFP, as well as social indicators from the MICS. Overall, economic growth in the Sudan has had little impact on the basic development indicators, some of which, as explained, 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.

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 wild life fauna has now disappeared, and agro-pastoral development is constrained by increasing desertification, erratic seasonal rainfall and successive dry spells. At least for the past two decades, 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%), over-grazing (13%) and others (2%). All but the first one 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 over diminishing natural resources, and exacerbate tribal conflicts. Oil development also poses additional threats to the environment. The forest in Southern Sudan is being depleted illegally.

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<sup>1</sup> See Chapter 2, Sudan CCA and UNDAF, 2002.

Fishing resources of the Sudd 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 (inclusion in the National Comprehensive Strategy 1992-2002; Emergency Act for environmental protection issued in March 2000). Yet the process of degradation and natural resources depletion is continuing, and if not properly addressed, could reach the paradox of two parties waging a war over a barren land.

### 3.5 ECONOMIC SITUATION, STRUCTURE AND PERFORMANCE

#### 3.5.1 Structure of the economy

With a national income, estimated at 385 USD per capita, the Sudan is among the least developed countries in the world. The population density is very low (13 persons/sq.km), but covers wide variations with 25% of the population living in or just South of Khartoum.

Sudan is well endowed with natural resources in terms of agricultural potential and minerals. The economy is and will in the foreseeable future remain highly dependent on agriculture and oil.

Agriculture is the mainstay of the economy, contributing about 37% of GDP and 15% of exports, and provides the livelihood for about 80% 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. Gold and other contributes a further 3% of exports.

The oil sector developed very rapidly between 1998 and 2000, but has now reached a plateau. Oil production has changed some of the fundamental parameters of the economy, which now shows 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 sectors are prone to frequent external shocks by climatic conditions and international price fluctuations, the main constraints to developing their potential originate from the civil conflict.

Recent years have seen government policy actively supporting expansion of the industrial sector, presently contributing 9% of GDP and primarily based on agro-processing and oil refining. The sugar industry is expanding, with further plans for production and processing are under way. Textile production has a substantial potential but the needed

investment in plant rehabilitation and new plants has not yet made significant progress. Major investments have been made in oil refining with plans for further expansion. However, a more diversified industry based on oil could develop (fertilizers, plastic etc) given a conducive environment for commercial investments 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, of which the most important include a stable and secure environment for utilisation of the natural resources, economic infrastructure (particularly in the South), investment finance and a skilled work force.

Electricity supply is being addressed by means of two thermal power plants under construction in the vicinity of Khartoum (financed by China and Malaysia respectively), which would double the electricity output for the national grid in a few years. A further doubling of capacity would be achieved, when the proposed Meroe Dam project is completed in the North, for which funding is still sought in addition to the USD 1000 million already secured from four Arab funds.

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, limited access to commercial loan financing due to non-servicing of the huge external debt. Foreign direct investment has also been extremely limited outside the oil sector due to international sanctions imposed by UN and US. This constraint has been 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 hampered 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. During 2000 the Government serviced the debt by USD 144 million, mainly to multilateral and non-Paris Club creditors. For 2001 a schedule of debt service of USD 151 million was established (including USD 66 million to the IMF), which would allow the Government to gradually reduce its debt to IMF, make token payments to the World Bank and remain current with donors/lending agencies (IFAD and Arab based agencies), with which new lending is not blocked by political issues. Due to a significant drop in international oil prices during the year it became impossible to implement the schedule and the actual service payments came to only USD 87 million (50 million to IMF). A debt of this magnitude is grossly unsustainable, and Sudan would from an economic point of view qualify very 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.

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 increase in service payments in relation to oil investments, so that a current account deficit remains in the short to medium-term. The external balance is under serious pressure from the external debt and service obligations. External reserves (which were almost depleted in late 2001) need to be built up to levels that can accommodate the economic shocks that will inevitably occur in an economy founded largely on agriculture production and oil exports.

### 3.5.2 Structure of Public Finances

The contribution of oil revenue has boosted the level of Federal Government budget from less than 8% to 11-12% of GDP within two years. This is still a low level 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 defence) 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. Large domestic arrears are consequently building up (in addition to the overwhelming international debt), not least in payments to states 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, which also have the highest levels of resources at state level. The distribution mechanisms for recurrent finance through the Federal Government Bureau and the National Fund for State Support has been only partially successful in evening out the resource differences among the states, with the South and West Darfur states being particularly negatively affected.

Overview of public spending programmes at national level is virtually impossible due to the absence of a functional accounts classification system, late and incomplete financial reporting by states to the federal government and no reporting at all from the localities.

The 10-year Action Programme presented by the GOS in May 2001 included a USD 8 billion investment programme, of which 55 billion would await an end to the ongoing war. USD 32 billion could be invested mainly in the North and in or in connection with GOS controlled towns in the South. The investment proposals specified in the programme amounted to some USD 7 billion with a heavy bias towards large construction projects such as dams, power transmission, trunk roads and railway lines, and urban water supply as well as tertiary education. Very few of the project proposals would directly benefit the rural population.

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 and improved financial reporting.

### 3.6 POLICY SUSTAINABILITY AND MEDIUM-TERM CHALLENGES

The Sudan has made good progress on macro-economic stability and shown willingness to continue macro-economic reform programmes under IMF supervision. Much remains to be achieved in terms of developing the financial sector, and strengthening the fragile external balance.

Economic growth in recent years has been encouraging, but could soon be affected by major constraints, as the country is facing major challenges in exploiting its potential for economic betterment and providing basic services at reasonable standards to all of the population.

Areas with substantial agricultural and mineral potentials are inaccessible due to the war. The war also affects the ability to develop internal and external trade in foodgrains and to attract foreign private investment and capital from donors and international lending agencies.

Basic service delivery appear to be in disarray, particularly in rural areas, and will require a serious overhaul of government functions and management at state and locality level, a process which was initiated with the Federal Conference in April 2002.

A solution to the external debt problem must also be high on the agenda, but is unlikely to have major impact in the coming 2-3 years even in the best of circumstances.

## 4. ASSESSMENT OF PAST AND ONGOING EC COOPERATION

### 4.1 SUSPENSION OF THE COOPERATION

#### 4.1.1 General overview of the past 12 years

In March 1990, the Commission suspended its formal development assistance to the Sudan, reflecting EU concerns about the lack of respect for human rights and democracy by the Government of the Sudan and the ongoing conflict in the South of the Country.

The Commission has, however, continued to provide substantial humanitarian assistance, in both North and South of the Sudan, responding to emergency needs in a neutral way according to basic humanitarian principles. Between 1992 and 2002, the EC disbursed approximately 450 million EURO; the years 1990 and 1991 constituted a transition between a "formal assistance" status and a "non assistance status", as formal assistance was progressively phased out.

Two Commission's instruments have played a significant role in responding to crises in the Sudan, which have mainly been originated by the civil conflict, or by natural

disasters: Food Aid and ECHO funded programmes. While food aid has quantitatively represented the most important part of the humanitarian response (approximately 250 million euros, 200,000 metric tons of food aid), ECHO has responded in a more diversified way, with projects focussed on several key sectors (health, water and sanitation, nutrition) with a vast geographical coverage and a total commitment of approximately 160 million EURO.

It is only in 1999, as described below, that the Commission started to implement a wider approach to responding to needs in a context of suspension. One consequence has been that in Non Government controlled Southern Sudan, during most of the last 10 years, ECHO has been the only Commission's interlocutor, thus seriously limiting political interaction with the SPLM/A.

All in all, the Commission has remained the second humanitarian donor to the Sudan, after the US, but implementing a more balanced humanitarian response. The Commission has remained a key member of all forums involved in humanitarian action in the Sudan. It is playing an important role in the promoting of better responses.

#### 4.1.2 The current Commission's approach

It is against this background that 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 corresponded to the resumption of the EU/Sudan Political Dialogue in November 1999. In 2001, the Commission committed 65 million EURO in the Sudan, translating the shift towards a wider and more interactive programme.

The current Commission's programme, still implemented in a context of suspension of formal assistance, is now developing along 3 lines of action, both in North and South Sudan, with funds from various Commission's budget lines: 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.

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 the last years, the Commission has considerably increased and diversified its presence in Non Government controlled Southern Sudan, building up a relationship with the SPLM/A, and facilitating the development of political interaction with the movement, and allowing ECHO to limit itself to its mandate. In February 2000, the Commission interrupted its humanitarian assistance to Southern Sudan SPLM/A controlled areas, because the movement intended to impose unacceptable control 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 has committed to respect basic

humanitarian principles, and has welcomed the return of the Commission to South 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, in particular, has been instrumental in funding about all the specific studies implemented in the framework of the IPF-Working Group "Planning for Peace" initiative. Some of the consultancies funded by the Commission were followed up by further action. In particular, two consultancies on the issue of landmines in the Sudan originated a vast national land mine action programme, in the hands of the 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 Commission became active in relation with the EU/Sudan Political Dialogue. 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. The Commission is currently developing a more comprehensive approach to support human rights, following a joint decision taken by both the Sudan and the EU when the Troika visited the Sudan in December 2000 to assess the first year of the Political Dialogue.

#### 4.1.3 The case of the Humanitarian Plus Programme

The idea of the programme was developed in 1998. It was agreed with the Government of the Sudan, that it would devolve to the Commission part of the remaining Lomé funds, to implement a programme aimed at addressing humanitarian issues in a more sustainable way, by building self-reliance at the level of populations affected directly or indirectly by the consequences, in a wide sense, of the civil conflict. The programme was to be developed in areas with sufficient stability as to allow sustainability to be established, in both North and South Sudan. An amount of 15 million euros was earmarked for the Humanitarian Plus programme.

The Government of the Sudan formally requested the Commission to move ahead in March 1999, but was delayed until December 2000. It is in relation to progress on the EU/Sudan Dialogue in 2000, that the EU decided to have the programme implemented. The procedures to this effect were initiated in early 2001.

The Humanitarian Plus programme is being fully implemented on the ground since January 2002. Its key elements are: that it is covering all of the Sudan, in recognition of the fact that populations have been suffering from years of neglect in all of the country; that neither the Government nor the SPLM/A are directly involved in its implementation, which is done through INGOs and UN agencies, but that they are kept informed on progress; that it focuses on water, agriculture, and health, with sustainability as a basis for action; that there is for the first time a possibility for local NGOs to access limited funding for the same purposes; that 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 Long term resources used in Non Government controlled areas. The programme has been very much welcomed by the international community, and in particular the INGO community. It is recognised that it has played a role in the acceptance of the idea that it is time in the Sudan to move towards sustainability.

## 4.2 LESSONS LEARNED

It is now recognised by the international community that it is time in the Sudan, to move away from emergency, towards sustainability and rehabilitation, whenever and wherever possible. This is clearly indicated in the conclusions of recent joint forums: North/South Joint Donors meeting in Khartoum in June 2001, and in Nairobi in June 2002 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; but little has been done so far to help maintain this stability, and to promote it.

In order to address, in a suspended context, needs in a way as recognised by the international community, the Commission had to rely on budgetary lines, in an as coordinated way as possible. But it is difficult to build up a comprehensive and solid programme in this context, due in part to internal bureaucratic constraints and realities. The system of Call for Proposals has proved inadaptable to the Sudan context, and is unreliable. It is extremely difficult to build up a coherent human rights programme, also due to the lack of flexibility with Commission's budgetary instruments.

Until recently, ECHO has had to extend its mandate in the Sudan, to respond to longer term needs, in the absence of other more suitable instruments. But it is not technically appropriate to use one instrument made to respond to emergency, to address sustainability. Because of this mistakes have been made. Longer term needs cannot be addressed in an appropriate way with a short term response instrument.

It is evident also, that the civil conflict has direct and indirect consequences in all of the Sudan, from Wadi Halfa to Nimule, and from Port Sudan to El Geneina. Because of the context in which the international community is operating in the Sudan, many issues or geographical areas have remained unattended for the last 12 years.

In 1999, ECHO conducted a study to assess unintended consequences of Humanitarian Aid implemented over long periods in the context of the Sudan. 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) through humanitarian assistance, donors do not have much leverage on the conflicting parties; 3) longer-term and better informed strategies will provide higher return on the humanitarian investment than short-term funding and responses; 4) rapid staff turnover and poor institutional memory greatly affects 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.

The divide between Northern Government controlled and Southern Non Government controlled Sudan must be approached in a way as to minimise the effects of this situation. This has been done insufficiently in the past. It is only in the last years that the Delegation in Khartoum has been able to increase its presence in Southern Sudan, corresponding to the implementation of a wider approach to humanitarian response and to an increased political presence. This has had, and is having, an important effect, as it is possible to build up a political relation with the SPLM/A.

In the Sudan, areas of relative stability and areas of insecurity and instability will continue to exist in space. The continuum between relief and rehabilitation must be developed in such a way that rehabilitation is promoted in stable areas, while emergency aid is maintained where needed. This has been done insufficiently in the past. Many areas of relative stability have not received the attention they deserve, as a way to promote stability as well as to reward it. Perhaps it is correct to say that there is no reason to associate suspension with emergency response only.

## **5. THE RESPONSE STRATEGY**

### **5.1 INTRODUCTION**

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 in all of 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 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.

As a result, the focus of the Commission's response strategy will be to contribute in a concentrated way to bringing the Sudanese civil conflict to an end, while mitigating its effects and addressing root causes at the level of 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. As highlighted in the conclusions of the IPF Working Group "Planning for Peace", different levels should receive attention, from grass roots levels to high level negotiations.

It can be expected that in the future, emergency and rehabilitation support will be needed in a contiguous way, as the situation remains fragile in many parts of the Sudan. An increased focus should be applied to supporting the peace process at all levels, as well as to supporting the improvement of human rights, democracy, and good governance. The current limited programme, essentially implemented on direct Commission's resources outside of government channels, will be progressively replaced by a wider programme implemented on the basis of the EC Response Strategy. In this way, experience of the past years will best serve the implementation of a wider programme.

Because of the permanency of crises, of a long period of absence of cooperation, of the considerable suffering at grass roots level, the Commission's response should be limited to addressing basic needs. A progressive re-establishment of a confident relationship between the EC and the Sudan is necessary. Due to the fact that the situation in the Sudan remains highly

volatile, the response should be flexible, and will have the possibility for re-orientations to adapt to new circumstances. Promoting peace, democracy and the rule of law should remain a central element of the Commission's response.

Most of the EC support will be concentrated in selected geographical areas of the Sudan. Due to the situation in the Sudan, it is not possible to have geographic areas to correspond to states, and flexibility is needed in this respect. The choice of geographical areas of concentration must be guided by the central peace-building objectives as outlined above. To achieve this, parameters will be centred on promoting stability and cross line initiatives, and addressing needs of populations of Northern and Southern Sudan whose relationships are affected by tensions over common resources. Areas that have achieved peace and stability will also be given priority, in order to promote those elements. The Transition Zone between Northern and Southern Sudan will receive particular attention, as well as areas that directly effect stability in the Transition Zone. Areas not directly affected by the conflict, but where potential future instability can erupt if key issues are not addressed, will also be considered as priority areas.

To address the issue of the North/South division of the country, a Letter of Understanding will be signed between the Commission and the Government, to establish transparent implementation procedures as regards to non-Government controlled areas, and along the principle under which the Commission will implement the strategy on behalf of the Government.

In accordance with these considerations the choice of focal sectors for the CSP has been made on the basis of the following seven criteria:

- potential for contribution to peace building and conflict resolution;
- the poverty incidence of the sector/area. This could be either direct (income generation or social services rendered to the poor) or indirect (e.g. transport infrastructure, good governance);
- actual progress and potential for progress in the reform process (openness for reforms);
- relevance of sector/area under EU development policy objectives & Cotonou agreement;
- proven or potential comparative advantage of EC in the Sudan in 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:

#### 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	M	M
Reform Process -actual progress -potential progress	H H	M M	L M	H H	M 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) -proven 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	L	H	M	H	M	M
Potential for balanced su North and South	L	M	H	M	H	L	H	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 to all sectors/areas under these criteria, it has been possible to rank them 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 following principles apply to all sectors/areas of co-operation and guide the Response Strategy at large:

- Peace Building is the overarching goal of the Response Strategy.
- Good governance will be addressed at all levels and in all sectors of the Response Strategy both as a prerequisite for support and as an area of support in itself.
- Bearing in mind that poverty is largely a rural phenomenon in the Sudan, the natural focus of the Response Strategy would be at the local level. The Strategy would therefore ultimately aim at making a difference in rural Sudan, both North and South, by improving living conditions for the rural population, regardless of the sectors to which resources are allocated and the channels through which the funds flow.
- The Cotonou Agreement has emphasised the complementary roles and contributions of the State and non-state actors in the development process and the importance of ensuring the widest possible participation of all sectors of society. The purpose of extending partnership to non-state actors in the implementation of this CSP will hence be to contribute to peace building and development of a stable and democratic environment, to increase 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 EC's aid. Co-ordination will be active both in sector policy dialogue and around specific support actions.
- Gender equality should 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 should be explored throughout.

Based on these criteria and principles, a structured package of interventions under the 9<sup>th</sup> EDF in the Sudan at macro, sector and micro level has been identified. Percentage indications are based on a resource envelope of 135 M. Suggested sector allocations are indicative and mainly based on estimated needs and absorption capacities.

## 5.2 FOCAL SECTORS FOR CO-OPERATION

### 5.2.1 Food Security (40% of the overall envelope)

While poverty reduction and food security cannot be separated from the resolution of the current civil and ethnic conflict, improvements in households' livelihoods can act as an important inducement and catalyst to move the peace process forward. Even within the current political context, opportunities exist for embarking on a more concerted approach to reduce 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.

Therefore, both in anticipation of, and as an incentive towards progress in current peace initiatives, the EC will embark on a progressive and 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 as well as the restrictions imposed by the limited capacities of implementing partners, the non-existent civilian authority in parts of the country and non functioning of physical and institutional infrastructure.

The overall objective of the food security component of the CSP is to improve household level food security and reduce vulnerability to food security shocks throughout the country.

Four immediate objectives are identified: (a) improved producer and consumer access to markets, (b) increased incomes and purchasing power of the poor through the enhancement of sustainable livelihoods, (c) increased institutional and analytical capacity in key areas and (d) enhanced capacity to identify, respond and manage food security related crisis. In each case, there will be a need for an in-depth identification and preparation phase to more clearly define the parameters of any future EC intervention.

#### (a) Improving Market Access

There is broad agreement that the most immediate food security constraint facing the people of the Sudan is not inadequate availability of staple foods but rather inaccessibility to existing domestic supplies. Priority measure to support the normalisation of trade and to improve market access within the Sudan will include:

- The rehabilitation and improvement of feeder and rural roads;
- The expansion and improvement of crop storage infrastructure and techniques from farm/household to wholesale levels;

- The rehabilitation and expansion of road haulage capacity;
- The provision and effective dissemination of appropriate, timely and reliable market intelligence;
- The establishment of a conducive enabling environment to facilitate the trade and the movement of people, goods and services with the country.

Any policy of improving market access should be based on sound economic principles. In this context, it may not always be in the best interest of either producer or consumer to restrict access consideration to the domestic market. Producers in some parts of the country and in some years may receive high prices by exporting their surpluses while consumer may obtain commodities at a lower price from imported sources. The exploitation of opportunities for cross-border and regional trade should thus be considered as an integral component of any poverty reduction and food security strategy.

#### (b) Promoting Sustainable Livelihoods

Improved market access will directly impact on purchasing power by raising the incomes of net producer households and lowering the expenditures of net consumer households. However, lower food prices to consumers will not in itself be enough to bring about a sustained and significant reduction in the level of poverty and food insecurity in the Sudan. For this to be achieved there is a need for a concerted initiative to improve and enhance the livelihoods of the Sudanese people in a sustainable way. With more than 75 per cent of the population already relying on the rural economy for their livelihoods and the expectation that large numbers of IDPs will return to their rural homes following a return to peace, the focus of resource allocation must be on enhancing income generation activities in agriculture, livestock and off-farm rural activities.

Support to rural livelihoods will involve direct beneficiary participation in all project cycle stages. It will address specific concerns related to the environment, gender and conflict resolution. The specific needs of marginalized pastoralists and the role of environmental degradation in ethnic conflict will receive special consideration.

Recognising the important role of other actors, including the private sector, the EC's assistance under the CSP will focus on the following areas:

- Re-establishment productive assets bases of marginalized groups such as displaced agriculturalist and pastoralists;
- Re-dressing environmental degradation
- Mine clearing to enable access to arable and pasture lands;
- Rehabilitation of small-scale irrigation works;
- Provision of rural water for human and stock requirements.

#### (c) Capacity Building

One of the principal factors determining the pace at which improvements in poverty reduction and food security will be realised is the capacity of partners - ranging from policy makers through public service providers to grass roots NGOs and civil society - to implement development strategies and programmes.

There is an immediate need to enhance analytical capacity in support of policy reform and strategy definition in certain key areas including land tenure, public goods provision, food security, livestock development, agricultural marketing & trade and environmental conservation. The capacities of non-state implementing partners also need to be strengthened, particularly in areas of project cycle management from identification, through implementation to monitoring and evaluation. Essential structural analysis needs to be undertaken of key public service providers, in particular rural extension and research services, prior to any major investment to enhance capacities of these institutions.

#### (d) Crisis Management

While clearly a component of capacity building, there is a specific need to support the establishment of an effective and cost efficient crisis management capability within the country. Such a capacity would need to incorporate harvest early warning, conflict early warning, market information and vulnerability assessment functions and should be built around existing capacities and initiatives. The system could be linked to an appropriate national safety nets programme, strategic food reserve facility as well as other instruments but this would require careful study and analysis since EC experience from other Africa countries in the operation of strategic food reserves has not been very encouraging.

Additional elements are contained in Annex 2-3

#### 5.2.2 Education and Training (40% of the overall envelope)

Broad-based basic education plays a key role in strengthening human capabilities and reducing poverty in the Sudan. Correlatively, lack of education and a low-skilled workforce are identified as two of the structural factors causing constraints to 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, therefore, essential for conflict resolution and active participation in a democratic system. Education is identified as one of the priority intervention areas for the Commission's development policy in ACP countries.

The Sudan's education sector is in urgent need of reform and financial support to reverse the low and deteriorating levels of indicators and to attain the overall objectives established for the same. 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. Through a recent and comprehensive analysis of the basic education sub-sector<sup>2</sup>, major issues to be addressed in order to change the trends have been identified. It is recognised that such of education reform should be addressed before the support programme can become fully effective. Curriculum content, instruction language, education finance and basic teacher training constitute such policy areas. Problems in sector management and financing of basic and secondary education form an important part of the recommendations from the recent

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<sup>2</sup> Republic of Sudan, UNESCO, UNDP: Sudan Basic Education Sub-sector Study, Draft Report, March 2002.

National Conference on the Federal System (???) and indicate the Government's wish to make progress through central reform. Earlier attempts to launch national literacy campaigns were abolished mainly for financial reasons.

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 beyond selected localities. The Government wishes to see EC continue play an active role in the advancement of this key sector and contribute to the implementation of its new strategy.

In light of this, it is proposed that the education sector component of this CSP will support increased, gender-balanced and equitable access to higher quality basic education and expansion and improvement of secondary technical education as well as non-formal literacy and vocational training for adults and school drop-outs in line with the overall objectives identified for this sector. The programme for the sector should seek to integrate the universal Education For All goals. The support would be directed towards those geographical areas, in the North as well as in the South, where the needs for improvement are most pronounced. A better-educated population is then expected to result in higher standards of living and higher levels of social and economic development. It would further promote gender equality and advance the position of women and the girl child in areas where this has not already been achieved.

The EC's support to the sector will be provided in the form of project support and be targeted at federal/regional levels (sector policy and management issues, teacher training, adult literacy campaigns and provision of teaching materials), state level (as regards secondary technical education and vocational training), and locality level (for improvement of the physical environment of primary schools). 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. It is envisaged that initially a series of in-depth studies will have to be conducted in order to resolve important education policy issues, prior to commencement of implementation of activities on the ground.

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 will be properly coordinated with these important donors at policy as well as operational level and eventually lead towards a well integrated national sector programme.

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

Additional elements are contained in Annex 2-4.

## 5.3 CROSS CUTTING ISSUES OF CO-OPERATION

### 5.3.1 Support to the Peace Process and to Peace Building Initiatives

The Commission is an active member of the IPF Community, and in this capacity, is playing an effective role in the support of the IGAD led peace process. The Commission is also playing a significant role in the ongoing process of the IPF Working Group "Planning for Peace". Furthermore, since 1999 several specific projects have been implemented in support of the Peace Process, and of the EU/Sudan Political Dialogue. A typical example is the development of a vast national programme, implemented by the Sudanese civil society with a strong peace building dimension materialised by effective North/South cross line contacts. Another typical example is the support given to the IGAD led Peace Process through the Max Planck Institute, to reflect on the best constitutional arrangements for the Sudan. These are two dimensions of needed level of support, which have to remain complementary.

In the framework of the current Country Strategy, direct support to the Peace Process, as well as peace building activities will be intensified. In particular the outcome of the relevant grass roots studies implemented in the framework of the IPF Working Group "Planning for Peace" initiative, as well as the initiative in itself, will be considered. A structure will be developed and funded, to make sure that the central theme of the quest for peace is maintained and developed in all activities of the Indicative Programme.

### 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), and support to these areas within the framework of this CSP will be extended. In October/November 2001, the EC funded a consultancy in order to identify possible areas for support in Human Rights in the Sudan and to prepare a comprehensive EC strategy.

The EC support to Human Rights, Democratisation, Rule of Law and Good Governance will include Government of the Sudan and Non Government controlled areas and could cover five components: 1) to strengthen the capacity-building of the civil society (local NGOs, lawyers, Human Rights activists,...); 2) to improve the judiciary system; 3) to enhance democratic rules within political parties; 4) to promote freedom of expression and freedom of the press; 5) actions related to Good Governance, including issues related to country's resources.

### 5.3.3 Strengthening of the Civil Society and Involvement of Non State Actors

In February 2002, the Government of the Sudan requested that consultations with Non State Actors be initiated in the framework of the Cotonou Agreement. The initial objectives were: 1) to identify a wide variety of Sudanese NSAs; 2) to disseminate information; 3) to search for appropriate ways to have NSAs 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, focussed on capacity

building and structuring of NSAs, and on actions to involve NSAs into the Cotonou process. The second study on NSAs, to start in August 2002, will serve as a basis for the formulation of detailed programmes related to NSAs.

#### 5.3.4 Reserve for Studies and for Specific Initiatives

In the context of the Sudan, it is indispensable to establish a fund for the implementation of various studies related to the areas covered by the Country Strategy. This is due to the complexity of those areas, and to promote a better understanding of what needs to be done. It is also necessary to have the possibilities to make funds available for specific initiatives, on an ad hoc basis. A mechanism for the implementation of this fund is to be established.

### 5.4 ALL ACP FUNDS

Provided that the issue of non-servicing Sudan's Euro 60 million debt to the European Investment Bank is resolved, support to 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.

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 like EBAS (support to improve business environment) and Pro-Invest (institutional empowerment and sector promotion), which are programmes accessible to all ACP countries, companies and institutions. Another possibility relates to the Centre for Development of Enterprises, which provides direct support for feasibility studies, market surveys, financial diagnosis, start-up assistance, etc. 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 9<sup>th</sup> EDF earmarks 1.3 billion Euro for regional co-operation, of which 223 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 regional co-operation arrangements, being the COMESA, IGAD, EAC and IOC. Through its membership of both COMESA and IGAD, the Sudan will have a potential beneficiary of this Regional Programme, sharing borders with six other COMESA members, of which four 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 RSP is in an advanced stage of preparation and has identified three focal areas being (i) regional economic integration, (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 to key intervention areas, such as peace building and food security, identified in this CSP.

## 5.6 ECHO

ECHO has been operating in the country since its inception in 1993. Initially, humanitarian assistance was provided mainly to Southern Sudan from bases in Nairobi and Lokichoggio. An ECHO office was opened in Khartoum in 1999, improving the coverage of needs in Northern Sudan. The consequences of the protracted conflict, worsened by recurring droughts and floods as well as widespread diseases, have led to chronic humanitarian crises in the Sudan. The permanent field presence has allowed the continuous monitoring of this situation and thus enabled ECHO to react speedily to emergency situations. Its main objective has been to prevent further deterioration of the situation of the most vulnerable segments of the population, in particular the Internally Displaced Persons (IDP). Health, nutrition, water and sanitation, emergency preparedness and response and food security have been identified as the most important sectors of intervention. However, due to regional differences, the main sectors funded in the North are health and nutrition, while projects in the South focus on food security and health. ECHO is guided by a policy of providing assistance in a non-discriminatory manner based solely on the needs of people in distress.

Since 1994, ECHO has funded relief projects for more than 175 million Euro in the Sudan. In 2002 alone, ECHO's projected budget totals 17 million Euro, of which 63% has been earmarked for the South and 31% for the North. 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 the most critical situations in relation to other parts of the country.

Humanitarian operations in the Sudan remain impeded by many problems, above all the continuous military activities, which are causing further population displacements and a deterioration of the security situation. Other constraints include the denial of access to areas of humanitarian crisis and restrictive administrative procedures for aid workers. Furthermore, poor infrastructure and seasonal climatic influences (seasonal rains) often obstruct the timely delivery of assistance.

The future challenge of humanitarian assistance in the Sudan will be linking relief with rehabilitation and development. The resumption of traditional development cooperation with the Sudan would provide an opportunity for close co-operation with other EC programmes in this respect. This would allow ECHO to focus on its core mandate of providing immediate assistance where mid- and long-term projects are not possible.

## 5.7 COMMISSION BUDGET LINES

Since the Commission suspended its development assistance in 1990, humanitarian assistance has been provided on budgetary funds with the exception of the programme "Humanitarian Plus". In particular, the most important following Commission's instruments have been used: Food Security budget lines, ECHO, Co-funding with NGOs, European Initiative for Democracy and Human Rights, Programme on Tropical Forests. Partners have mostly been INGOs and UN agencies.

It is necessary to continue to implement as much as possible these budget lines in the Sudan, and to ensure a proper coordination between them so as to have a coherent programme in line with the response strategy to be implemented at a later stage.

In the past 3 years, the Commission has developed a coherent programme, based on budget lines. This programme has paved the way for implementing a National Indicative programme. Close coordination and complementarity must be ensured.

## 5.8 CONSULTATION PROCESS

In January 2002, as a measure agreed in December 2001 in the framework of the EU/Sudan Political Dialogue, the Commission notified its allocation under Cotonou 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's 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 may have a negative impact on the implementation of the provisions of the Cotonou Agreement and the absorption of funds.

Since then, emphasis has been put to re-establish 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 has also been started to bring in Non-State Actors to play their role as established in the Cotonou Agreement; in May 2002, the Government of the Sudan has requested this process be continued, and that a specific capacity building programme be immediately prepared and funded with remaining Lome 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 in the framework of Article 8 of the Cotonou Agreement.

## 5.9 COMPLEMENTARITY BETWEEN DEVELOPMENT PARTNERS.

Due to the political situation none of the EU Member States are implementing development programmes of any significance. The emphasis has been and still is on humanitarian assistance (running at some Euro 250 million p.a.) 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. The UN agencies have continued their development support in government controlled areas, while USA is providing substantial development funding for non-government controlled areas in the South. 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 in place for coordinating development assistance between the Government and the donors at large. Nor is there any effective mechanism in place for coordination 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 cooperation relations to 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 coordination mechanisms to avoid overlap and duplication and ensure that support programmes follow consistent policies. Government ownership of donor coordination mechanisms will be an important feature and may require provision of technical and institutional support in its development phase. Separate coordination arrangements will be needed for assistance in the non-government controlled areas and pose a particular challenge to the donor community.

# PART B

## INDICATIVE PROGRAMME

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# CHAPTER 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 modified in the context of operational, performance or ad hoc reviews.

## 6.2. Financing Instruments

The implementation of the cooperation 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. 9<sup>th</sup> 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	€ 52 million, corresponding to 40% of the total
Education and Training	€ 52 million, corresponding to 40% of the total
Other programmes	€ 27 million, corresponding to 20% of the total
of which support to non state actors' initiatives € 13.5 million.	

Balances remaining from previous EDFs 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 funds will be used for projects and programmes in line with the priorities set out in this Indicative Programme.

**6.2.2. 9<sup>th</sup> 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 affects of instability in export earnings.

**6.2.3. Investment Facility:** Apart from the above-mentioned financial instruments, of which the A-envelope is the main programmable basis for the Indicative Programme, the 9<sup>th</sup> EDF includes also the "Investment Facility" as a financing instrument managed by the European Investment Bank. The Investment Facility does not form part of the Indicative Programme.

## 6.2.4. 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

# ANNEXES

## 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

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 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 it is not clear how it would interact with the constitutionally defined States and Localities. Moreover, the organisation has hardly received any releases of funds from the Federal Government budget to carry out its activities.

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 (not 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 is 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 transfers 60% (previously 65%) of the collections to the Federal Ministry of Finance and National Economy (MOFNE), while 40% (35% in 2001) 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/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 onwards. At the same time revenue from non-oil sources dropped by about 13%, indicating that some 20-25% of the oil revenue was transformed in reduction of the tax burden, while 75-80% of the oil revenue has been converted into expanded expenditure programmes. Some of the expenditure expenditures 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 of 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, if measured on an accrual basis.

Actual expenditure information by sector is not readily available due to deficiencies in the accounts classifications 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 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 defence, security (incl. customs) and police, whereas 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 mill. by end of 2002 (this follows near depletion of the reserves during 2001, where low net income from oil, livestock export ban to the Middle East and low commodity prices brought reserves down from USD 120 mill to 20 mill).
- Service of IMF debt will be USD 2 mill per month (as opposed to 5.5 mill 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 goes below 20 USD/bbl)
- A medium-term (3 year) budget frame will be developed.
- A review of the many tax exemptions will be made.
- 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:

In 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 [etc. ....]

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 is 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 Government<sup>1</sup> 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.

Federal budget data indicate that recurrent transfers increased from SD 4.8 bill 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 from mid-year 2000, the abolition of agricultural taxes taking effect in 2001 (both being considered as states' own revenue

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<sup>1</sup> Data was obtained from the MFNE on the aggregate revenue and expenditures of the 16 Northern States. data was also included for Eastern Equatoria, but its significance is uncertain considering the control of most of the state territory 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.

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 interesting that recurrent, central allocations pre capita to South Sudan are at approximately the same level as to North Sudan, in spite of the most of the South being 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) the Localities 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.

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 a skeleton of such service based on their own revenue sources. Information on transfers from the Federal Government or the States to the Localities could not be obtained (so far). Anecdotal evidence suggests that a large proportion of school teachers and primary health workers are paid only by direct community contributions and that there is little difference in expenditure financing at this level between North and South.

**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
	<i>1000</i>	<i>SD billion</i>				<i>SD per capita</i>			
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
<b>Sub-Total North Sudar</b>	<b>26,797.0</b>	<b>21.3</b>	<b>16.1</b>	<b>5.9</b>	<b>43.3</b>	<b>795</b>	<b>601</b>	<b>220</b>	<b>1,616</b>
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				
<b>Sub-Total South Sudar</b>	<b>5,116.0</b>	<b>7.8</b>	<b>0.0</b>	<b>0.2</b>	<b>8.0</b>	<b>1,525</b>	<b>0</b>	<b>39</b>	<b>1,564</b>
<b>Total</b>	<b>31,913</b>	<b>29.1</b>	<b>16.1</b>	<b>6.1</b>	<b>51.3</b>				<b>1,607</b>

## The Oil Sector<sup>1</sup>

### Exploration:

Petroleum exploration in Sudan began in the early 1960es. The activity was originally concentrated off-shore in the Red Sea. The only significant offshore discovery was Chevron's Suakin gas field in 1976. Chevron's exploration in the 1960es and 1970es led to several oil finds in Southern Sudan near the towns of Bentiu and Malakal. Chevron abandoned its concessions in Sudan in 1983, due to their locations 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 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&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 Northwest 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.

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<sup>1</sup> 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 30<sup>th</sup> May 2002 and (vi) foreign trade statistics 2001 from Bank of Sudan.

The domestic market for petroleum products is also developing rapidly. The economic growth, associated boom in importation of motor vehicles (up 17% from 2000 to 2001) and use of electricity, combined with the reduced petroleum product prices<sup>3</sup>, 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, presently under construction near Khartoum, will go into operation.

### International Trade:

Export statistics for 2001 show that 73% of petroleum exports went to China, while 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 claimed 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 export 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 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. Sudan has in 2001 started export of small quantities to neighbouring countries (Kenya and Ethiopia) and is reported to be considering export 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 of 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 producing fields are relatively small and exploitation of potential fields elsewhere is obstructed by the war.

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<sup>3</sup> 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 of the previous price.

## 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 (30%), Arakis (25% and field operator) and Sudapet (5%)<sup>2</sup>. 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 for carrying 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, whereas the El Obeid facility has 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.

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<sup>2</sup> 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.

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
<b>Government budget revenue</b>					
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 on 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

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Source: IMF June 2000

### Opportunities and Challenges:

Development of the oil resources has been highly controversial. Various international human rights organizations 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 oil field 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. 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 would 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 presently 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.

## Food Security

### 1 The current state of food security in the Sudan:

#### 1.1 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 staples 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, the wetlands of the south and along the Red Sea coast.

The FAO/WFP Crop Assessment Mission for the 2001 growing season forecasts a 38 per cent increase in domestic cereal production to 4.8 million tonnes, which is 9 per cent 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, which is equivalent to almost one fifth of annual human food needs.

#### 1.2 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.

#### 1.3 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 IDP in and around garrison towns and other secure areas.

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 increased population and livestock pressures on already fragile ecological and cultural environments and has resulted in 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 IDP in other parts of the country. Results from UNICEF's 2000 Multiple Indicator Cluster Survey of the 6 southern states (Bahr el Ghazal, Upper Nile, Lakes, Jonglei, Western Equatoria and Eastern Equatoria), for example, indicated that more than half the households were totally 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, the FAO/WFP Crop Assessment Mission estimates that some 2 million people in Unity, Bahr el Ghazal, Equatorial, 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..

## **2 Food security constraints:**

The principle underlying cause for food insecurity in the Sudan is the protracted civil conflict which has engaged the predominately Christian and English speaking south against the predominately Muslim and Arabic speaking north. 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 agricultural support services such as extension and research.

Sudan's isolation from the international community has led to a drying up of private foreign investment as well as donor development assistance.

### **3 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 realise 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 indication of the gradual encroachment of desertification in the north west, the country possess a divers 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 per cent of Sudan's 84 million hectares of arable land is presently cultivated. While there exists considerable potential for the expansion of arable land, significant opportunities exist to raise productivity levels in existing smallholder and large-scale cultivated areas which have suffered from low input utilisation, poor management and inadequate capital investment.

A similar situation exists in irrigated areas: Although there remains considerable potential to expanding irrigated areas both from Nile and ground water resources (at present the Sudan utilises about 60 per cent of it 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 to amount to 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. Livestock trading bans have had a major impact on export trade although limited live exports have resumed to the Middle East.

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

#### **4 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.

As part of its endeavour to support food security in the Sudan, the EC establish a Food Security Unit (FSU) in Khartoum in 2000. The FSU has a mandate to develop and support food security initiatives which emphasis sustainability and capacity building over the whole country. The expected results of this initiative are; (a) to enhance the implementation capacity of EC funded programmes through European NGOs, (b) to strengthen and coordinate humanitarian activities and (c) to progressive 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, 3 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.

#### **5 Food security policy environment:**

##### **5.1 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 by the EC 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 crises 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.

## 5.2 The Government of the Sudan

The Government of the Sudan is in the process of preparing a Poverty Reduction Strategy Paper (PRSP), a first draft of which is scheduled for release at the end of July 2002. A 25 member National Council under the chairmanship of the Ministry of Finance was established to oversee the preparation of the PRSP. The National Council is supported by National Technical Steering Committee and 4 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 involved 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.

Food security and rural development has been identified as 1 of 6 priority sectors within the PRSP. A preliminary version of the food security and rural development component has been drafted in Arabic and a translated version is expected to be available within the coming weeks (need for follow-up). Pending the release of the draft food security and rural development component of the PRSP, 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 GoS has undertaken a number of structural reforms notably in the area of revenue collection which have a direct bearing on food security, these include the abolition of: the Agricultural Tax on crop production, the inter-state commodity trade tax and the 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 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 cases, 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.

### 5.3 The SPLM

In southern Sudan, the SPLM principle development policy is set out in a booklet entitled "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 in the document 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.

## 6 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:

### 6.1 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.

### 6.2 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 has 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.

### 6.3 Ethnic conflict

Increasing pressure on available natural resources has been a major factor in increasing ethnic conflict within the country. **Measure 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.

#### **6.4 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.

## 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 hampered the basic 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 percent) 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 1.2% 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 three to 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 other elements of basic education, as defined by the 1990 Jomtien global conference on education for all, into its curricula have been frustrated.

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 percent in 1998 with girls being in the majority with 55 percent 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 percent 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 percent (50 percent male and 47 percent female), indicating that at least half the primary school-age population of northern Sudan is not in school. MICS 2000 data indicate wide geographical disparities as the figure below shows 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.

Retention rates are low. The EFA 2000 survey indicates that retention rates are such that only half of those who enrol 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 number and level of trained teachers, lack of learning materials and of clean and healthy learning environments. Whereas in 1990/91 90 percent of teachers had adequate training, this had fallen to 60 percent in 1998/99 (with only 40 percent in south Sudan). Trained teachers are leaving the profession 'en masse' due to the low and irregularly paid salaries. HIV/AIDS prevention is presently not dealt with in schools, nor 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, less than 40 percent of its one million primary school-age children are actually enrolled in school and, of these, only 26 percent 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, where school enrolment is 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 is destroyed by war and the existing infrastructure is poor. The average number of pupils per teacher is about 50% higher than in the rest of Sudan. Around 45 percent of schools function in the open under a tree,

45 percent are housed in structures made of local materials, while only 10 percent are large schools located in buildings.

Roughly half of the country's primary school teaching force (120,000) have 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 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. The consequence is again that the rural poor are the ones to suffer.

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 various stages of education and linking this to the changing labour market requirements, the Government has further expressed the policy target of enrolling 67% of the primary school leavers in secondary school.

The percentage of technical to academic secondary education was 12.8 percent in 1984/85 and, although more recent data are not available, the situation does not seem to have changed much since then. Unlike basic education, there are more female than male students in both higher and university education. However it should be noted that these female students are most probably from a narrow more affluent socio-economic strata. Government's policy on secondary education stresses access to all that have completed basic education successfully with technical education being given high importance (60 percent) in the planned syllabi 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 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. Also 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.

Emigration of skilled Sudanese constitutes a braindrain 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 peninsular. 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 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 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 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 they never get the opportunity to attend or complete a basic education.

### Adult Literacy:

The 1993 national census put literacy rates for those over 15 at 53 percent of the population in the northern states. The MICS estimates this to be 49.9 percent in northern Sudan (EFA 2000 indicates a rate of 57.2 percent), 38.4 percent in rural, 66 percent 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 percent 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. 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 increasing.

### 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 and financing is now under the responsibility of the mahalya (locality). At federal level hardly any funds are spent on basic education. Mahalyas are responsible for all aspects of basic education. The states are responsible for post-basic education only and do not offer education subsidies to the mahalyas. 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 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 of average for the Least Developed Countries.

While there is an enormous need for upgrading of teachers, and education of additional ones, 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 teacher 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 reflect 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 town under government control, and English has traditionally been the language of instruction. The past has seen various policies on language for education, dividing instruction in 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. A resolution to 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 lacking 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. Finally, the sensitive question of teaching languages must be effectively addressed in order to make progress on a global scale.

The Government's Ten-Year Action Programme 2001-2010 that objectives in the area of human resource development 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.

## 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 recognized 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 in the Sudan.

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 policy making and programming but also to ensure ownership and sustainability

### The NSA Process development (Phase I)

The study 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 Agreement<sup>1</sup> (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 4 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 coordinating 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 Strategy Program* and an initial debate on this subject.

<sup>1</sup> 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 was perceived by NSAs as positive developments and signs of commitment and raised important expectations of future EC involvement with NSAs.

### 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 – Govt</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"> <li>➤ 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.</li> <li>➤ To support specific workshops on the programming exercise.</li> </ul>
<i>NSAs Co-ordination</i>	<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"> <li>➤ To support financially the coordinating committees for a six-months period</li> </ul>
<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"> <li>➤ To identify and design, in a participatory manner, a NSA capacity building program.</li> </ul>
<i>Decentralisation to the local level</i>	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"> <li>➤ To support strategic NSAs workshops at local level on Cotonou (particularly in the South, both GoS and non GoS controlled areas).</li> <li>➤ To facilitate flows of information on the Cotonou Agreement (especially by using the Press and Non State Actors networks)</li> <li>➤ To support further identification of NSAs especially in areas of the South not covered by the survey)</li> </ul>
<i>Joint initiatives</i>	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"> <li>➤ To support joint NSAs workshop in a neutral country on a specific area of mutual concern.</li> </ul>

## Further developments are needed (phase II)

The Government has requested a second phase. Those 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 Paper for NSAs in the Sudan, in close consultation with NSAs themselves.

To prepare the NSAs component of the Country Strategy Program 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 <sup>(1)</sup>**

	Survey Average North	Urban North	Rural North	Urban South	Khartoum State	State, worst affected	Av. Sub-Saharan Africa <sup>2</sup>	Av. Low Income Countries
<b>Education</b>								
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, grade I entrants not reaching grade 5	30%	18%	39%	4%	16%	95% S.Darfur		
<b>Health</b>								
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					
<b>Water and sanitation</b>								
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		

<sup>1</sup> 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.

<sup>2</sup> Averages for Sub-Saharan Africa and Low Income Countries obtained from World Bank.

## Donor Matrix

Due to political and arrears problems, many donors like 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 decrease in development aid from \$41 per capita in 1982 to \$29 in 1990 and \$6 in 1995 illustrated this change.

The suspension of aid for political reasons resulted in greatly diminished aid inflow, which prohibited the Government in servicing loans from other institutions. The latter institutions then had to stop lending due to accumulating arrears on earlier loans.

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 may have amounted to some USD 70 million p.a.

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 commenced 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 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.

The attached table indicates the likely investment programme for the coming five years, assuming that the political situation as regards external relations do not change significantly. The table therefore shows only projects, which are ongoing, for which funding has already been pledged, or which are funded on a annual budgetary basis (Government and donors) assuming that current levels and sector allocations remain. Investments financed by USA and some EU Member States refer to non-government controlled areas in the South.

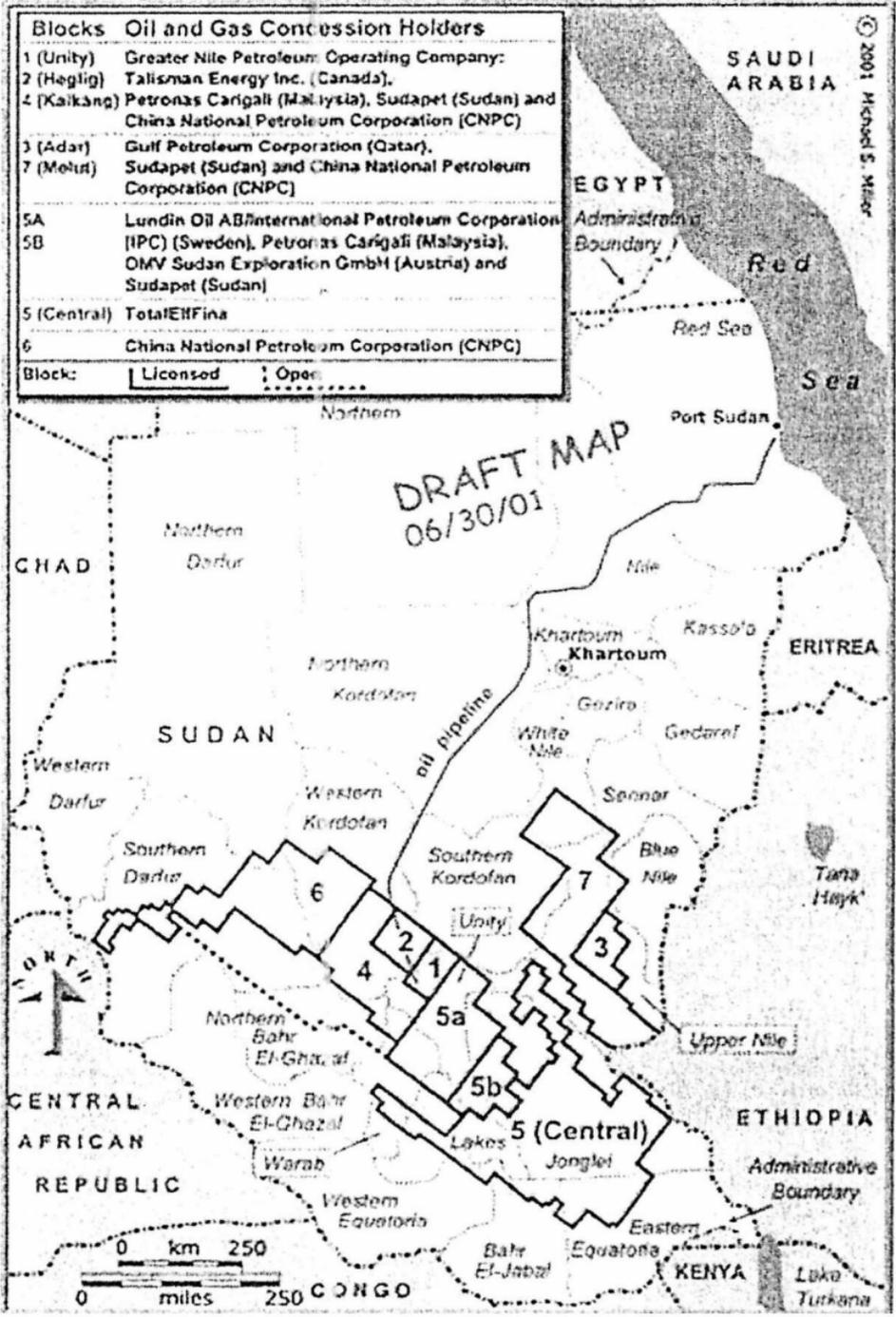
**Annex 3 DONOR MATRIX**  
**(Indicative national investment programme 2002-2007)**

<i>in million EUR</i>	Governance Peace Building	Food Security Agriculture	Minerals Energy	Industry Trade	Transport Communic	Water Sanitation	Education Training	Health AIDS Population	<b>ALL SECTORS</b>
Government		500	360	220	270	80	270	270	1970
Private Sector			1500						1500
European Commission		10				5		5	20
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
<b>ALL FINANCIERS</b>	<b>29</b>	<b>592</b>	<b>3360</b>	<b>223</b>	<b>414</b>	<b>101</b>	<b>300</b>	<b>281</b>	<b>5300</b>



Blocks	Oil and Gas Concession Holders
1 (Unity)	Greater Nile Petroleum Operating Company;
2 (Heglig)	Talisman Energy Inc. (Canada);
4 (Kaikang)	Petronas Carigali (Malaysia), Sudapet (Sudan) and China National Petroleum Corporation (CNPC)
3 (Adar)	Gulf Petroleum Corporation (Qatar);
7 (Mohit)	Sudapet (Sudan) and China National Petroleum Corporation (CNPC)
5A	Lundin Oil AB/International Petroleum Corporation
5B	(IPC) (Sweden), Petronas Carigali (Malaysia), OMV Sudan Exploration GmbH (Austria) and Sudapet (Sudan)
5 (Central)	Total/ENFina
6	China National Petroleum Corporation (CNPC)
Block:	<input type="checkbox"/> Licensed <input type="checkbox"/> Open

DRAFT MAP  
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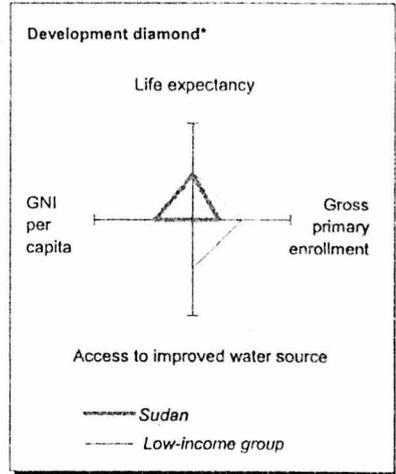


# Sudan at a glance

9/21/01

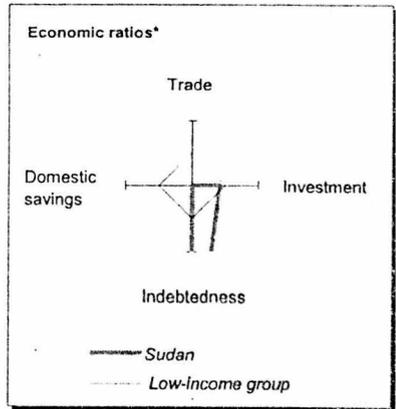
## POVERTY and SOCIAL

	Sudan	Sub-Saharan Africa	Low-income
<b>2000</b>			
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
<b>Average annual growth, 1994-00</b>			
Population (%)	2.1	2.6	1.9
Labor force (%)	3.0	2.6	2.4
<b>Most recent estimate (latest year available, 1994-00)</b>			
Poverty (% of population below national poverty line)	..	..	..
Urban population (% of total population)	36	34	32
Life expectancy at birth (year..)	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
Illiteracy (% 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



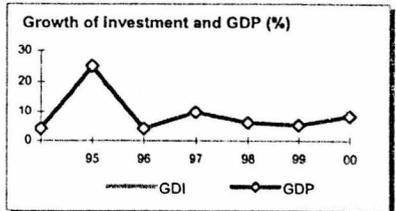
## KEY ECONOMIC RATIOS and LONG-TERM TRENDS

	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	
<b>(average annual growth)</b>	<b>1980-90</b>	<b>1990-00</b>	<b>1999</b>	<b>2000</b>	<b>2000-04</b>
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	..	..	..	..



## STRUCTURE of the ECONOMY

	1980	1990	1999	2000
<b>(% of GDP)</b>				
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	..	..	..
<b>(average annual growth)</b>	<b>1980-90</b>	<b>1990-00</b>	<b>1999</b>	<b>2000</b>
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	..	..	..

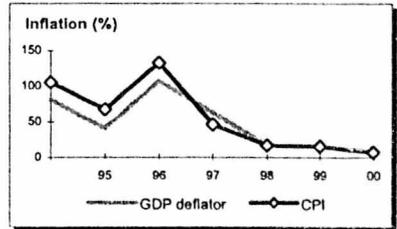


Note: 2000 data are preliminary estimates.

\* 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.

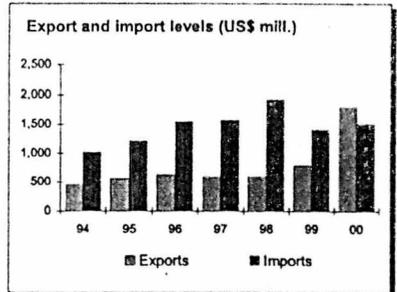
## PRICES and GOVERNMENT FINANCE

	1980	1990	1999	2000
<b>Domestic prices</b>				
(% change)				
Consumer prices	25.5	69.0	16.0	8.0
Implicit GDP deflator	22.0	62.4	16.0	8.0
<b>Government finance</b>				
(% 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



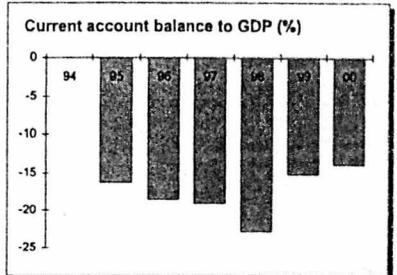
## TRADE

	1980	1990	1999	2000
<b>(US\$ millions)</b>				
Total exports (fob)	..	443	780	1,807
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



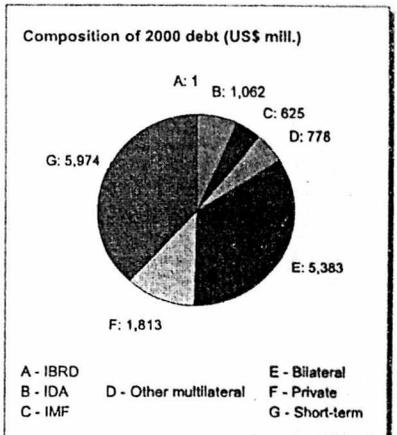
## BALANCE of PAYMENTS

	1980	1990	1999	2000
<b>(US\$ millions)</b>				
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	-784	-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	-52	-36	-90
<b>Memo:</b>				
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
<b>(US\$ millions)</b>				
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
<b>Composition of net resource flows</b>				
Official grants	388	433	..	..
Official creditors	520	171	-6	-4
Private creditors	138	0	0	0
Foreign direct investment	..	..	..	..
Portfolio equity	0	0	..	..
<b>World Bank program</b>				
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



**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 Contonou 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 modified in the context of operational, performance or ad hoc reviews.

### 6.2. Financing Instruments:-

The implementation of the cooperation 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. 9<sup>th</sup> EDF A-allocation E 135 million: This indicative allocation is destined to cover the long-term development activities identified in the context of the response strategy, namely:-

	<i>Focal Sector (1)</i>	13.5	
<i>Focal Sector (2)</i> ←	Food Security	E 52 million	corresponding to 40% of the total
	Education and Training	E 14.5 million	corresponding to 11% of the total
<i>non-focal sectors (1)</i>	Other programmes	E 27 million	corresponding to 20% of the total
<i>non-focal Sector (2)</i>	of which support to non state actors' initiatives	E 13.5 million	

Balances remaining from previous EDFs 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 funds will be used for projects and programmes in line with the priorities set out in this Indicative Programme.

6.2.3. Investment Facility: Apart from the above-mentioned financial instruments, of which the A-envelope is the main programmable basis for the Indicative Programme, the 9<sup>th</sup> EDF includes also the "Investment Facility" as a financing instrument managed by the European Investment Bank. The Investment Facility does not form part of the Indicative Programme.

6.2.4. 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 foreseen 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:-

#### Food Security:-

EC support to the sector will aim at reducing poverty by address the causes of structural and temporal 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 place on improving market access, promoting sustainable rural livelihoods, enhancing capacities of implementing partners and improving crisis management capabilities.

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. With regards to the preparation of the PRSP, a rigorous and transparent stakeholder consultation process in urgently needed.

#### Education:

EC support to the sector will aim at increasing gender-balanced, equitable access to higher quality basic education for the primary school age population in the Sudan. Expansion and at improvement of secondary technical education as well as non-formal literacy and vocational training for adults and school drop-outs.

For indicative purposes, approximately E52 million shall 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 foreseen as a precursor to implementation of programmes in this sector.

The Government is expected to implement reform of education sector management and policy. 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 on an adequate, regular and timely basis.

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

### 6.4. Macroeconomic support:-

The Indicative Programme does not foresee macroeconomic support. However, in the light of current needs, it may be decided to reallocate funds from other headings in the Indicative Programme to this type of support. Such a decision may be taken through a specific agreement between the Chief Authorizing Officer and the National Authorizing Officer or in the context of an operational, performance or ad hoc review.

#### 6.5. Other Programmes:-

An indicative amount of E27 million has been reserved for interventions related to the following cross-cutting issues:-

- The Peace Process and Peace Building Initiative;
- Human Rights, Democratisation, Rule of Law and Good Governance;
- 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 foreseen that at least half of the allocation for Other Programmes will be channeled through or be 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. A Civil Society and Governance Co-ordinator in the EC Delegation will coordinate the programming and implementation.

#### 6.6. Intervention Framework:-

Refer to Annex 1 tables 1.a, 1.b and 1.c (to be completed later)

#### 6.7. Indicative timetable for commitments and disbursements:-

Refer to annex 1, table 1.e and 1.f (to be completed later)

#### 6.8. Chronogramme of activities:-

Refer to Annex 1, table 1.c (to be completed later)

**PART C**

**ANNEXES**

## PART C: ANNEXES

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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 .....

For the Commission

# PART A

## CO-OPERATION STRATEGY

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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 foreseen 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

#### ► Food Security

EC support to the sector will aim at reducing poverty by address the causes of structural and temporal 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 place on improving market access, promoting sustainable rural livelihoods, enhancing capacities of implementing partners and improving crisis management capabilities.

For indicative purposes, approximately €52 million shall be reserved for this sector, to be provided in the form of conventional project support. Additional support from the food security budget line will compliment EDF resources. An important component of the programme will be directed through non-state actors.

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. With regards to the preparation of the PRSP, a rigorous and transparent stakeholder consultation process is urgently needed.

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

#### ► Education

EC support to the sector will aim at increasing gender-balanced, equitable access to higher quality basic education for the primary school age population in the Sudan. Expansion and improvement of secondary technical education as well as non-formal literacy and vocational training for adults and school drop-outs.

For indicative purposes, approximately € 52 million shall 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 foreseen as a precursor to implementation of programmes in this sector.

The Government is expected to implement reform of education sector management and policy. EC support will not be directed towards recurrent personnel remuneration. The Government will therefore ensure that local tax revenues and transfers from higher levels to localities are sufficient to pay teacher salaries on an adequate, regular and timely basis.

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

#### **6.4. Macroeconomic support**

The Indicative Programme does not foresee macroeconomic support. However, in the light of current needs, it may be decided to reallocate funds from other headings in the Indicative Programme to this type of support. Such a decision may be taken through a specific agreement between the Chief Authorising Officer and the National Authorising Officer or in the context of an operational, performance or ad hoc review.

#### **6.5. Other programmes**

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

- The Peace Process and Peace Building Initiatives;
- Human Rights, Democratisation, Rule of Law and Good Governance;
- 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 foreseen that at least half of the allocation for Other Programmes will be channeled through or be 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. A Civil Society and Governance Co-ordinator in the EC Delegation will coordinate the programming and implementation.

#### **6.6. Intervention Framework**

Refer to Annex 1 tables 1.a, 1.b and 1.c. [to be completed later]

#### **6.7. Indicative timetable for commitments and disbursements**

Refer to annex 1, table 1.e and 1.f. [to be completed later]

#### **6.8. Chronogramme of activities**

Refer to Annex 1, table 1.c. [to be completed later]

PART C

ANNEXES

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