

 **JAM SUDAN** 
Joint Assessment Mission البعثة المشتركة لتحديد إحتياجات السودان

VOLUME I

SYNTHESIS

**FRAMEWORK FOR SUSTAINED PEACE, DEVELOPMENT
AND POVERTY ERADICATION**

MARCH 18, 2005

Foreword

Sudan stands at an historic moment. After decades of civil war, which wrought enormous costs for the people of Sudan, particularly people of Southern Sudan and other war affected areas, the Comprehensive Peace Agreement (CPA) represents a unique opportunity for the Sudanese people to take charge of their own future, break the circle of conflict, and embark on a journey of peace and prosperity. It is an opportunity that we must seize to address the root causes of violent conflict and to ensure a prosperous future for the Sudanese generations.

Building on the peace agreement, we are proud to jointly present this “Framework for Sustained Peace, Development and Poverty Eradication”. It is an ambitious but realistic plan that has been developed jointly with development partners and civil society to address the urgent task of meeting the basic aspirations of our people and accelerating progress towards meeting the Millennium Development Goals. It is founded on a clear recognition of the very different needs in different parts of the country, and especially the massive needs of the people of the South, and the Three Areas, while not neglecting other disadvantaged parts of the country. Despite the differences, there are common themes, which include the focus on broad-based and inclusive economic growth, and empowerment of the people through a decentralized system of governance and service delivery. It is also a strategy and vision that will give the unity of Sudan a chance during the Interim Period by making it attractive and through a reformed and fully developed system of governance in which all Sudanese are equal stakeholders.

We look forward to working closely with our development partners and civil society, in a partnership that supports the recovery, reconciliation, prosperity and restoration of the Sudanese dignity as well as upholding fundamental and basic human rights and good governance. In this way the international community will enable the Government of National Unity and the Government of Southern Sudan to realize and sustain peace dividends, building confidence and trust among all people of Sudan.

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First Vice-President of the Government
of the Republic of the Sudan

Dr. John Garang de Mabior
Chairman of the Sudan People's Liberation
Movement (SPLM)

Acknowledgements

The Sudan Joint Assessment Mission (JAM) was carried out jointly by the World Bank and the United Nations, with the full endorsement, guidance and participation of the Government of Sudan (GOS) and the Sudan People's Liberation Movement (SPLM).

This report has been prepared under the overall guidance of Yahia Babiker (GOS) and Pa'gan Amum (SPLM), and the Special Representative of the Secretary-General for Sudan, Jan Pronk, and the World Bank Country Director, Ishac Diwan. There was direct participation and engagement on the part of 17 UN agencies, 10 bilateral donors, 7 multilateral organisations, and numerous other Sudanese and international stakeholders through a wide-ranging consultation process.

It is the result of a year-long detailed assessment of recovery and development needs. Through a joint process with Sudanese counterparts, the JAM has looked at eight thematic areas (institutional development; rule of law; economic policy; productive sectors; basic social services; infrastructure; livelihoods and social protection; and information and media), several cross-cutting issues (environment; HIV/Aids; conflict; human rights; and gender), with a specific focus on the Three Areas. The JAM would like to extend sincere thanks and appreciation to all of those who participated in the Needs Assessment process for their dedication and hard work that has now resulted in this synthesis and accompanying volumes.

The team responsible for this report was led by Taj ELSir Mahjoub (GOS), Kosti Manibe (SPLM), Jeni Klugman (WB), and Jon Bennett (UN), and other members of the JAM drafting team including Amin Hassan, EIFatih Siddig, F. L. Hanafi, and Galal H. Attabani (GOS) and Lual Deng, Luka Biong Deng and Jamal Zayid (SPLM). The core international team comprised Peter Miovic, Deepak Sanan, Kazuki Itaya, Asbjorn Wee, Susan Tilson, Emily Gosse, Caterina Ruggeri-Laderchi, Lisa Campeau and Maude Svensson on the World Bank side, and for the UN, Mohammad Pournik, Domenico Polloni, Sigrid Kaag, Rajeev Pillay, Ruth Kibiti, Karin Wermester, Shani Harris, Florence Lado, Reem Hadra, Mahmoud Amer, Don Davis, Pauline Malok, Jackson Ajou, Grace Okonji and Jalal Abdel-Latif.

The structures established for the JAM on the GOS side were a Core Team, a Higher Committee at the Ministerial level, overseen by the Council of Ministers headed by the First Vice President. The SPLM Core JAM team worked under the guidance of the SPLM National Team and under the oversight of the Leadership Council.

Many participated and contributed to the making of this report, too many to mention by name here, but we would like to thank Fridtjov Thorkildsen, who chaired the Core Coordination Group (CCG), and the Intergovernmental Authority on Development (IGAD) Secretariat for their continued support. We are grateful for the co-operation of the many partners who participated in the missions and programme work, and appreciate the significant financial support of Norway, the United States, the United Kingdom, the European Union, Germany, The Netherlands, and Sweden, which enabled field work, training and capacity building.

Finally, the JAM team would like to express gratitude to all who participated in the Sudan JAM stakeholder consultations, the Poverty Eradication Strategy workshop, and various retreats. The great enthusiasm that has been shown by all participating in this assessment process over the past year, and the endorsement of the product by those involved and the political leadership, has strengthened our belief that we have reached the beginning of a new era for the Sudan. Indeed, we are now moving ahead—with resolve—on the irreversible path to recovery and longer-term prosperity.

List of Abbreviations

CBS	Central Bureau of Statistics
CCG	Core Coordination Group
COMESA	Common Market of Eastern and Southern Africa
CPA	Comprehensive Peace Agreement
DDR	Disarmament, Demobilization, and Reintegration
EIA	Environmental Impact Assessment
FFAMC	Fiscal and Financial Allocation and Monitoring Commission
GAFTA	General Arab Free Trade Agreement
GOS	Government of Sudan
GOSS	Government of Southern Sudan
HIPC	Highly Indebted Poor Country
IDP	Internally Displaced Person
IFI	International Financial Institution
JAM	Joint Assessment Mission
JNTT	Joint National Transition Team
MDGs	Millennium Development Goals
MDTF	Multi-Donor Trust Fund
MEA	Multilateral Environment Agreements
NRDF	National Reconstruction and Development Fund
NSCSE	New Sudan Centre for Statistics and Evaluation
NG	National Government (Government of Sudan)
OLS	Operation Lifeline Sudan
OSA	Oil Savings Account
PGRB	Public Grievance and Restitution Boards
PSA	Power Sharing Agreement
PES	Poverty Eradication Strategy
PLWHA	People Living with HIV/AIDS
PRSP	Poverty Reduction Strategy Paper
SPLM/A	Sudan People's Liberation Movement/Army
SSRDF	Southern Sudan Reconstruction and Development Fund
VCT	Voluntary Counselling and Testing
WSA	Wealth Sharing Agreement
WTO	World Trade Organization

Disclaimer: This documentation was prepared on the basis of the Sudan Joint Assessment Mission, has been endorsed by the World Bank, UN and the Joint National Transition Team of the Sudan, and as such will be tabled at the Oslo conference. The eight Cluster Papers and Three Areas report in Volume III are unofficial documents and may present inconsistencies with Volume I, in which case the latter takes precedence.

JAM SUDAN **Joint Assessment Mission** البعثة المشتركة لتحديد إحتياجات السودان

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EXECUTIVE SUMMARY

1. The signing of the historic Comprehensive Peace Agreement (CPA) in January 2005 has opened an unprecedented window of opportunity to turn the devastation of years of war, displacement, and underdevelopment into a new era of peace and prosperity. Sudan's vast natural resource endowments and significant human capital offer enormous development potential. Now is the time to consolidate and broaden the partnership that has formed between the parties to the CPA, civil society, and the international community, in order to realize the vision of a unified Sudan that responds to the needs of its diverse people.

2. The Joint Assessment Mission (JAM) has led to a Framework for Sustained Peace, Development and Poverty Eradication, which will be supported by domestic efforts and resources, as well as development partners, in addressing underlying structural causes of conflict and underdevelopment in the Sudan. The process underpinning the Sudan JAM has in many ways been unique among post-conflict assessments, being characterized by strong ownership developed over the twelve months of engagement, and undertaken with extensive donor and civil society participation. The Framework focuses on key themes that are integral to consolidating the peace and facilitating broad-based human and economic development. Providing basic security and human rights protections, and ensuring the safe return and reintegration of the world's largest displaced population, will be fundamental preconditions to rebuilding social capital and putting the country on a solid footing for development. In parallel, implementation of the CPA requires sweeping reforms to governance, the creation of new institutions, and significant capacity building at all levels of government to allow for effective decentralization and equitable resource allocation. These will be important elements of a long-term resolution to the existing conflict in Darfur and simmering or potential conflicts in other parts of the country, to enable sustainable peace in Sudan.

3. Underlying the CPA and the proposed Framework is the recognition that large parts of Sudan are isolated and underdeveloped, with very minimal access to basic services and infrastructure; this is particularly the case in the South, war-affected areas of the North, West and East, and the Three Areas of Blue Nile, Southern Kordofan, and Abyei. Indeed, wide disparities have characterized the country historically, including along regional lines, between urban and rural areas, and by gender. These disparities suggest the need for targeted efforts, though the basic needs for peace and development are clearly applicable nationwide, as outlined in a joint concept note for a Poverty Eradication Strategy (PES).

4. The National Government (NG) faces several major challenges. Chief among these is improving governance and creating the decentralized governmental system envisioned in the CPA that allows for community-driven recovery and an important role for a vibrant civil society and independent media. In turn, more equitable distribution of the national wealth and public resources will enable state and local governments to fulfil their service delivery responsibilities, and lead to better education, healthcare, and water and sanitation access in underdeveloped regions. This requires an ongoing shift in prioritization of public spending toward programmes and investments that facilitate broad-based economic growth, including via increased traditional agricultural and livestock productivity along with support for private sector development. The NG has additional responsibilities related to guaranteeing the special status of, and enabling development in, the Three Areas. These goals will be pursued while maintaining macro-economic stability.

5. The Government of Southern Sudan (GOSS) has adopted a vision for equitable development and poverty eradication, but will start from a much lower level in terms of institutional capacity and socio-economic development. Key education and health indicators, such as child and maternal mortality and primary enrolment, are among the worst in the world. Infrastructure is virtually non-existent, with no paved roads outside the main urban centres, and a civil service and service delivery structures for service delivery must be created essentially from scratch. Millions of IDPs are expected to return to the South, compounding the challenges. The strategy is to promote rural development through a big push on basic infrastructure to support intraregional, North-South, and international trade linkages, and based around market towns, services to promote the productivity of agriculture, and expanded access to basic social services, especially education. Through the CPA the GOSS will have access to substantial domestically-

generated revenue, but additional resources will be needed to enable the realization of development objectives.

6. Several additional cross-cutting issues will be addressed throughout Sudan through a combination of policy and programmatic interventions. First, women shoulder enormous work burdens, and suffer from discrimination in economic and public spheres of life. Measures are included to promote the position of women including in education, governance and access to income earning opportunities – not only to meet the letter of the goals for poverty eradication and human development, but also to realize the spirit of the CPA, which is of a just society with access to opportunity for all. Second, actions to address environmental degradation and desertification have been integrated into programmes for economic recovery and capacity building. Third, the risk of worsening HIV/AIDS is being offset by the expansion of programmes to increase awareness and access to services. Finally, but not least, a conflict prevention lens has been integrated into the design of policies and programmes at all levels.

7. In the face of the enormity of needs in the wake of Africa's longest-running civil war, and the imperative of capitalizing on the momentum created by the CPA, the challenge facing the JAM was to jointly identify and prioritize key objectives that would make a tangible difference in the short term and provide the foundation for broad based prosperity. The technical and financial analysis revealed substantial external financing needs. This should be frontloaded to ensure a tangible peace dividend that consolidates the gains made by the parties to the CPA. The fiscal adjustments implied at the outset create substantial financing needs in the North, but these should steadily decrease as domestic pro-poor efforts intensify and the economy continues to expand. The strong domestic reallocation effort towards pro-poor spending should create the conditions necessary to attract in the future additional external support not costed in the JAM: for demobilisation, reconstruction of Darfur, and debt reduction. In the South, initial efforts are directed at rapidly building capacity and meeting basic needs as quickly as possible, and the need for external assistance remains significant through the end of the Interim Period, alongside substantial own financing.

Estimated JAM Needs and External Financing Gaps, Phase I (US \$ billions)

	Total JAM needs	Financing gap
Northern Sudan	4.3	1.2
of which Three Areas	0.7	
Southern Sudan	3.6	1.4
<i>Total</i>	<i>7.9</i>	<i>2.6</i>

Notes: For 2005, July-December only.

8. Certain significant financing costs needed to realize the peace are not included in the JAM analysis. These include the costs of mounting a large UN peace support mission; continued humanitarian relief; fully-fledged DDR programmes; and funds for arrears clearance and debt relief. The full costs of the infrastructure programme need to be assessed in light of detailed technical analysis. It is intended that as part of the framework for development assistance in the Sudan, with reporting on progress and updating on needs, that further assistance will be requested and forthcoming.

9. Looking ahead, the Poverty Eradication Strategy will be a critical underpinning to the further development of policies and programmes. Moreover, as Sudan scales up services and supports broad-based growth in its efforts to consolidate peace and achieve the Millennium Development Goals, monitoring and evaluation will be critical. The parties have committed to a monitoring framework for regular and transparent reporting on progress over time. More and better data, as well as qualitative information, are needed to track trends, monitor security issues and anti-corruption efforts, and highlight the need for any mid-course corrections. These mechanisms are needed to underpin governmental accountability and strengthen the partnership for Sudan's peaceful development.

I. INTRODUCTION

Sudan is at a critical juncture. The successful conclusion of peace negotiations reflected in the Comprehensive Peace Agreement (CPA) between the Government of Sudan (GOS) and the Sudan People's Liberation Movement (SPLM) after decades of conflict poses enormous challenges for the parties and their international partners. Sudan's civil war, the longest running in Africa, has had a devastating toll in terms of loss of human life, displacement, and destruction of infrastructure and social fabric.¹ Now the people's expectations for better lives are high and there is an historic opportunity to overcome the devastation of war and the neglect of human development in policies and programmes, and to address on this basis the potential for renewed tensions elsewhere. This opportunity comes with substantial domestically-generated oil revenues as well as the expectation of increased donor flows and international support.

This report represents the outcome of the Joint Assessment Mission (JAM) for Sudan, and presents the reconstruction and development requirements for the consolidation of peace, and for attaining broad-based growth, poverty reduction and sustained human development towards the Millennium Development Goals (MDGs), firmly grounded in the historic CPA. The period covered is the six year Interim Period, with a focus on the critical first two years (2005-07), and on the poorest and most disadvantaged parts of the country—in particular Southern Sudan, Southern Kordofan, Blue Nile and Abyei Area, and other zones seriously affected by decades of conflict and underdevelopment.

The scope of the JAM extends beyond an external financing request; rather, it aims to cover the constellation of needs for Sudan's post-conflict reconstruction and development. The JAM's output is therefore best seen as a "Framework for Sustained Peace, Development and Poverty Eradication," which will be supported by domestic efforts and resources, as well as development partners, in addressing underlying structural causes of conflict and underdevelopment.

The process underpinning the Sudan JAM has in many ways been unique among post-conflict assessments. It was conducted by the World Bank and the United Nations in strong partnership with teams from the GOS and the SPLM, and received substantial input from Sudanese civil society and international development partners. Running for nearly a year, in parallel to the peace process, the JAM lasted much longer than a typical rapid field assessment, and had a strong focus on capacity building. The activities were designed to complement and support the peace process through joint dialogue, including technical and policy training in several joint retreats. The Core Coordination Group (CCG), chaired by Norway, met regularly throughout the process and provided a vehicle for joint review of key policy and process issues.

The CPA signed on January 9, 2005 directly addresses the key causes of the conflict, and lays out the parties' vision and commitment to accelerating development. Key features of the CPA are summarized in Box 1. Supporting the people of Sudan in their efforts to fulfil the requirements for effective implementation of the CPA, and to consolidate and widen the circles of peace, has been a key objective of this assessment.

No effort should be spared in seizing the unprecedented opportunity offered by the CPA, since experiences in other countries have demonstrated the risks of underestimating the chance that conflict will resume; success will benefit not only the Sudanese, but will have ripple effects throughout the region. Implementation of the CPA should bridge the gap between the 'periphery' and 'centre' of decision-making

¹ The war's estimated death toll is more than 2 million. See U.S. Agency for International Development, "Sudan Complex Emergency Situation Report #1," Oct. 25, 2004.

through increased participation and empowerment, and respond to local demands and needs. Strong signals to this effect from the new national authorities are intended to generate several positive outcomes, including bringing the ongoing Darfur talks to a just resolution. For a 'win-win' outcome, concerted effort is required from both the Sudanese and their international partners, whose support will be vital in the peace support operation, transferring skills and knowledge, and assisting in financing recovery and development.

Box 1. Highlights of the Comprehensive Peace Agreement, January 9, 2005

The signing of the CPA by the GOS and the SPLM/A on January 9, 2005 successfully concluded the final phase of negotiations to address the issues of inclusiveness, identity, and access to resources that were among the most significant structural causes of the conflict. The CPA builds on years of discussion and prior agreements, including the Machakos Protocol (July 2002), which established the right of the people of Southern Sudan to control and govern affairs in their region and participate equitably in the national government.

The CPA represents a complex and detailed set of arrangements and actions, all of which cannot be summarized here, but key features include the following elements:

The **Power Sharing Agreement** provides for a largely autonomous government for Southern Sudan, as well as a share for Southern Sudan in the NG, with a view to making unity attractive to the Southern Sudanese population before it votes in six years on whether to remain unified with the North or to become independent. The Agreement provides the basis for broader participation in government and the civil service, the restructuring of critical national institutions (e.g. the judiciary), and a new national constitution. It also recognizes the right of the Sudanese to elect their representatives in free and fair mid-term elections at all levels of government, and emphasizes internationally-acknowledged human rights and freedoms, including a commitment to a bill of rights and basic freedoms of expression, religion and association.

The **Wealth Sharing Agreement** provides a framework for resource allocation and sustainable decentralization, establishing comparative underdevelopment and war-affected status as the key criteria for prioritization of public revenue allocations. The Agreement assigns a share of oil and non-oil revenue to the South, as well as the right to collect additional domestic revenue and external assistance, and the right to have its own banking system within the framework of the Central Bank of Sudan.

The **Security Protocol** outlines a collaborative approach to security issues by providing for two armed forces and joint integrated units that will become the nucleus of a future national army, enabling the parties to gradually downsize their forces and allowing the GOSS to mobilize resources for the SPLA.

The particular factors that precipitated conflict in **Abyei, Southern Kordofan and Blue Nile** (also referred to as the Three Areas) are recognised and special power and wealth sharing arrangements have been agreed upon. These include the establishment of State Land Commissions, special provisions on education and security, the right to solicit external resources, popular consultation rights for the local population, and a unique administrative status for Abyei, including a referendum on its final status within the North or the South.

The parties to the JAM jointly developed a Poverty Eradication Strategy concept note.² This commits the new national authorities to the following objectives and actions in the context of forging a sound recovery and development programme aimed at achieving the MDGs:

² Available at: <http://www.unsudanig.org/JAM/output/index.jsp?cid=workshop>.

1. Implementing the Comprehensive Peace Agreement;
2. Building a decentralized, multi-layered governance structure spanning the National Government (NG), Government of Southern Sudan (GOSS), state and appropriate local levels, that is characterized by transparency, accountability and equitable resource allocations;
3. Crafting relevant and flexible policies to ensure a stable macro-economic framework consistent with post-conflict challenges;
4. Implementing comprehensive capacity building and institutional strengthening programmes at all levels;
5. Creating an enabling environment for private sector promotion, with a special emphasis on rural development and small and medium enterprises, including access to credit on reasonable terms;
6. Empowering local communities, vulnerable groups, youth, women's and civil society organisations;
7. Managing natural resources in an environmentally-friendly and sound way;
8. Exerting maximum efforts to create and spread a culture of peace that creates stability and effectively minimizes the possibility of future conflict;
9. Promoting an accessible service delivery system compatible with achieving the MDGs; and
10. Creating a sound, simple monitoring and evaluation system to track progress in addressing poverty and tackling the MDG challenge.

The JAM undertook the technical analysis necessary to formulate and implement programmes based on these principles. In the immediate term, key practical necessities include security, reconciliation and peace building, meeting food security requirements and enabling the sustainable return of displaced persons. The parties to the JAM also recognize the central importance of reformulating government policies so as to realize a peace dividend and address the root causes of conflict. This should be done in an inclusive environment that ensures mobilization of all stakeholders and leads to social equality and justice for all Sudanese people. It requires the establishment of basic structures and institutions of participatory governance and respect for human rights. Access to land is an immediate issue, and in the medium term, marketing reforms are needed, alongside a reorientation of resources from the military towards investment in productive sectors, social services, and infrastructure, focused on disadvantaged parts of the country.

Sudan is a country with vast potential, but a fundamental break from decades of war poses enormous challenges. It is well understood that meeting these challenges requires policy and institutional reform, mobilization of local populations, and financial resources, coupled with external support. Political commitment is recognized as a fundamental precondition to implementation of the CPA and to redirecting national resources towards a pro-poor development strategy. Key constraints will be institutional – especially as related to capacity – and the need to quickly build trust at local and national levels. Concrete results are urgently needed in the short term, especially in war-affected and neglected areas of the country, without compromising the overarching objective of building a foundation for sustained broad-based development.

The total external financing needs of Sudan for the Interim Period will be large. Support will be critical at the outset to fill the gap between local capacity and resources, and the need to invest in social stability and the peaceful development of Sudan. Projections show that the size of the total external financing gap will increase steadily until 2009 and decrease thereafter, as the Sudanese authorities exert maximum efforts to reallocate resources. This means shifting expenditures towards pro-poor and development priorities as the amount budgeted for defence declines.

The structure of this Overview is as follows. Chapter II outlines the challenges, including the sources of conflict and performance relative to the MDGs. Chapter III highlights strategic objectives, policies and programmes for the Interim Period as related to

the NG and Northern states, the Three Areas, and the GOSS. The chapter draws on the findings of the JAM's eight thematic clusters – (i) capacity building and institutional development; (ii) governance and rule of law; (iii) economic policy; (iv) productive sectors; (v) basic social services; (vi) infrastructure; (vii) livelihoods and social protection; and (viii) information and statistics. These findings are complemented by focus on several cross-cutting themes, including gender, HIV/AIDS, conflict prevention, and the environment. **Chapter IV** outlines gross financing estimates, and presents expected domestic contributions to derive net requirements. **Chapter V** explains the commitments and arrangements for monitoring progress, and **Chapter VI** lays out the agreed summary monitoring framework, intended for use by national authorities and international partners in tracking progress. **Volume II** presents detailed costing and Cluster Matrices by region. **Volume III** contains the cluster reports with detailed analysis and programme descriptions. Fuller versions of the cluster reports and matrices, and background papers, are available at www.unsudanig.org/JAM.

II. THE CHALLENGES

Sudan is the largest country in Africa, with significant human capital and a vast natural resource base providing enormous development potential. Yet the war that has raged for more than 20 years has kept Sudan from making large strides forward. On the one hand, as officially estimated, economic growth averaged 7 percent over the period 1995-2004 –double the sub-Saharan Africa average – education achievements in the North are good, and the country has huge and largely untapped mineral reserves, including oil. On the other hand, deep-seated structural disparities, localized conflict and governance issues have compounded the huge cost of decades of civil war. Beyond widespread human suffering, the financial cost of war has amounted to many millions of dollars worth of damage, and resulted in isolation from most of the international community and from development assistance.

IIA. Causes of Conflict in Sudan

The JAM rests on understanding the nature of conflict in Sudan at its different levels, and the implications of the CPA. For nearly two centuries, conflict in Sudan has revolved around access to resources, economic opportunity and power. While it is impossible to fully convey the complexity of conflict in Sudan here,³ the key features of the civil war, the crisis in Darfur, tension in the East, and local strife can be very briefly summarized as follows.

Key structural causes of the war between the North and the South are linked with the South's historic underdevelopment and lack of inclusion in decision-making. More proximate causes included increased centralization of power in Khartoum, failure to implement the Addis Ababa peace agreement, and the issue of state and religion triggered by the regime of General Numeiri. Issues of identity rooted in religion and culture have played a unique role in the South. The North-South and other conflicts have extended to arming of tribal militias, reinforcing and exploiting ancient tribal and ethnic rivalries for war.

Since the early nineteenth century, governance in Sudan has been increasingly characterized by urban bias and highly centralized regimes that were seen to favour the populations living around Khartoum and in the riverain areas. The promises made at independence in 1956 to guarantee a sustainable federal system, with extensive devolution of power, were not fulfilled. The 1998 Constitution did provide for a federal system, but lack of financial and human resources, alongside continuing central control, mean that a real devolution of decision-making power remains to be done as a political and development priority.

The bitter contestation over what are now known as the 'Three Areas' – Southern Kordofan, Blue Nile and Abyei – is associated with root causes that are similar to those in Southern Sudan, Darfur, and other underdeveloped regions. Major

³ For a fuller review, see the Conflict Prevention Guidelines for the Sudan JAM, available at www.unsudanig.org/JAM.

grievances included political disenfranchisement, lack of access to basic services, food insecurity and lack of investment in development. Location of borders and land rights are especially critical issues—for example seasonal access for herders to water and grazing lands in Abyei. In Northern Upper Nile, Southern Kordofan and Blue Nile, there are important land issues in relation to expropriation of communal territory for large-scale schemes.⁴

Since late 2003, Darfur has become the best-known site of conflict in Sudan, where a large-scale humanitarian emergency has had a high toll in displacement and loss of life.⁵ The political commitment of the Government to resolve the conflict is reflected in the ceaseless efforts to reach an agreement with the rebels as soon as possible, and can be measured in terms of progress against the milestones set down by the UN Security Council. The UN report of the International Commission of Inquiry on Darfur of January 25, 2005 which highlighted evidence of ongoing atrocities, stressed *inter alia* the need to comprehensively reform the legal system and to provide intensive training on human rights and protection, with the support of the international community, in order to restore the confidence of the people of Darfur on the Government side. Urgent health and safety priorities are being addressed by NGOs and UN relief agencies, but the situation vividly illustrates the outcome of economic and social disparities along with specific local level factors, and underscores the need for systemic reforms together with targeted measures to redress underdevelopment.

Throughout Sudan, since the late 1970s, local competition for land and water resources among different groups has increased. Contributing factors include population growth, repeated cycles of drought, continued desertification, environmental degradation and an absence of productivity improvements due in part to failures to invest in stock routes. The frictions, particularly between nomadic and sedentary tribes, the politicization of conflicts and breakdown of traditional arbitration mechanisms, alongside exploitation of tribal rivalries and easy access to weapons and the proliferation of small arms, have contributed to increasingly violent and entrenched clashes. The 1970 land legislation, whereby unregistered land – even where it was being used by tribal communities – was formally assumed by the state, has been a compounding causal factor of conflict. These kinds of tensions have been exacerbated by the presence of indigenous irregular armed forces and foreign insurgency groups. Potential or actual conflict exists in Eastern Equatoria, Kassala and Red Sea State, Western Kordofan, and Northern and Western Upper Nile, where tensions of varying magnitudes are simmering.

Attention should be drawn to potential insecurity in the event of failures to fully consolidate the peace. These could include potential tensions between returnees and host communities. Tensions may also arise during the implementation of the ceasefire agreement, particularly around some critical events in the Interim Period, such as the general elections, popular consultations in Southern Kordofan and Blue Nile states, and the referenda on self-determination in Abyei and Southern Sudan.

In explicitly recognizing the deep-seated and complex roots of conflict in the Sudan, the CPA and the current commitments to reform provide an unprecedented opportunity to address key structural factors and drastically shift the patterns of development. The next two sections show that addressing socio-economic disadvantages that have contributed to the conflict will require measures to enable pro-poor growth, and to accelerate progress in human development. Underlying all of these efforts, sharp improvements in governance and institutional capacity and performance are needed at all levels, but especially at the local level, in order to bridge the gap between the people and the authorities and to establish social contracts and expand human security.

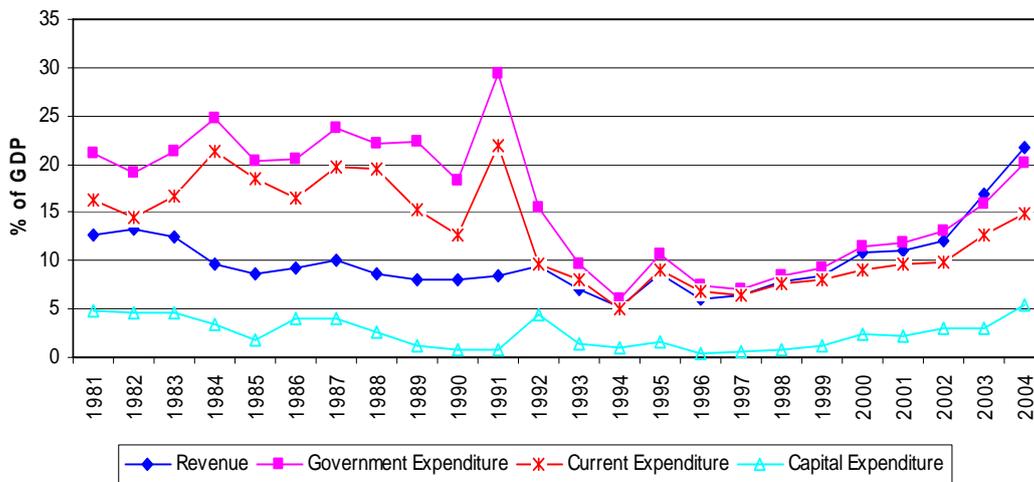
⁴ International Crisis Group, 2003. “Sudan’s Other Wars.” The Three Areas are a specific focus in the JAM.

⁵ The precise number of deaths attributable to conflict and displacement in Darfur is unknown; the World Health Organization estimate is up to 70,000 (<http://www.who.int/disasters/repo/14985.pdf>). The UN Work Plan estimates that 1.85 million people have been displaced from their homes in Darfur.

IIB. Patterns of Growth and Poverty⁶

Important economic gains were achieved through the macro-economic stabilization that started in the second half of the 1990s and the subsequent economic recovery (Figure 1). After very high inflation in the period up to 1996, price inflation is now at single digit levels. Government revenue performance has been strong, rising by a substantial 42.4 percent in 2004. Reforms such as making the exchange rate more flexible and establishing a cash budget system have also improved macro-economic management. In contrast to the challenges faced by many post-conflict countries, the macro-economic fundamentals are stable, except for Sudan's large stock of external debt, most of which is in arrears. However, the costs of stabilization were high, especially in terms of access to services, the returns to economic growth were limited by increasing disparities and population growth, and public debt levels are very high and unsustainable.

Figure 1: Government Revenue and Spending (% of GDP)



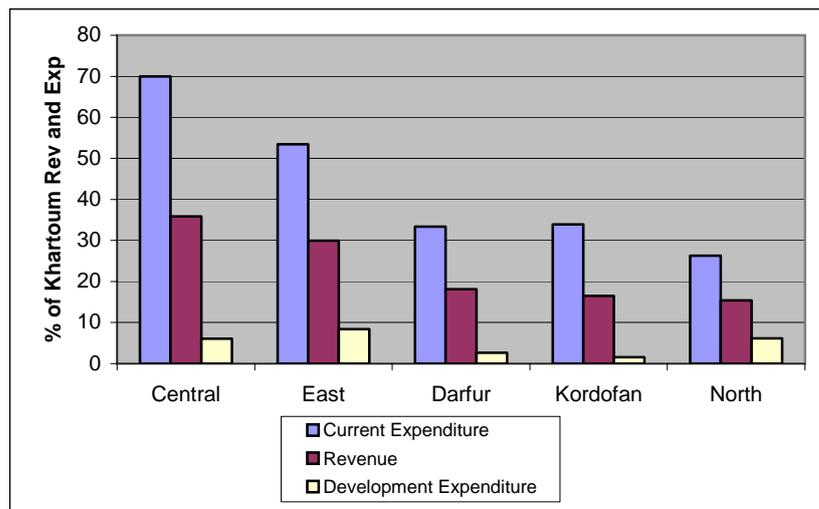
Source: Sudan Ministry of Finance and National Economy.

While overall growth has been high, the pattern of growth has been unbalanced, and evidently failing to mitigate conflict. Over 6 percent in 2002 and 2003, officially recorded growth exceeded an estimated 8.5 percent in 2004.⁷ However growth has been geographically concentrated in central states around Khartoum, boosting their tax base thus allowing them to have much higher expenditure on services than the rest of the country (Figure 2), and further boosting regional disparities. Both the GDP share and contribution to overall growth are rising for industry and services, driven principally by the oil, construction and manufacturing sectors, with positive spin-offs for transport, communications and services. Nonetheless, the direct share of oil in GDP was still only 12 percent in 2004, while agriculture accounted for 29 percent and remains the main source of income for two in three people in the North living in rural areas, and for more than 85 percent of those in the South. While the available data on poverty are limited, the evidence clearly suggests that agricultural output growth has favoured those with capital and land, and has therefore not adequately benefited the poor, despite strong overall performance.

⁶ It is important to bear in mind that data on the economy and development in general are weak; improving the information and statistics base is one of the priorities that has been assessed.

⁷ Officially recorded growth includes the Northern States and Government-held areas in the South.

Figure 2: Regional Revenue and Expenditure as Percentage of Khartoum Revenue and Expenditure, 1999



Source: Government of Sudan and IMF.

Constraints that have prevented the traditional farming sector from prospering include weaknesses in land policy; the high costs of marketing agricultural products and the continued export monopoly in the gum arabic sector; weak delivery of such public support services as marketing infrastructure, research and extension services, and veterinary services; severe limits to access to seasonal credit; insecurity and local conflicts; and, finally, lack of enforcement of environmental laws and regulations. Livestock production represents a significant proportion of agricultural activity, and is directly affected by land and public investment policies, particularly as these apply to migratory routes.

In the South, data on economic activity are scarce, but do suggest that the incidence of poverty is very high. The primary drivers of poverty in Southern Sudan are well explained in terms of conflicts, displacement, depletion of assets, and limited access to social services. Very low levels of income and purchasing power, alongside the disruption associated with conflict and very limited economic infrastructure, have inhibited economic activity and market development. Many households have few or no assets, while even those with assets have often been unable to leverage their own resources to participate in the market. The lack of markets is symptomatic of underlying economic underdevelopment, in particular institutional uncertainty, insecurity, and the virtual absence of infrastructure.

Estimated poverty rates remain high alongside significant regional variations, and are correlated with lack of access to services and income earning opportunities.

It is estimated, albeit without representative data, that the poverty rate in the South is about 90 percent, and at a similar level in the Three Areas. Estimates of average poverty in the North are at least 50 percent, and regional estimates are much higher in the west (Darfur and Kordofan) and in eastern regions such as the Red Sea Hills. At the same time, urban poverty is growing in parts of Khartoum and other provincial capitals, since conflict and weather shocks have pushed poor rural residents into urban areas.⁸

The lack of infrastructure constrains both growth and access to social services, especially in the South, the Three Areas, and disadvantaged parts of the North.

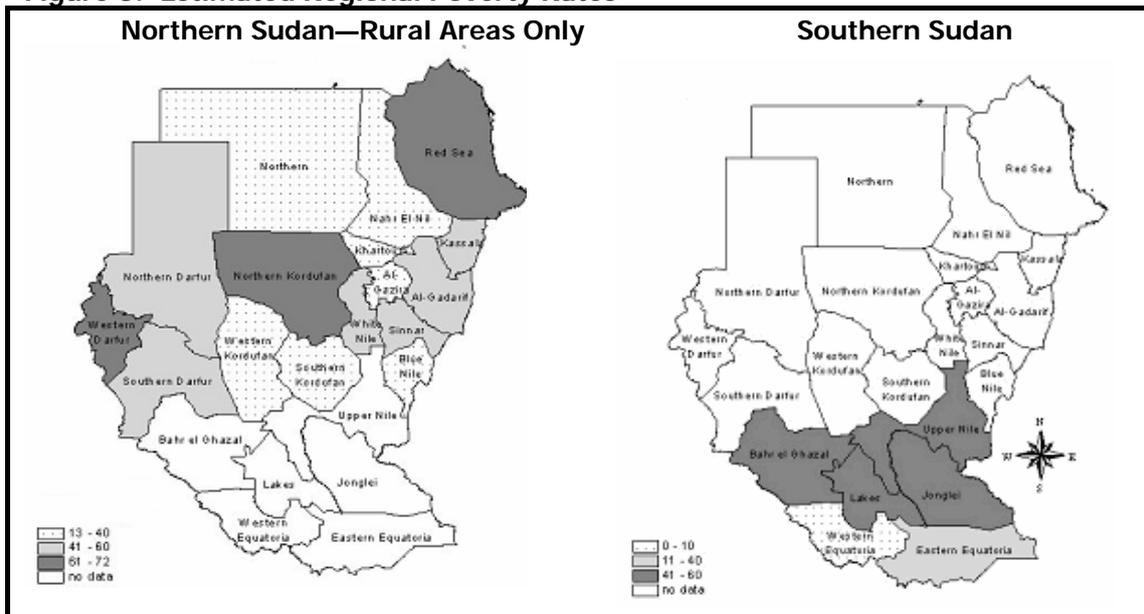
Only about 15 percent of Sudan's population has access to electricity, while transport infrastructure has deteriorated due to prolonged war, budgetary cuts and limited access to foreign financing. Many of the roads, railways, bridges, river transport and sea ports that do

⁸ There is no single reliable estimate of poverty in Sudan, but there is consensus among Sudanese analysts that poverty exceeds 50 percent—for the North, see for example "Sudan Country Economic Memorandum," World Bank, 2003. For the South, see "Towards a Baseline..." New Sudan Centre for Statistics and Evaluation, April 2004.

exist are in need of substantial repairs. In rural areas of Southern Sudan, infrastructure is virtually non-existent. There are no paved roads at all in the South outside the GOS-held towns of Juba, Malakal and Wau; river transport has resumed, but to a very limited extent; and rail connections between North and South are largely out of service. Infrastructure links between regions are critical not only for the economic integration of the country but also for fostering a sense of national unity.

The regional disparities that characterize the country are summarized visually in Figure 3, which shows regional poverty rates across rural Northern and Southern Sudan.

Figure 3: Estimated Regional Poverty Rates



*Poverty rate defined as the proportion below 40 percent of an economic status index based on asset ownership. Year: 2000 (North); 1999 (South). Source: World Bank staff calculations based on MICS and DHS surveys.

IIC. Reaching the MDGs

The Millennium Development Goals (MDGs) provide the internationally agreed targets against which the needs of the people of Sudan can be assessed, and reveal that rapid acceleration of development is needed, particularly in war-affected and disadvantaged regions. Recent estimates show that Sudan ranks 139th out of 177 countries in UNDP’s Human Development Index, a visible improvement since its 1995 ranking of 157 (due largely to rapid increase in officially recorded GDP).⁹

Table 1 illustrates the massive scale of the development challenge against the MDGs using available data for the North and South, while recognizing that local conditions are unique and should shape the national targets that are adopted. In general, indicators for the Three Areas are as weak as, or in some cases worse than, the averages for the South. While the figures need to be treated with caution in light of weak data, and the use of different sources, there are some clear patterns, including:

- **High disease burden (especially infectious and parasitic), and inadequate health services.** Children born in Southern Sudan have a 25 percent chance of dying

⁹ Note that this ranking is based on official data that only covers GOS-controlled areas; the ranking would be lower if Southern Sudan were included. Data constraints in Sudan are severe, both in terms of quality and comprehensiveness, which complicates comparisons across time and space; data for the North cited here are drawn primarily from surveys including the SMS (1999) and MICS (2000), and the World Bank (2004). Data for the South are drawn primarily from the NCSE, 2004, “Towards a Baseline..” See Volume III on how to build better information and systems for monitoring.

before the age of 5, and a mere 25 percent chance of living to the age of 65. The extremely low health care coverage in poor areas of the country is illustrated by the number of physicians per 100,000 people, which is less than 1 in the South, and from 1 to 2 in Darfur, compared to 25 in Kenya. Polio resurfaced in May 2004 after three years without a confirmed case.

- **Pronounced regional variations in achievements**, which mean that averages for the North need to be treated with caution. For example, the Reproductive Health Poverty Index, a composite of 12 indicators, shows that even prior to the recent conflict, the bottom-ranking Northern states (West and South Darfur) scored less than half as well as El Gezira and Khartoum.
- **In education, Southern Sudan had a gross enrolment rate of 20 percent in 2003, and girls accounted for only one out of four enrolled students.** Even these figures hide very high attrition rates, with as many as half of first grade students not continuing to the next level.

Table 1: Meeting the MDGs in Sudan - Selected Challenges (1999/2000 unless indicated)

	North	2015 Target	South	2015 Target
MDG 1: Poverty and Hunger				
Estimated poverty incidence (% of total population)	50-90%	25-45%	90%	45%
Prevalence child malnutrition (underwt for age; % under 5)	35%	16%	48% *	24%
Prevalence acute child malnutrition (underwt for height; % under 5)	16%	8%	21%	11%
MDG 2: Education				
Gross primary enrolment ratio	62%	100%	20% ‡	100%
Percentage of cohort reaching grade 5	66%	100%	28% §	100%
Youth literacy rate (% ages 15-24)	78%	100%	31% ‡	100%
MDG3: Gender Equality				
Ratio girls to boys in primary education* (%)	88%	100%	36%	100%
Ratio literate females to males (% ages 15-24)	84%	100%	35%	100%
Seats in parliament (South, National Liberation Council) held by women (%)	10%†	-	18%+	-
MDG4: Child Mortality				
Under-5 mortality rate (per 1,000)	104	35	250 *	83
Infant mortality rate (per 1,000 live births)	68	-	150	-
One-yr-olds immunized against measles (%)	50%	-	12%†	-
MDG5: Maternal Mortality				
Maternal mortality ratio (per 100,000 live births)	509	127	1700	425
Births attended by skilled health staff (%)	57%	90%	5%	90%
MDG6: HIV/AIDS, Malaria, and TB				
Contraceptive prevalence (% of women ages 15-49)	7%	-	<1% •	-
HIV Prevalence (% adults ages 15-49)	1.6% †	-	2.6% *	-
Incidence of TB (per 100,000 per year)	90 §	-	325 §	-
Children under 5 with fever treated with anti-malarials(%)	33%	-	36%	-
MDG7: Environment				
Access to an improved water source (% of population)	70%	85%	27%	64%
Access to improved sanitation (% of population)	64%	82%	15%	58%
MDG8: Partnership				
Fixed line and mobile phones (per 1,000 people)	26.5 §		<1 *	

Notes: •1990-01 +1994 *2001 §2002 †2003 =2004 ‡1999-02.

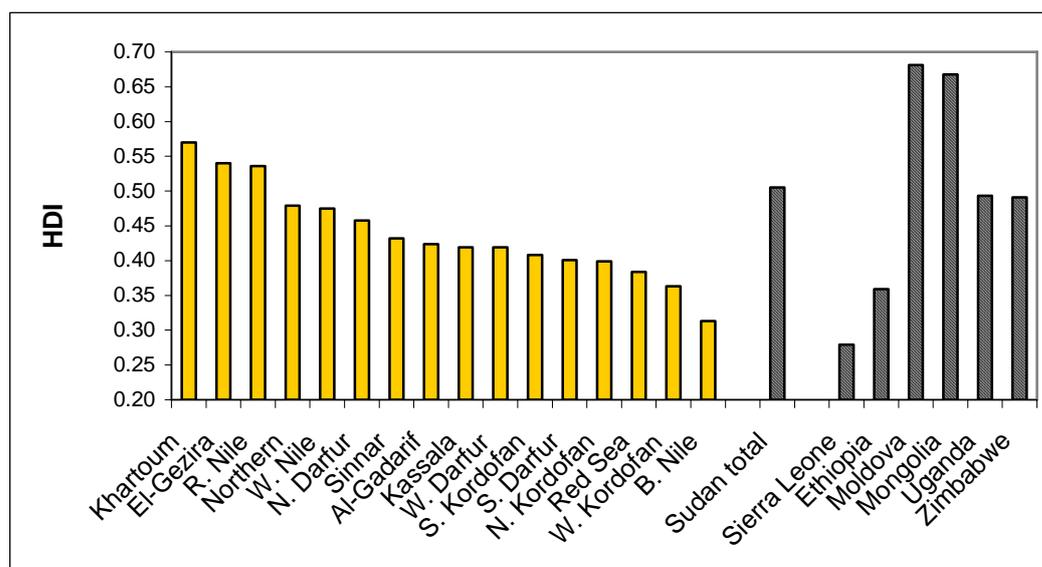
All MDG indicators show inequalities with respect to gender, rural-urban residence, and at the regional and sub-regional level. These disparities are associated

with socio-economic differences, and exacerbated by massive population movements and humanitarian crises associated with conflicts. For example, child mortality is lowest in the economically better-off north-central states, while peripheral areas experience higher mortality, with some suffering very high levels. The current situation in the Three Areas is characterized by weakened institutional capacity and governance structures, as war has increased poverty and reduced access to basic services and infrastructure, and contributed to degradation of the environment.

The disparities in outcomes are well reflected in Figure 4, which shows estimates of the Human Development Index – a composite measure which captures income, life expectancy and literacy – by state, and relative to selected comparator countries. This vividly illustrates the scale of disparities in key areas, with Blue Nile, West Kordofan and Red Sea, as well as much of Darfur, significantly below the better-off states and the national average. The worst-off states are comparable to Ethiopia (which has much lower national per capita income), and far below countries with similar levels of income measured in purchasing power terms (like Mongolia and Moldova).

Data on trends show limited progress since 1990, especially with respect to maternal mortality, child nutrition, and access to safe water. For example, Sudan is among the few countries to have experienced declining safe water access levels in the past decade. In the North, there is great variation: 79 and 47 percent of the population have improved water access in urban and rural areas, respectively.

Figure 4: Human Development Index – State and Country Comparison



Source: UNDP Sudan/Global Human Development Report, 2004.

In the North, approximately 40 percent of urban and 60 percent of rural populations do not have access to a minimum of 20 litres of water per person per day within a distance of 1,000 metres, and the differential between access in rural and urban areas has grown.¹⁰ Two out of three primary schools are without adequate water and half are without adequate sanitation facilities,¹¹ with consequent negative impacts upon school attendance, especially for girls. Many rural and peri-urban inhabitants pay as much as 50 percent of their family income for water, often of dubious quality. At the same time, the lack of baseline information complicates planning for infrastructure expansion, and most publicly-operated water supply utilities are functioning neither efficiently nor sustainably due to poor maintenance and inappropriate pricing.

¹⁰ Ministry of Finance and National Economy, 2000 – WHO Rural Water Standard.

¹¹ Federal Ministry of Education, 2002.

Access to water and sanitation is especially limited in the South. Southern Sudan bears an estimated 70 percent of the world's remaining Guinea Worm disease burden. Approximately one in four children die before turning five: of these deaths, 48 percent are due to water-related diseases. These statistics highlight a clear need for coordinated health and water strategies, and awareness-raising campaigns. Rural safe water coverage is estimated at 25-30 percent; in Southern towns coverage is around 60 percent. The population per water point ranges from 1,000 to 64,000, and average water collection journeys in un-served areas are up to 8 hours. Competition over access to water is a source of local conflicts. Only 25-30 percent of the rural population has access to sanitary latrines, and less than 50 percent of existing basic primary schools—and even fewer health facilities—have access to safe water and sanitary latrines. Operations and maintenance in the sector are very weak (two-thirds of existing water points are not functioning), and heavily dependent upon expensive external agency air-logistical support.

A long-running and large-scale humanitarian effort has emerged in parallel to the ongoing conflict and frequent droughts. The major example is Operation Lifeline Sudan (OLS), which responded to war and major famines, including in Bahr el Ghazal in 1998. Every year more than two million people have received humanitarian assistance under OLS. Furthermore, major donors have contributed hundreds of millions of dollars worth of life saving food and emergency supplies delivered by UN agencies and NGOs. Yet the protracted emergency assistance has focused mostly on humanitarian assistance, with little local capacity building. As discussed further below, the share of development assistance has been minimal, averaging under 10 percent of total external assistance to Sudan in the 1990s.

Food security is a major challenge to be addressed as part of the transition from humanitarian relief to local production and market orientation in the South, and in disadvantaged regions of the North. According to FAO, about half of the counties in the South are “highly” or “moderately” food insecure. Although the South is primarily rural, and dependent on subsistence agriculture, about 47 percent of households do not own livestock and one in three people rely on food aid. In Darfur, about 20 percent of children under five are malnourished, and nearly half of all families do not have an adequate food supply, according to WFP estimates in October 2004. The UN Work Plan for 2005 has responded to these urgent needs with provision for \$720 million in food aid for the South (3.1 million people) and Darfur (1.4 million). A positive development since the cessation of hostilities in the South has been increased agricultural output, a trend which should accelerate over time as markets develop, supported by infrastructure investments, and as small-holder productivity rises (see below). Enabling and encouraging a smooth transition needs to be addressed jointly by local authorities and development partners.

Food insecurity is reflected in high malnutrition rates. Among children under five, for example, 35 percent in the North and 48 percent in the South suffer from chronic malnutrition (low weight for age). Malnutrition is strongly associated with structural and transitory poverty, insecurity, and lack of access to services such as safe water and health care.

Gender disparities are marked in the North and South, with differences within regions by ethnic group. Recent GOS data suggest that women on average earn 68 percent less than men, placing Sudan 141st out of 177 countries. The female labour force participation rate is relatively low in the formal sector, with women concentrated in the informal sector where returns to work tend to be low. Across Sudan, early marriage is common and although the practice is illegal, female genital mutilation is particularly common in several areas. Despite this, gender equity is better in some respects in the North, where females represent 47 percent of total primary enrolment, relative to 26 percent in the South. A woman in Southern Sudan is many times more likely to die in childbirth than to finish eight years of school.

Poverty and lack of security are the most pervasive problems affecting women in Southern Sudan, factors that have been exacerbated by the militarization of the society. Poverty and lack of access to education and health services have had major repercussions on women's health, reflected in an extremely high maternal mortality rate (1,700 per 100,000 live births). Southern Sudan has the lowest ratio of female to male primary school enrolment in the world, with three times as many boys as girls attending school, and a youth female illiteracy rate (ages 15-24) of 84 percent. Field interviews and analysis undertaken for this assessment confirmed that women's disempowerment is deepened by economic factors, the long running conflict and the associated absence of rule of law in parts of the country. Although the 1998 constitution gives equal status to men and women, the protection gap between customary and formal law has led to abuse of women's human rights. An estimated 60 percent of IDPs are female, many of whose problems are compounded by loss of traditional support systems.

The poverty and human development situation is further complicated by the enormous displaced population. Around three million IDPs and refugees are believed to be of Southern origin, and many have already begun to return—more are expected to do so now that the CPA is signed. Their special needs and vulnerabilities were taken into account in the assessment of development and service delivery priorities. In terms of protection, formal and informal safety net arrangements for the displaced populations are inadequate. Illegal taxation and harassment go unreported, and there is hardly any legal recourse. In Khartoum, large numbers of IDPs have been evicted as part of urban renewal efforts. Access to land and property recovery is highly sensitive, and the legal framework is unclear; including, for example, for those who remained behind, occupied empty property and tilled the land for years. The displaced themselves have often occupied land originally belonging to others, and soldiers in garrison towns have occupied urban properties and facilities.

HIV/AIDS prevalence, based on scarce epidemiological and behavioural information, is estimated by UNAIDS to be around 2.3 percent. For Southern Sudan, estimates vary from 0 to 7 percent with alarming rates among certain population groups (e.g. 10 percent among tea-sellers in Juba). Comparison of the number of people living with HIV/AIDS with registered deaths suggests that the worst is to come. Concerted preventative efforts are needed, given that borders are porous and prevalence rates for neighbouring countries are much higher (Table 2). Infection rates can rise quickly with the expected movement of populations (demobilization, opening of commercial roads, return of IDPs and returnees), high illiteracy and low awareness: less than one in three rural dwellers in the North, for example, has heard of HIV/AIDS.

Table 2: HIV/AIDS Estimates in Sudan Relative to Neighbouring Countries

Country	Prevalence Rate (2004, adults 15-49 years)	Number of People Living with HIV/AIDS (000)	Number of Orphans (000)	Number of Deaths in 2003 (000)
SUDAN	2.3	400	NA	23
Kenya	6.7	1,200	650	150
Ethiopia	4.4	1,500	720	120
Eritrea	2.7	60	28	6.3
Uganda	4.1	530	940	78
DRC	4.2	1,100	770	100
CAR	13.5	260	110	23
Chad	4.8	200	96	18

Source: UNAIDS Report on the Global AIDS Epidemic, 2004.

Looking ahead, in addressing the manifest shortcomings of the past, the CPA establishes a basis for Sudan to embark on a new era. It will be based on new governance arrangements and principles that are designed to overcome the disparities and low levels of achievement that have characterized much of the country, and more effectively

meet the aspirations of the people in different parts of Sudan. Not only are the levels of household income much lower in the South, but public services and development programmes have been virtually non-existent in SPLM-held areas, and conditions are isolated and extremely difficult. Rapidly building local capacity to enable consolidation of the peace is key, which means that resources are needed to spearhead development efforts and improve public sector performance as agents of development. In the South, capacity constraints are especially severe, with the major challenge of transforming the fledgling administration into a fully functional government capable of managing substantial resources.

III. PROGRAMME AND POLICY PRIORITIES

CONSOLIDATING PEACE: PHASE I— 2005-2007— AND ACCELERATING PROGRESS TOWARD THE MDGs—THROUGH 2011

Consolidating peace and putting Sudan on a sustainable path to poverty eradication require urgently strengthening capacity, investing in immediate needs, and reorienting policies and programmes, all of which require substantial resources. The proposed programmes represent two broad phases: immediate recovery in the first two and a half years focused on measures required for consolidation of the peace, building capacity and interventions to enable tangible improvements in people's lives; and a scaling-up of efforts in the next phase (through 2011) to accelerate progress towards the MDGs.

Addressing three inter-related security issues will be critical to the success of the peace process (Box 2). Whilst not costed in the JAM they will have a direct impact upon both economic development and public expenditure as well as on Sudan's overall financing needs in the future.

Throughout Sudan, governance at all levels needs to be more transparent in order to prevent and combat human rights violations and corruption, and to ensure an accountable civil administration. The CPA represents a major opportunity for restoring the social contract between the authorities and the citizens of the Sudan. At the national level, the commitments to international human rights, particularly to freedom of expression and religion, and the provision for national and local elections, are important features of the CPA. The peace-building processes need to advance these basic principles by enhancing confidence in formal and informal governance institutions. For instance, budget allocation and reallocation decisions are difficult because there are so many competing needs; for this reason the budget process has to be open and transparent, and discussed widely in political fora and in the media. At the same time, community-driven recovery and development requires local participation and empowerment, which results from devolution of power. Strengthening the feedback role of local authorities, chiefs, and the grassroots to higher levels of the government bolsters two-way accountability. This devolution of powers is a key political imperative to sustain the peace, as well as a developmental necessity to expand delivery of social and economic services.

Human rights promotion and protection principles need to be integrated into policies and programmes. A culture of respect for human rights within governmental and non-governmental institutions, and systems of human rights protection at the national level, need to be reviewed and strengthened. Programmes will include strategies for mainstreaming human rights into the overall activities of the NG, and have a focus on building capacity in monitoring, reporting and investigating violations of human rights. Protection mechanisms for vulnerable groups, including children, women, IDPs, returnees, the disabled and the elderly will be strengthened.

Box 2: Addressing Security Issues in the Sudan

Firstly, under the permanent ceasefire provisions, the parties have responsibilities which will incur significant costs, including the redeployment on either side of the 1956 North/South border within two and a half years of the signing of the CPA.

Such movements will involve expensive airlifting as well as the use of roads, rivers and railways. There will be 39,000 troops comprising the Joint Integrated Units, stationed in transitional areas. The process of disengagement must be accompanied by immediate and significant increases in police forces to maintain law and order, as well as security sector reform in general, including military professionalisation and downsizing.

Secondly, the international community will have to bear the costs of two peace support operations: the UN operation with an estimated annual cost of \$1 billion, and the AU monitoring mission in Darfur with an estimated cost of \$220 million for 2005.

Third is the demilitarization of war-affected areas, including disarmament, demobilization, and reintegration (DDR) of ex-combatants. Under the CPA, the security sector planning process requires a number of key steps, including force disclosure, clarity on the assembly process, formation of the Joint Defence Board, and formation of the Other Armed Groups Collaborative Committee. Once the constitutional framework is in place, DDR Commissions will be able to exercise their full functions in planning of a full-fledged DDR process. Additionally, the UN mandate triggers a number of security related planning requirements, including the establishment of the Ceasefire Joint Military and the Ceasefire Political Committees, which will enable the verification process to begin.

Until these steps have been completed, it is not possible to determine in any meaningful way global planning figures and costings for DDR in Sudan. However, it is recognised by the parties and the international community that the crucial preparations, planning and implementation should commence as soon as possible. To date the UN-led planning process has been supported through a UNDP preparatory assistance programme. This will be extended until the One Year Interim DDR programme, the scope of which is based upon implementation capacity, and which will start in July 2005 as part of the UN Work Plan. This will support finalisation of the assessment, verification and eligibility process, which then enables the development of a full multi-year DRR programme, with reliable figures and costing. The Interim Programme is aimed at vulnerable groups (including child soldiers, women associated with fighting forces, handicapped and psychologically affected persons), and veterans, and makes provision for voluntary demobilisation and arms reduction. It will build local capacity for implementation of the multi-year DDR programme, which will seek support from the MDTFs and other bilateral and multilateral contributions. The cost of demobilisation will depend on the scope and unit costs, with the latter likely to range between \$750 and 1500 per combatant.

The CPA offers an important opportunity to strengthen the accountability structures of governmental action, and to multiply the entry points for an effective exercise of 'voice' throughout Sudan. The commitment to inclusiveness and political democratization in the first half of the Interim Period will entail easing the regulatory framework for political party activity and guaranteeing freedom of expression and association. The same applies to the media and other civil society organisations, such as universities and student groups, indigenous NGOs and women's groups. There is a critical role for a vibrant civil society in Sudan, not only in service delivery but also in maintaining momentum for the political, social and economic transformation of the country. Civil society should act as an independent watchdog, and as an advocate for basic freedoms, human rights and inclusion of disadvantaged groups. Traditional administrations also have a role to play, particularly in promoting peace and reconciliation initiatives at the grassroots, as well as in terms of local-level accountability.

The policy and programme priorities identified and agreed upon with the NG and GOSS do not include an assessment of the impact of the conflict in Darfur. The resolution that is needed in Darfur will build on political commitment, and presents a major development challenge, beyond the current humanitarian emergency, that should be addressed as soon as conditions allow (see Box 3).

Box 3: Reconstruction and Development Needs in Darfur

The immediate humanitarian needs of people who have been displaced or affected by the conflict in Darfur are significant in terms of emergency food, shelter and medicine, and have been covered separately by the UN Work Plan for 2005.

The programmes outlined in this assessment do take account of key development needs throughout disadvantaged regions of Sudan, including Darfur, for basic social services, infrastructure, and so on. The reform of intergovernmental relations will be especially key in addressing the disadvantage of the Darfur region in terms of public resources, infrastructure and access to basic services.

It was not possible to assess the actual reconstruction needs on the ground as was done in other war-affected areas. However, estimates suggest that amounts needed for reconstruction and development could be of the order of \$100 per capita for at least three years, or \$600 million annually for the period of reconstruction. This is a significant investment, but less costly than the current humanitarian and security costs (running at about \$1 billion annually), and is critical to putting the people of Darfur on a path of sustainable broad-based growth and poverty reduction.

The Joint National Transition Team (JNTT) has, at its first session, requested that the UN and World Bank begin to make preparations to begin a joint assessment of the reconstruction needs of Darfur to inform future development planning and international assistance.

Progress at the development programme and service delivery level can only take place hand-in-hand with a just resolution of the conflict and the restoration of basic security for the population. Just as importantly, however, the NG recognizes that a fairer distribution of public resources and a concerted development effort will be critical to averting the risk of a relapse into conflict.

Competition over access to resources—especially land and water—has been a key driver of conflict, and a review of policies and practices in these areas will be important to consolidating peace. The importance of sustained income generation in traditional farming and pastoral areas also underscores the cross-cutting theme of sustainable natural resource management in order to ensure long term food security and access to adequate water resources. The livelihoods of most Sudanese are based on the natural environment, and most of the country's energy is generated from biomass sources. The role played by natural resources in Sudan's conflicts and in the livelihoods of the people highlights the need to address the country's environmental issues in a comprehensive and sustainable manner. Desertification, land degradation, loss of biological diversity, deforestation or the pollution of water resources, if not attended to, could have a negative impact on Sudan's prospect for economic and social development, the health of its people, the richness and diversity of its ecosystems, as well as its agricultural potential and food security. Environmental concerns, in line with Goal 7 of the MDGs, should be integrated into planning, so as to ensure long-term sustainable development and avoid additional costs in the future. An immediate priority is to establish and facilitate the proper functioning of the Land Commissions, at all levels, which could define land use policies and arbitrate difficult cases.

The JAM proposes programmes under each cluster aimed at ensuring environmental sustainability and addressing land issues. At the local and state levels, CSOs will be encouraged to play a greater role in environmental decision-making and natural

resource management, along with legal review and reform to ensure a sound regulatory framework with regard to environmental issues, and training on environmental law for legal professionals. Capacity-building programmes designed to improve management and monitoring of natural resources include funding for Environmental Impact Assessments.

Considerations of environmental sustainability are linked to urban planning and development. Presently, Sudan's urban dwellers are poorly provided with services, particularly in the South, where formal provision of services has been badly affected by the war. Urban infrastructure services in much of Sudan, and especially the South, are characterized as having a low level of provision – regarding water supply and sanitation, power supply and roads – inadequate institutional and regulatory frameworks for urban planning and service delivery, and a significant back-log of maintenance and refurbishment needs. Programmes are being developed to meet these challenges, including establishing improved approaches to town planning to both advance identification and planning of projects and establish appropriate laws and ordinances for guiding land use and rehabilitation.

In order to empower women, gender-specific policies are necessary in both the North and South to address the structural inequalities that have developed as a result of prolonged conflict and underdevelopment. Laws and policies need to be formulated and enforced to protect women from arbitrary violence and to promote access to political, social and economic activity. Beginning in Phase I, it will be important to ensure that recovery efforts incorporate women's participation, both at the top levels of government and at the grassroots, where women are already playing a vital role in conflict resolution and peace-building activities. Women also need to play a major role in implementation and monitoring of development programmes. Mitigating the workload of women is a priority, alongside creating mechanisms (such as micro-credit institutions and training programmes) and legal reforms to give women greater economic opportunities and control over resources, including land.

Attention to gender issues has been integrated throughout the proposed programmes. On the institutional side, the JAM includes, for example, capacity building for women's community groups, and support for increasing women's participation in decision making. Reforms to ensure that internationally-acknowledged principles of gender equity are respected – both in principle and in practice – are important components of rule of law programming. Investments in women's health and education through programmes such as scholarships for girls and support for safe motherhood initiatives are integral components of the basic social services strategy. The Infrastructure Action Plan includes studies to assess the best ways to integrate gender sensitivity and employment concerns, while women constitute a majority of targeted beneficiary groups in the livelihoods programme. Collection of quantitative and qualitative information that can be disaggregated by gender will be key to monitoring and evaluating activities across all sectors, and is included as part of the overall information strategy.

Preventative action is needed now to halt and reverse the spread of HIV/AIDS in Sudan, alongside programmes to meet the needs of people living with HIV/AIDS (PLWHA). HIV/AIDS is a complex issue which requires a multi-sectoral approach. The proposed initiatives include creation of HIV/AIDS policies for the workplace, building local government capacity to provide services, creation of legal aid services for PLWHA, and integration of HIV/AIDS education into school curricula. The number of Voluntary Counselling and Testing (VCT) centres should be expanded, health services targeting HIV/AIDS strengthened, and awareness-building campaigns implemented. Vulnerable groups will be prioritized, especially IDPs and refugees. Concerted monitoring efforts will improve the effectiveness of HIV/AIDS programmes throughout the Interim Period.

In order to effectively implement the CPA, the capacity of the civil service to manage decentralized functions must be urgently addressed both in the South and

the North. The ability to plan and set priorities, manage revenue and expenditures, and deliver services efficiently must be strengthened. The role and functions of government and civil service policies as well as service pay scales and incentive structures should be reviewed and revised as necessary to raise the efficiency and professionalism of the civil service. Local authorities have a primary role in informed local decision making processes. Strengthening the roles, responsibilities, and mandates (and therefore the institutional capacities) of local authorities is a key priority to enable rapid and concrete, as well as sustainable, results to be achieved.

IIIA. Programmes under the National Government and the Northern States

This section addresses the challenges facing the new Government of National Unity and 13 of the 15 states of the North. The Three Areas, two of which are autonomous though formally part of the North (the third, Abyei, has a dual character), are covered in the next section.

The new Government of National Unity – which is referred to here as simply “the National Government (NG)” will have key features that were agreed in the CPA, and involves sharing of power at a number of levels, from the Presidency and Cabinet through the legislature, other national institutions, and the states, until the national elections take place. According to the functional assignments identified in the Power Sharing Agreement, the NG has national competencies such as national security, foreign policy, naturalization and immigration, constitutional and national courts, international trade policy, currency, monetary policy and the central bank, international debt management, inter-state transport, and the national institutions. Although the functional jurisdiction of the Northern states is no different from that of the ten Southern states, they have a direct link with the NG, in particular through fiscal transfers to the state level, and oversight of policy and programme responsibilities. By contrast, the GOSS functions as an intermediary between the Southern states and the NG. With respect to the functions that are placed within the exclusive jurisdiction of the GOSS – including for example the GOSS civil service, military (SPLA), education, health, and roads other than national roads – the NG has no jurisdiction.

For the NG, the priorities are to build on aggregate growth achievements by broadening opportunities in disadvantaged parts of the country, and significantly increasing poverty-reducing expenditures and support to the rain-fed traditional sector, and measures to enable private sector development. Underlying these objectives is the need to establish basic security and to bridge the gap between the people and the authorities.

The strategic objectives for the NG that have emerged through technical and policy discussions, and under which the proposed programmes are presented, are:

1. Enabling consolidation of the peace, including implementing the range of measures outlined in the CPA, from the national level down to local peace building and reconciliation;
2. Improving governance, especially institutional capacity and public accountability;
3. Broad-based growth of income-earning opportunities, with a focus on smallholders, pastoralists and private sector development; and
4. Expanding access to basic services in the Northern states—in particular access to basic health care, primary education and safe water and sanitation—to put progress on track for meeting the MDGs.

A cross-cutting objective is to ensure programs that make unity attractive to make it worthwhile for Southerners and the people of Abyei to vote for unity at the end of Interim Period.

In terms of phasing and sequencing, consolidation of the peace and urgent issues related to livelihoods and improvements in governance will be tackled immediately. At the same time, actions will be undertaken to prepare for rapid broad-based growth and expanded access to basic services, and longer term institutional reforms and capacity building.

Continued sound economic management and macro-economic stability are fundamental foundations for sustainable development of Sudan. A resolution of the external debt problem is of paramount importance, to open access to new concessional financing. As will be shown below, the post-peace expenditure needs for implementing the CPA and recovery and development are extremely high and beyond the current fiscal capacity.

A critical underlying theme of NG programmes is the importance of meeting the obligations of the peace agreement, including a fairer distribution of public resources. Increasingly pro-poor budget allocations require reallocating spending across regions, and across different sectors. This has already begun with the 2005 budget, which provides for a substantial increase in transfers to the states, as well as for the transfer of oil revenue to the South per the CPA, and for some decline in military spending (Table 4). It is critical that these commitments are met and that further national budget reallocations be undertaken in line with improvements in capacity and accountability in the regions to minimize the risk of wasting valuable financial resources. Larger allocations are needed for disadvantaged states, which are unlikely to attract private investment in the short term, for basic services and activities that benefit the poor and facilitate broad-based growth, while maintaining the government's good macro-economic record. A review of public expenditure to examine existing programmes and the scope for increasing pro-poor allocations over time should be one of the most urgent government priorities.

To meet these challenges, key macro-economic priorities include ensuring economic stability through appropriate and coordinated fiscal, monetary and financial policies. On the revenue side, efforts are underway to increase non-oil revenues, including through the elimination of tax exemptions under the Investment Encouragement Act and in the export processing zone. Overall budget planning will be improved through the development of a comprehensive national medium term budget framework, while the Oil Savings Account will be maintained. Measures to improve public financial management are detailed below, as is the debt strategy, which is key to reintegration into global financial markets, and restoration of financing from international financial institutions.

Priorities for monetary policy include the establishment of well-functioning operational principles for the dual banking system; developing market-oriented signals and instruments; developing securities and stock markets; and reform of financial institutions to facilitate access for the traditional sectors and small investors. The Central Bank of Sudan will continue to perform its role as the sole monetary authority, banking system regulator and lender of last resort, and will develop instruments and regulations that are appropriate to both the Islamic and the conventional banks. The issuance of a new currency and efforts to sterilize the effect of foreign exchange inflows are crucial steps on the path to macro-economic stability, and capacity building efforts and training will also be needed to this end.

1. Consolidation of the peace

An urgent, ongoing challenge is to establish the institutions and processes prescribed by the CPA. This began with the constitution-making processes and the formation of the Joint National Transition Team. The critical next steps are the establishment of the institution of the Presidency, and then the formation of the Government of National Unity and GOSS. Several steps will follow, including establishment of the national legislative organs and the Assessment and Evaluation Commission. Further national independent commissions and other bodies provided for in the CPA relate to the census, land, oil, the

judiciary, civil service, anti-corruption, borders, DDR, and intergovernmental transfers, as well as the Referendum Commission. A significant amount of new legislation needs to be drafted and enacted to meet the commitments of the CPA on elections, national security, audits and so on. A new currency will be introduced throughout the country in a smooth and orderly way.

While sustained political commitment is critical, insufficient capacity to enable the NG organs to become fully functioning needs to be addressed along the lines outlined below. The national civil service will, as per the CPA, have to target the recruitment of qualified Southerners for 20 to 30 percent of the senior and mid-level positions. To attain this target in the timeframe laid down by the protocols, the National Civil Service Commission will adopt policies and initiatives of affirmative action for people from Southern Sudan, the Three Areas and other less-represented areas of the country.

At the grassroots level, the consolidation of peace requires the dissemination of the CPA throughout the country in all languages, along with a comprehensive programme of national healing and reconciliation for populations where trauma and mistrust still dominate. Civil society and the media can play major roles in this process, with a view to ensuring consensus around the peace agreements and fostering mutual acceptance at the grassroots. However, significant capacity constraints need to be addressed, and an enabling regulatory environment needs to be restored by the NG to allow activities in conformity with the basic freedoms and rights upheld in the CPA.

Peace-making is part of the community-driven development strategy. Both community-based organisations and traditional administrations are set to play a pivotal role in promoting traditional peace-making at the grassroots, especially in the context of the return process. The NG plans to closely integrate local peace initiatives into the national and international monitoring and confidence-building arrangements. A sense of common ownership of the shared heritage and the various cultural components of the population can also be restored by strengthening intercultural and inter-religious dialogue and developing protection of the national heritage. At the practical livelihoods level, de-mining is needed based on better information about possible contamination.

Critical to peace in the North, and throughout the country, will be much stronger development efforts in less-developed and war-affected areas. This is the foremost objective of the policies and programmes for the NG and Northern states, and requires visible shifts in resource allocations. The expected path of transfer to disadvantaged states is laid out in Chapter IV, which also suggests that maximum efforts are needed, and warrant monitoring over time.

2. Improving governance

The need to improve the performance and accountability of public sector agencies is arguably the most critical cross-cutting theme of the proposed framework. There has been a steady decline in the status of the civil service in the North over many years, accelerating more recently, which is partly associated with the war, and there are perceived imbalances in the representation of different parts of the country. Priorities to improve the performance of the civil service include rationalizing the system of organisational structures and jobs, creating a transparent pay and allowance system, ensuring independence from inappropriate political interference, modernizing information systems, and establishing a sustainable wage bill and effective institutional arrangements to meet ongoing training and capacity building needs with a view to enhancing representativeness. Skills gaps need to be identified in the context of a recruitment strategy. These are building blocks which require immediate support in order to launch and will take several years to fully implement.

As recognized in the Power Sharing Agreement, decentralization and empowerment at all levels of government are cardinal principles for effective and

fair administration of the country. States have concurrent responsibility with the NG for such key areas as health care and education, but in general local capacity and operational efficiency are constrained and revenue allocations are limited. To facilitate equalization and enhance transparency and predictability, the intergovernmental transfer system will move from the current system of largely negotiated transfers to one that is based on transparent formula-driven allocations. Steps that are needed include clearer delineation of state versus national and local competencies, greater revenue autonomy for state and local governments to enable them to fulfil their responsibilities, and improvements in systems for budget management and programme monitoring. Strengthening democratic processes to increase participation in priority setting and policy design is an integral component of bringing government closer to the people. Community-driven recovery will be a guiding principle at the local level, with an important role for civil society.

Key to results on the ground are the upcoming reforms to intergovernmental transfers, alongside support to the decentralized structures responsible for service delivery, with the focus on building capacity that will help less-advantaged localities and regions reach parity with better-off areas. The targets for 2011 include measurable progress in reducing interstate and intrastate disparities in service delivery, and establishing stronger systems of consultation with communities, NGOs, local business interests and women's groups. The role of locally-elected councils will expand, increasing the local sense of ownership and accountability in many areas.

Toward this end, immediate next steps to improve the decentralization framework include: (i) drafting new state constitutions; (ii) establishing the Fiscal and Financial Allocation and Monitoring Commission, redesigning the intergovernmental grant system to be more equitable and enhance transparency, and creating incentives for local revenue mobilization; (iii) strengthening revenue administration and financial management capacity at the state and local levels; and (iv) establishing state-based data and information systems.

Sound public financial management is not merely a technical issue; it is a critical dimension of government's accountability to the public, and of informed decision-making at the domestic level and by development partners. Alongside technological modernization and training, financial management will become more transparent. Stakeholders need to know, for example, how much of domestic revenue is being allocated to basic education, and how much of the allocation is being executed. The Wealth Sharing Agreement places the highest priority on public finance and intergovernmental relations, including expenditure management to ensure accountability. Related reforms are needed to create effective, transparent systems for public procurement, including oversight mechanisms. The goal for 2011 is that procurement practices and systems will be based on transparency, efficiency and economic viability, and meet Sudan's needs and requirements associated with COMESA and the World Trade Organization.

Although it is not a particularly serious problem in Sudan currently, much attention must be focused on preventing corruption and money laundering. In addition to oil revenues, post-war Sudan is expected to receive large amounts of international aid. Elsewhere in the world, sudden large inflows have led to poor policies, excessive spending and corruption. Creating safeguards and systems to avoid such abuses is therefore imperative. The critical challenge for the NG is to develop a reputation of openness, alongside robust and transparent systems that enable civil society, media and the parliament to perform their oversight functions. This will create the required confidence in the donor community and private investors and, most importantly, among the people of Sudan. It is also important that the proposed anti-corruption institutions including the Public Grievance and Restitution Boards (PGRBs) have sufficient capacity and teeth to perform their functions of prevention, education, investigation and prosecution of corruption.

Strengthening the rule of law will require building confidence in legitimate and transparent law enforcement institutions. The judiciary requires upgrading of skills and

training in human rights, particularly in gender equity, and sensitive application of Sharia law in the North, especially in the national capital (as per the CPA) in order to meet the expectations of a post-conflict Sudan with its new legal and judicial structures. Training for police forces needs to include *inter alia* exposure to good international practice; awareness-raising on human rights and statutory laws; crime prevention; investigation and interrogation techniques; and relationships with other security sectors. Monitoring and accountability mechanisms are needed in the correctional system to stem abuses, and to enhance access to justice for vulnerable groups, including displaced women and juveniles.

In order to protect women's rights, the government needs to harmonize current domestic legislation with international standards. The proposals include training programmes to sensitize parliamentarians, the judiciary, police and correctional services to gender equity issues and increase the representation of women among their ranks, and to establish a system for protection, monitoring and reporting of human rights practices. Support to women's advocacy organisations would play an important role. Reforms to the existing legal and justice systems are also necessary to ensure equal rights, including with respect to land and property laws, to secure access to justice and legal aid for women, and to address the shortcomings in customary and statutory law vis-à-vis basic human rights.

With a view to ensuring the sustainable management of natural resources and protecting the environment, existing national legislation needs to be reviewed. New environmental legislation, when necessary, needs to be drafted in line with existing Multilateral Environment Agreements (MEAs). Coordinating mechanisms need to be put in place between local, state and national government structures so as to ensure appropriate consideration of environmental issues and the adequate implementation of decisions.

The role that credible, high quality media will play in enabling greater openness and transparency has been explored by the JAM. Independent media foster debate through the exchange of opinions and ideas, and are a prerequisite for fair and transparent elections and accountable governance structures. Key emerging themes for media development include promoting popular understanding of the benefits of the peace agreement and recommending innovative media approaches which can help overcome the isolation of many communities. The goal is to ensure that all stakeholders have access to information that encourages peace and development, provides entertainment and supports cultural activities. A review of the regulatory framework for the media is vital, as are capacity building efforts to accompany investments in infrastructure and technology. It is recommended that a detailed independent technical feasibility study be undertaken before proceeding to physical investments in public media outlets, as well as in skills capacity building.

Improvements to the current very limited system of information and statistics are fundamental to improved accountability and informing policy and programme decision-making. Priority should be given to those data that are critical for reinforcing the peace agreement, and for monitoring and evaluating development activities and their contribution to poverty reduction. Data will as far as possible be disaggregated by ethnic group, gender, age and geographic region and should be both quantitative and qualitative in nature. By 2011, Sudan envisions a significant improvement in the quality, timeliness, and representativeness of statistical information on the country, its people, and the economy. The proposed program would improve access to information and establish an integrated national statistical system. The immediate major challenge is the population census, which is critical to implementing the CPA, in particular the electoral process, and necessary for establishing a baseline for future surveys.

3. Broad-based growth of income-earning opportunities

There are many actions needed to make the vision of poverty eradication a reality, including maintaining a stable economy. Sudan is starting its post-conflict phase with a stable macro-economy, low inflation, and a large and growing source of revenue. To

continue on this path, volatility of oil revenue needs to be kept in check. The NG has wisely instituted an Oil Savings Account which aims at insulating fiscal policy from the volatility of oil revenues.

In order to halve poverty by 2015, not only does the annual rate of growth of overall Sudanese GNP need to average about 10 percent, but the pattern of growth has to change. The sources of growth need to shift from mainly oil and related activity in mining, manufacturing and construction, and in irrigated and semi-mechanized agriculture, to growth that is increasingly rooted in smaller towns and based on environmentally-sustainable increases in the productivity of small-scale traditional farmers and pastoralists. Such growth would aim to improve the lives of the 80 percent of Sudanese living outside large urban agglomerations, and is an essential lever for conflict prevention. Depending on local regional and ecological conditions, prospective sectors that would generate this growth include livestock, sugar, cotton, gum arabic, sorghum, groundnuts, oil seeds, legumes, groundnuts, tea, coffee, lumber and fish.

A series of policies and interventions to promote agricultural, pastoralist and rural development more generally have been proposed, with the objective of raising incomes, reducing resource-based conflict and enhancing food security. These include development and support to implementation of pastoral and rural development strategies, re-evaluation of the laws regulating use of land and policy on large-scale mechanized farming, and monitoring of nutritional indicators and the food security situation. Specific actions needed to enable expansion of rural incomes include:

- reducing marketing margins and hence increasing income from domestic sales and exports of grains, oil seeds, forestry products and livestock;
- improving policies to expand the productivity of small-scale farmers;
- changes in land policy that will improve incentives for farmers' investments in long term sustainable productivity;
- developing mechanisms for increasing access to seasonal credit for small-scale farmers, and to micro-finance in general for rural residents; and
- conducting an agricultural survey to dramatically increase the amount of available data.

The private sector faces important constraints that the Government is now committed to overcome. These constraints include a small financial system; weak enabling environment for private investment in manufacturing and resultant low utilization of capacity; and inadequate and unreliable services in water, electricity, communications and other key infrastructure. Financial services for local entrepreneurs including small and medium enterprises are limited. Businesses also note an inadequate supply of human capital—for example the lack of technical skills for the building trades.

Reforms to policies and practices are needed to address structural and other barriers and facilitate broader economic opportunities. An investment climate assessment is proposed to identify constraints to entrepreneurial activity. Reform of the banking sector and the development of non-banking financial institutions to expand credit and other financial services more equitably by providing access to small and medium enterprises and the informal sector is key. Small producers will be assisted through a well-conceived policy reform package, as well as capacity building programmes for small and medium enterprises, with a particular focus on micro-enterprises. At the same time, the ongoing liberalization policy will be expanded to remove the monopoly on gum arabic, and to address unfair competition faced by private companies vis-à-vis state-owned entities and other non-competitive practices. Social protection interventions are also needed, and will contribute to solidarity, social cohesion, and social stability.

Sudan has a number of competitive advantages, including its wealth of natural resources and membership in regional trade zones (GAFTA and COMESA), which could enable an acceleration of export-led growth. Access to new markets will boost

production levels, and re-insertion into the international economy will be key to sustained growth in the private sector. Investments are needed in human capital to increase both technical and the general education base, WTO negotiations will be completed, and improvements will be made in the availability of credit for trade financing, alongside trade promotion activities. Building closer trade links with immediate neighbours, such as Ethiopia, Uganda, Democratic Republic of Congo and Kenya, and the Middle East region, will boost the regional economy, as well as potentially contribute to conflict prevention. Improvements in regulation and supervision of the banking sector, which are already underway, particularly with regard to risk management, would also facilitate integration of Sudanese firms into the global economy.

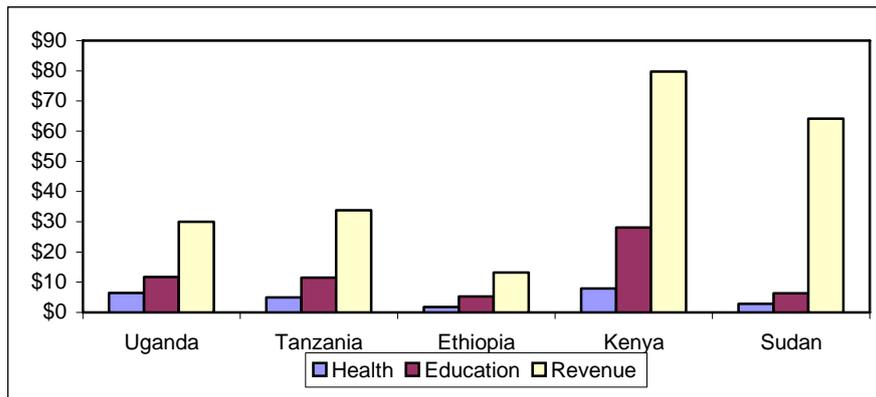
Infrastructure needs in the North are immense, and critical to enabling broad-based growth, improving access and integrating the country. Within the North, disadvantaged areas face challenges that are compounded by weak institutional capacity and depletion of human resources over many years. An Action Plan has been developed for infrastructure, which sets out immediate priorities and a programme to build capacity over time. The emphasis is on developing implementation structures that will facilitate high fiduciary and procurement standards, enabling the execution of labour-based construction activities. HIV/AIDS and gender issues and environmental concerns are to be tackled in infrastructure projects as cross-cutting issues. A priority for Phase I is the rehabilitation and upgrade of existing rural roads, ports and river transportation systems. In addition, the railway between Port Sudan and Khartoum requires rehabilitation, and urban infrastructure and municipal services are in need of major repair and reconstruction. Electrification is also a priority, and the JAM will support the extension of the national grid, rural electrification, promotion of renewable energy options and the development of a national electrification master plan.

Greater private sector participation is necessary to further develop infrastructure, and policy and regulatory reform and institutional development will be undertaken to reach this goal. Policies for road transport and inland waterways will, together with municipal planning, have a great impact on the economy, and the JAM will support feasibility studies, design and procurement activities for these sectors. In addition, two pilot projects will be launched to review the scope for public transportation.

4. Expanding access to basic services

To overcome the geographic disparities that are the defining characteristic of access to basic services in Northern Sudan, a series of reforms and programmes have been identified that would significantly expand access to health, education and water and sanitation in disadvantaged parts of the country. This has an important local dimension since the delivery of basic social services is decentralized, and the local level is largely responsible for planning, financing and implementation of programmes. Currently, public social spending in the North is strikingly low relative to revenue and per capita revenue (Figure 5), indicating that Sudan is far better placed in the medium and long term than many of its neighbours in terms of being able to self-finance pro-poor spending.

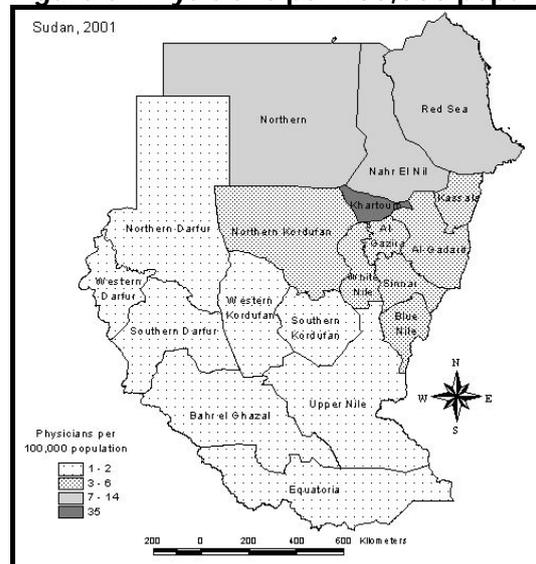
Figure 5. Per capita government health and education spending versus revenue, 2003



Source: Sudan Ministry of Finance and National Economy and World Bank.

Sudan's poor health outcomes are associated with a health care system that is significantly under-funded, unbalanced and inefficient. Preliminary findings from a 2003 health infrastructure survey show that, overall, 36 percent of health facilities are not fully functioning in North Sudan. The coverage of the primary health care network is severely constrained by lack of staff and funds for recurrent expenditure, and by a range of management problems including fragmentation and an inadequate information system. The infrastructure network is large overall, but population-to-facility ratios – around 100,000 per rural hospital and 35,000 per health centre – are high. There are very large urban-rural and regional disparities in the availability of services (Figure 6). The re-emergence of cases of polio in Darfur in 2004, just as Sudan was on the verge of being declared polio-free, illustrates the inadequacy of the primary health care system, including low routine immunization coverage, and the threats facing neighbouring countries as well as Sudan, underscoring the need for a general expansion and upgrading of the health sector.

Figure 6. Physicians per 100,000 population, Sudan, 2001



Source: Decaillet, Mullen and Guen, 2003. "Sudan Health Status Report." World Bank.

The goal is to increase basic health service coverage from the current estimated level of 45 percent of the population to 60 percent by the end of the Interim Period. This would put the Northern states on a path to achieving 73 percent coverage by 2015 – and therefore significant progress towards the MDGs. An associated objective is to improve equity in health service coverage, access, and outcomes, in particular through reducing geographic, urban/rural, gender and socio-economic inequalities. This means that

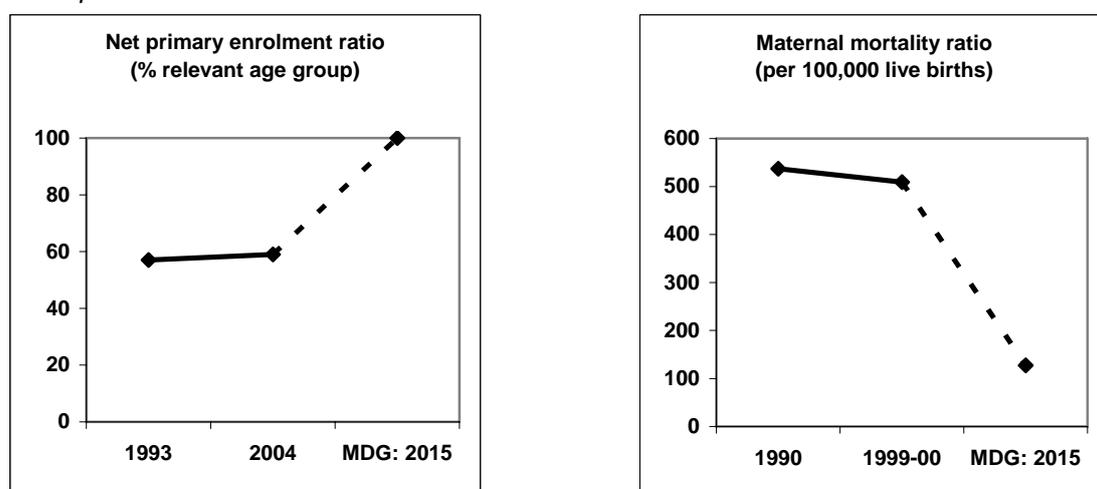
the overall coverage targets should be achieved by larger improvements among under-served populations. The overall NG goal is to arrest the HIV pandemic at its current level in the general adult population, while avoiding stigmatization of vulnerable populations.

The main health priority is to increase utilization and strengthen quality of primary and first-referral health care services. This will involve financing reforms, strengthening of institutional capacity, particularly in more deprived states, policy and strategy development in key areas, investments in facilities and human resources, and increased financing, quality, and coverage of basic preventive and curative service provision. Important components of the health programme include:

- A review of health care financing, with technical assistance and capacity building in the areas of policy development, planning/regulation/supervision, financial management, human resources, pharmaceutical policy and regulation, and health information systems;
- Support for strengthening decentralization through the transfer of financial resources and administrative authority and capacity to the state level; and
- Investments in infrastructure and human resources, in particular to increase the number of primary health care workers by 25 percent by 2011 and the provision of incentives for most training programme graduates to be posted in areas of need, and for an intense programme of in-service training.

Both morbidity and mortality are much affected by water-related diseases, pointing to the importance of programmes to promote safe access to water and sanitation services. The priorities are to increase access, strengthen management, build sector capacity, and encourage community ownership and sustained behaviour change. Water point source and population mapping is the first step, followed by the rehabilitation of 5,000 existing hand pump-equipped water points and 1,600 other water systems. At least 10,000 new hand-pump-equipped water points and over 300 other systems need to be constructed to serve about 15 million rural inhabitants living in disadvantaged regions. New water systems should be sited as close as possible to schools and health facilities; all schools and health facilities should be provided with sanitary facilities for girls and boys. Community management of improved safe water facilities through public-private sector partnerships should be developed, along with communication mechanisms to raise the voice of target communities in choosing improved water options, locations and operational management and thereby minimize conflict over water resources.

Figure 7: Acceleration rates needed to reach education and maternal mortality MDGs, Northern Sudan



Source: Enrolment data from UNDP; health data from SDHS (1990), MICS (2000).

Currently Sudan is not on track to meet the MDG of universal basic education by 2015, even though compared to other African countries there has been overall

progress in reducing gender disparities, achieving a high retention rate to 6th grade, keeping unit costs low, and promoting learning. Nevertheless, simulations show that meeting the MDG requires that gross enrolment increase from the current level of 59 percent to about 88 percent by 2011, and that the access rate to grade 1 increase from its current rate of 75 percent to about 90 percent. Geographical disparities will be addressed—in 2003, three states' rates exceeded 83 percent enrolment, while the gross enrolment rate of three others was less than half of that. Thus achieving the targets will require a stronger focus on promoting access in underprivileged states, particularly for girls. The curriculum would need to promote a culture of peace and tolerance, while greater focus will be placed on culturally and linguistically appropriate education, HIV/AIDS advocacy, environmental concerns, sanitation and gender issues.

The main education priorities in the North are to extend the coverage and quality of basic education and to build institutional capacity. The suggested schedule of activities includes:

- Increasing operational education expenditures from 7 percent to 20 percent of consolidated national revenue through the reformed intergovernmental transfer system;
- Adding 2,600 classrooms and 3,500 teachers annually, upgrading teacher skills and revising textbooks;
- Implementing special needs programmes targeting children with disabilities, refugees and IDPs; and
- Initiating programmes that target adult literacy and provide non-formal education for out-of-school children.

IIIB. The Three Areas

The Three Areas – Blue Nile, Southern Kordofan and Abyei – with a combined population of about 3.9 million – have been a central part of the civil war and, in recognition of their unique situation, have been accorded special status in the CPA (see Box 1). The UN estimates that currently about 30 percent of the population of these areas lives in SPLM-controlled areas, and the remainder lives under GOS control.

Desired outcomes are based on a shared vision “to make Abyei, Blue Nile and Southern Kordofan models for peaceful co-existence based upon the implementation of the CPA and the consensual sharing of resources to meet basic needs and respect human rights.”

Three overriding priorities have been identified for Phase I, alongside the need to make significant progress in the development of basic economic and social infrastructure and programmes that are outlined elsewhere. The specific priorities identified and agreed upon for the Three Areas are:

1. Implementation of the Comprehensive Peace Agreement;
2. Establishment of key institutions; and
3. Return and resettlement of displaced persons.

1. Implementation of the Comprehensive Peace Agreement

Implementation of the protocols for the Three Areas will be a litmus test for the overall implementation of the CPA. Southern Kordofan and Blue Nile States are to develop a model for decentralized government and self-rule, which will be subjected to the will of the people through the right of popular consultation exercised in the State legislature. Abyei will straddle the North and South with special administrative status under the institutions of the Presidency of the NG, and will conduct a separate referendum on whether to return to the South or remain in the North.

While a number of implementation modalities have yet to be decided, the general approach will be based on a decentralized, area-based strategy for local knowledge, experience and priorities to support local-level institutions. In terms of domestic financing for local programmes and administration, Abyei will receive a portion of net receipts from oil and non-oil revenues, plus equitable shares of both the National and Southern Sudan Reconstruction and Development Funds, with provision for establishment of the Abyei Resettlement, Construction and Development Fund. Southern Kordofan and Blue Nile states will receive net receipts from oil and non-oil revenues, and an equitable allocation from the National Reconstruction and Development Fund.

Much work needs to be done to meet these commitments. This begins with establishing the Abyei Boundaries Commission and submitting its recommendations to the Presidency; developing plans for political and economic governance of Abyei during the transition period; creating financial and banking arrangements for receipt of non-oil and oil revenues; establishing the Abyei Resettlement, Reconstruction and Development Fund; and setting up state land commissions.

Laws need to be harmonized between the Three Areas and the national level, consistent with international human rights standards and norms. Support is needed, since many functions are presently non-operational, and capacity is weak. The Three Areas will also need particular attention with regard to media development, including for communication channels to enable the safe return of IDPs and refugees.

2. Establishment of institutions

A key priority in the Three Areas is to support the formation of a civil administration and functional government institutions, beginning with a strategy for recruitment of civil servants and identification of skills gaps. Currently, two administrative systems exist – one for the GOS-controlled areas, and one for the SPLM-controlled areas. Some functions are reportedly overlapping, while most are missing, and capacity is universally weak. Programmes that have been identified include training to develop capacity of the legislative and executive organs, and also assistance in the drafting of legislative and executive decrees. The broad extent of human and physical capacity building needs in the short term include *inter alia* the judiciary, police, correctional system, fire brigade, wildlife and forestry management, civil society and media.

These institutional priorities need to be addressed to allow expansion of access to basic social services. Building information systems and policy making capacity will also play critical roles in helping to move these troubled areas onto a peaceful and sustainable path for development. These have been separately outlined and costed in Volume II, with fuller descriptions in Volume III.

3. Return and resettlement of displaced persons

Significant numbers of residents were displaced during the war, and it is expected that as many as 1.2 million people will return during the Interim Period, especially to Abyei and Nuba regions. This poses major challenges for local governments, particularly with regard to service delivery and social protection, where international agencies currently dominate provision. Undertaking human rights training programmes, including through the media and civil society, will be of particular importance for ensuring safe returns.

The threat to personal security is high due to the presence of local militia and mines. This indicates a need for rapid establishment of state DDR commissions, public sensitization programmes, and viable reintegration programmes. Demobilization, particularly of child soldiers, will be crucial, along with implementation of local plans for disarmament, arms control, and mine clearance along major transportation routes.

Recovery of productive activity is critical to the reintegration of displaced persons and long-term conflict prevention efforts. It is proposed that community-based productive opportunities be increased to cover at least 20 percent of the returnees. Both traditional and mechanized production areas are operating at low productivity levels compared with recorded historical levels, and the expected returns pose a significant risk to forest and woodland cover.

To enable returnees and host communities to enter the recovery and development phase, priority will be given to developing a comprehensive and environmentally sustainable agricultural policy that would allow for:

- Provision of modified seeds for rain-fed agriculture;
- Services for different types of rural activities to pave the way for more efficient agricultural production techniques;
- Financial mechanisms, like rural finance schemes, in rain-fed agricultural areas;
- Development of farmers' associations; and
- Establishment of an agricultural research service based on inclusiveness.

To increase access to markets, the proposed programme includes rehabilitation and construction of roads, bridges, and airstrips, and will provide capacity building and training in infrastructure planning. Rural electrification projects and rehabilitation of the existing power supply will also be undertaken.

IIIC. Programmes under the Government of Southern Sudan

For the GOSS, the strategic focus supports the SPLM's vision of decentralized development, and includes policies and interventions designed to consolidate peace and deliver tangible benefits to the population on a broad basis. In the immediate term, basic education, infrastructure, and capacity building for a lean, efficient, decentralized and transparent GOSS are the foremost objectives. Enabling the safe return and reintegration of displaced persons and promoting reconciliation among and within communities are key cross-cutting issues. This assessment focuses on moving into a developmental mode during the Interim Period, while acknowledging that humanitarian needs will persist and must be addressed.

This section is built around key elements as laid out in the strategic framework for war-to-peace transition:¹²

1. Developing physical infrastructure;
2. Prioritizing agriculture, and promoting private sector development;
3. Restoring peace and harmony (including through access to basic services);
4. Regenerating social capital (including safe return and reintegration of IDPs and refugees); and
5. Developing institutional infrastructure for better governance.

In the short to medium term, across all of these priorities, clustering of services will be key in development planning decisions. This applies to the location of structures to support market development, including road linkages, basic social services, and local public administration. The number of clusters could range from 40 to 100, and up to 500, depending on the type of service or activity. For example, the initial focus of the electrification programme in the first two years will be on the forty towns throughout the South that are expected to provide the basis for administrative and market services during the initial phase. Likewise, coordination is needed on the provision and placement of basic social services, expected to expand to hundreds of locales, to ensure synergies and to maximize benefits.

¹² SPLM Strategic Framework for War-to-Peace Transition, SPLM Economic Commission, New Site, August 2004.

1. Developing physical infrastructure

A foremost objective of the first phase is to transform accessibility in Southern Sudan and begin to overcome its historical isolation. Such a strategy could be based on market towns, which would become vital hubs in a growing, interlocking web of connections via roads, rivers, railroads and telecommunications that would facilitate local development. Infrastructure investments in roads, energy, river transport and rural electrification are therefore needed to contribute to development and poverty eradication in three key ways: by increasing access to markets; by enabling access to basic social and local government services; and by direct job creation. In the specific circumstances of Southern Sudan, this not only requires building roads and bridges, but also a major de-mining programme.

The existing infrastructure network is extremely limited, and the needs are immense. For example, recent emergency improvements in the major route between Rumbek and Yei have reduced travel time along the route from 15 to 3 days by truck. River transport has resumed, but to a very limited extent, and much of the major rail artery between the North and South is not operational.

The JAM Action Plan for infrastructure in Southern Sudan envisions several priority programmes, in two phases. By 2007, a basic transport infrastructure network mainly involving roads, river transport and aviation will be in place in the South. This requires opening up (de-mining and enabling passage across) 15,000 kilometres of the South. Under the phasing suggested there is a substantial phasing up as soon as the technical and feasibility studies have been prepared.

The goal is to rapidly overcome the isolation of Southern Sudan, and to build road links as soon as possible with Uganda, Kenya, DRC and Ethiopia, as well as with the North and the Three Areas. The base case that has been included in the Phase I costing would be accelerated to complete five major tarmac roads by the end of 2007, provided that the capacity and contractors can be rapidly put in place and the financing is available. It has been agreed that once benchmarks -- which would be specified in terms of contracting of at least 70 percent of the planned activities -- are met over the next 12-18 months, thereby showing readiness to move to the high case, then higher assessed road infrastructure needs for 2007 would be presented to donors for support.

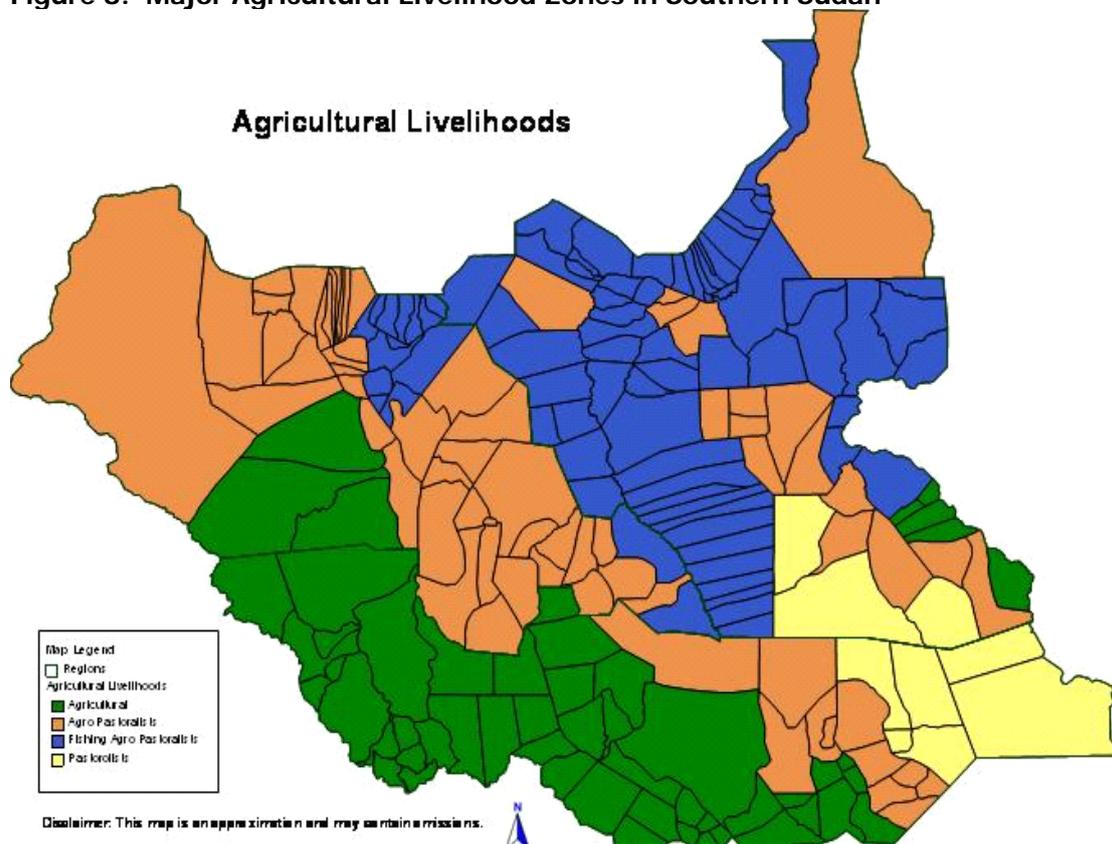
The JAM programmes are designed so that by 2007 there will be adequate capacity in place in the South for planning and management of infrastructure (although this will likely depend partly on foreign input). The actual plans for the rehabilitation and development of other transport infrastructure, including rural roads, will have been completed, contractors will have been secured and work will be underway, and plans for private sector participation in container ports and railways will have been prepared. Rural electrification for small towns and enabling local networks will have been developed. To promote gender balance, female employment in infrastructure projects would be encouraged as a matter of policy and through program design. The plan also calls for at least two civil works contracts to have implemented a framework to address the issue of HIV/AIDS. Any new and major infrastructure projects should undergo comprehensive Environmental Impact Assessments (EIAs).

The CPA provides for an allocation of responsibilities across levels of government that means that a substantial share of the infrastructure needs for the South are the financing responsibility of the NG – in particular, national roads, civil aviation and river transport. It is suggested below that further discussion is needed to operationalize the financing arrangements in the context of the CPA and expected development assistance for infrastructure.

2. Prioritizing agriculture, and promoting private sector development

Transforming the agriculture sector and promoting private sector development is central to the challenge of sustainable peace and development in Southern Sudan, and will require substantial policy and programme efforts. For decades deprived of access to technological advances in crop, livestock, fisheries and forest production, farmers generally use antiquated farming methods and work in a low-level productivity trap, with very low yields and in deep chronic poverty. Markets for inputs as well as commodities are very underdeveloped across the three major sub-sectors – crops, livestock and fishing (Figure 8). The strategies proposed under the JAM are designed to increase productivity and environmental sustainability and thereby combat chronic food insecurity. Success will be conditional on implementation of programmes to invest in human capital including to address gender-based disparities, and to improve infrastructure and governance. Careful monitoring of nutritional outcomes and the food security situation will be imperative throughout the Interim Period.

Figure 8: Major Agricultural Livelihood Zones in Southern Sudan



Source: FAO.

An action programme for economic recovery and growth has been developed that is based on agriculture, with a strong private sector orientation. Priorities for agriculture that have been identified and costed include:

- A cadre of extension specialists to provide leadership in the training and development of many teams of extension officers throughout Southern Sudan;
- Access to improved production technology through support services for key sub-sectors, including agriculture, livestock and fishing;
- Support to local market centres, and access to regional and international markets;
- Sound, sustainable natural resource management;
- Access to financial services; and
- Activities to disseminate available technology to farmers as soon as possible, and to create mechanisms for dissemination of future technologies; and

- Targeted initiatives to improve the investment climate, particularly for small and medium enterprises.

Development of a credit programme for small-scale farmers is key, but presently constrained by the absence of viable institutions to deliver credit in a sustainable way. For next couple of harvests, the proposal is to provide grants to eligible farmers for specific services, while building in a clear communication strategy and suitable training programmes to facilitate the planned transition to credit as soon as the right institutions can be put in place. This is preferable to commencing with a credit programme that would have a high probability of failure which would in turn spoil the market over the long term (beyond the distortions already created by food aid). The proposed approach is to provide for a small grants programme initially, alongside in-depth analysis of the potential markets and "scale up" options, in order to build up the appropriate institutions to provide sustainable financial services. This would be followed by capitalization of a rural credit fund, complemented by a broad-based financial education programme and other matching requirements for grant eligibility that would assist farmers and other prospective credit recipients to adapt to and manage credit arrangements and other financial services, particularly savings. Another short-term option to be investigated is contracting out of credit services.

The large number of international personnel expected to live in the South will create particular challenges for the GOSS. Experience shows that civilian and military personnel tend to create economic enclaves in terms of demand for restaurants, hotels, housing and imported food. In the next two to five years there will be a spike in construction contracts related to the reconstruction programme. While there are some spin-off benefits for the local economy, there is also a risk that the cost of living differentials across regions will increase, with negative consequences for the urban poor.

An important strategic challenge for the GOSS is to generate an appropriate climate for the establishment of an effective and reliable commercial banking and non-bank financial sector, and to enable Sudanese businesses, especially the micro and small and medium enterprises, to access services and information about new economic opportunities. Information campaigns for businesses and efforts to remove possible barriers to accessing contracts (i.e. bid bonds, credit) to establishing and conducting business (i.e. registration, letter of credit requirement) could not only help spread benefits through the Sudanese economy but may also help diminish the tensions which arise in post-conflict operations between domestic entrepreneurs and foreign businesses. Consideration will also need to be given to addressing the extra burden of political risks that confront businesses in post-conflict situations. A survey of existing firms is planned to gain a better sense of constraints. A sound legal and regulatory framework, with transparency in licensing, antitrust regulation, and anticorruption laws will need to be created and enforced. An ethical code of conduct for the leadership should underpin legal and institutional development.

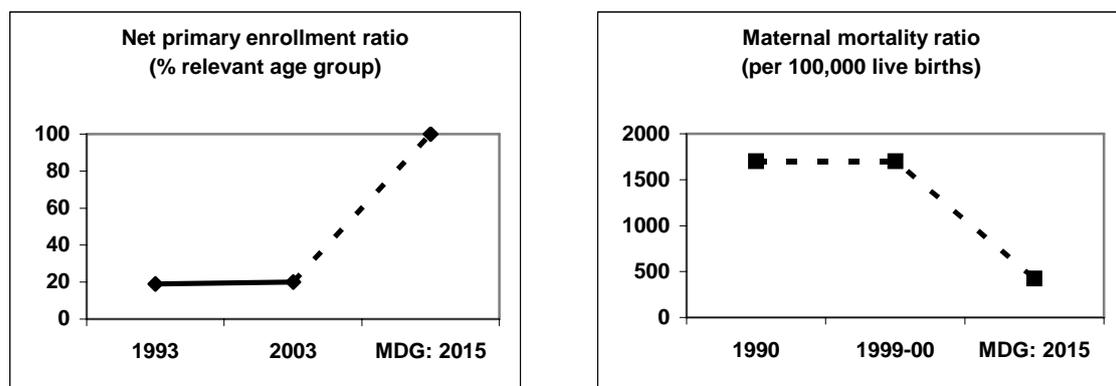
3. Restoring peace and harmony, including through access to basic services

Expanding access to education, health, and water and sanitation will be a critical component of the peace dividend because it redresses one key dimension of the historical neglect of the people of the South. Although many communities in the South have organized themselves to provide some level of education services, domestic resources have been negligible and external support limited. Education in the South has been almost entirely administered by communities and staffed by volunteers. Quality and enrolment rates—particularly of girls—are very low. The gross primary enrolment rate is estimated at 20 percent, but only one in four enrolled are girls. In Rumbek, which has one of the very few secondary schools in Southern Sudan, only 2 of the 600 secondary pupils are girls. The need for a huge increase in investment in education in Southern Sudan is underscored by demographics—an estimated 60 percent of the Southern Sudanese population is under 18 years old.

The programmes proposed by the JAM would more than double primary school coverage by 2011, from 20 to 55 percent, with a major focus on girls; enrol 15 percent of out-of-school youths in alternative education programmes; standardize the curricula; and make learning content contextually and culturally relevant. This requires building capacity at the central and local levels, as well as clearly delineating responsibilities among communities, *payams* and counties, and ensuring predictable funding flows.

The action plan for basic education involves building and rehabilitating schools, improving the learning environment, and taking over the payment of teachers by the GOSS, as well as concerted efforts on recruitment and training. There is a focus on enrolling and keeping girls in school (see below). The JAM programme also includes vocational training for youth and adults, including demobilized soldiers, through building centres and establishing programmes. Support to secondary and tertiary education is required to address the skills deficit in the South.

Figure 9: Acceleration Rates Needed to Reach Education and Maternal Mortality MDGs, Southern Sudan



Source: UNDP/NSCSE.

Southern Sudan acknowledges the critical role of women and girls in the development of society, and the gravity of their current situation. War and population movements have increased the ratio of adult women to men in Southern Sudan to just over 2:1 and have greatly increased the importance of women in the economic survival of families and communities. Yet cultural practices continue to undermine gender equity. The JAM proposes a programme to promote girls' education to address the very low girls' participation rate and the high opportunity cost of sending a girl to school for families: cash handout is the preferred method here because it requires only modest administrative capacity and therefore can be rolled out quickly, usually with immediate results. The suggested level of financing per student is \$40 per year for primary and \$100 for secondary school. The Secretariat of Education has set ambitious targets to redress the imbalance and move towards gender equality, namely:

- Girls' enrolment in primary school should be increased from 11 percent to 40 percent;
- The number of village schools for girls is should be increased to over 3,000 by 2011; and
- Women should be the focus of adult literacy campaigns (accelerated learning programmes).

Considerable emphasis will be given to accelerated learning opportunities for those young people and adults who are now beyond the age of normal entry to basic education. The peaceful reintegration of soldiers into civilian life is critical to establishing stability; foremost among this group are child soldiers. Emphasis will be placed on literacy campaigns, accelerated learning programmes and life skills training. The target is to provide access to 15 percent of adults by 2011, with a focus on young women. Most SPLA soldiers should be enrolled in alternative education programmes.

Increasing access to basic health services and clean water is a priority. The approach is founded on the SPLM health sector recovery strategy, which recognizes the importance of long-term, sustained interventions. This means moving away from intensive, short-term initiatives inspired by humanitarian concerns, which operate at the expense of increasing the already high fragmentation of activities, and therefore undermine the introduction of effective management and coordination systems, and endanger the future sustainability of the system. Like in other transitions, getting the right balance between humanitarian assistance and long-term recovery is a major challenge. The health network is slim, even in comparison to the poorest countries of Africa, with a hodgepodge of old and derelict facilities. The health workforce is mainly composed of low-skilled workers, sometimes with only a few weeks of training.

Southern Sudanese health authorities need technical and financial support to meet the goal of doubling access to health care -- reaching 50 percent access by 2011 -- with associated gains for morbidity and mortality outcomes. If sustained, this rapid increase would put Southern Sudan on track to achieve 73 percent coverage by 2015 and therefore make substantial progress towards the health-related MDGs. The priorities that need to be addressed simultaneously in Phase I are:

- (i) rapidly scaling up primary services, starting in the least served areas, while rehabilitating and strengthening existing first-referral hospitals throughout the regions of Southern Sudan;
- (ii) strengthening the capacity of the Health Secretariat and local health authorities in key areas (policy formulation, planning and management); and
- (iii) supporting policy and regulation development, and information systems.

Phase II, which runs through 2011, will be characterized by major infrastructure expansion and construction of new rural hospitals in all regions, and human resource development, and implementation of the management systems conceived during the first phase. The JAM program will be complemented by the efforts of the GOSS to renovate and establish well-functioning tertiary facilities in major towns.

By 2011, the health authorities of Southern Sudan will have progressively acquired the following skills needed for effective health care management: analyzing relevant information, setting priorities, guiding policy and regulation formulation, planning, monitoring health status and programmes, coordinating different partners, negotiating with development partners, and managing increasing resources. A major challenge lies in building management capacity, including the capacity to evaluate the performance of health service providers (public and private), formulate and enforce legislation, introduce incentives and remove restraints, and negotiate effective collaborative agreements with partners. It is expected that NGOs, the private sector and UN agencies will continue to be the main vehicles of health service delivery. They will work in more integrated ways, bound by formal relationships with the strengthened Southern health authorities. Standard treatment guidelines, common drug supply channels, uniform qualifications for hired health workers, a common salary scale, standard layouts for health facilities, and formal contracts are among the instruments to be developed in the pursuit of sector coherence, increased efficiency and better quality of care.

To avert the substantial risk of an HIV/AIDS crisis of the severity faced by many Sub-Saharan countries, measures are urgently needed to raise awareness and to protect the rights of Southern Sudanese living with HIV/AIDS. These include establishment of Voluntary Counselling and Testing (VCT) Centres additional to the existing five. So far, HIV/AIDS programming has focused on interventions including behavioural change communication, VCT, knowledge, attitudes, behaviour and practice surveys, and prevalence surveys. These have been implemented, however, in only a few locations. Health providers and educators need to be trained to use innovative methods to inform the mostly

illiterate population. Religious leaders, traditional healers, community leaders and local authorities are important agents of change.

To improve health outcomes in Southern Sudan, it is critical to increase access to safe water and sanitation. The objective adopted for 2011 is to double rural safe water and sanitation access from the 2004 baseline of 25-30 percent. Supporting objectives are to ensure that all newly constructed and rehabilitated schools and health facilities have access to a safe water point within 100 meters, and have sanitary latrines for both girls and boys; to build/rehabilitate boreholes equipped with hand-pumps, water yards and sanitary blocks in public places; and to increase local-level capacity to manage and maintain water and sanitation infrastructure. Programmes have also been designed to increase knowledge and practice of key preventive barrier actions against water- and hygiene-related disease transmission among 90 percent of school-age children, and 75 percent of adults, in beneficiary communities. These programmes will have important benefits of reducing the time and burden on women and girls in carrying water and improving health status.

4. Regenerating social capital

The challenges in rebuilding social capital in the wake of conflict need to be tackled through a range of programmes. The focus here is on the returning populations, where the needs are multifaceted. They include addressing refugee and community information and sensitization needs, legal issues, transport and logistics, family tracing and reunification, and access to land and conflict mitigation mechanisms. Security and protection must be provided for IDPs travelling home, which also includes implementation of de-mining operations over large swathes of territory. Mine action activities in Southern Sudan are still in their infancy. Rehabilitating existing and building new infrastructure, for example bridges and ferry routes, is important to meeting IDPs' and refugees transport needs.

Beyond enabling safe transit of the returning population, there are humanitarian and developmental needs to be addressed, linked to broader programmes for community-driven recovery. The former include food, water, and shelter along the way, and the latter include provision of tools for use when people arrive at their destinations—such as seeds, farming tools, and fishing equipment. The requirements for establishing basic public services in health, education, water, and sanitation in destination communities have been estimated, also recognizing the heightened risk of HIV/AIDS transmission. These activities will be closely linked to local development programmes and social protection interventions, which seek to reduce the vulnerability of low-income households with regard to basic consumption and services; enable savings; and enhance equity particularly with regard to exposure to, and the effects of adverse shocks.

The programmes have been designed to meet several key targets, including enabling 90 percent of refugees and at least three-quarters of IDPs to return to their communities on a sustainable basis, with a focus on unaccompanied children. Interventions have been designed to facilitate availability of basic services for returnees and hosts in receiving communities, and to strengthen local organisations for community development, conflict prevention and communal dialogue. There are important connections here to the programmes proposed for land, in terms of reviewing existing practices, and looking for ways to increase certainty and to minimize the risk of conflict, in which the Southern Land Commission and its local activities will play an important role.

5. Developing institutional infrastructure for better governance

Building efficient and decentralized governance structures to meet the needs of the people is a precondition to successful implementation of the GOSS strategic objectives to accelerate growth and expand service delivery. Key institutional priorities range from creation of a civil service, and establishment of functioning and

accountable local governments, to establishing effective systems for monitoring and evaluating GOSS progress in meeting its development objectives.

In order to be able to manage, deliver and account for the range of critical programmes needed to accelerate development in Southern Sudan, the entire public service, including personnel and systems, has to be built up virtually from scratch. Systems, structures and capacities need to be built at the centre (GOSS) as well as in the state and local governments, in central agency-type functions (e.g., public service commissions), as well as in line departments. The public institution-building challenges include establishing a salary structure that attracts qualified staff while keeping the wage bill sustainable; basic human resource systems for recruitment, promotion, performance management, classification and grading that promote professionalism and attract quality staff; and training.

By 2011, the full range of policies, systems and institutional structures should be in place, in line with the decentralization framework. This will form the basis for a motivated, responsive, representative, ethical and professional public service, effective in advising the government on policy and programme management and ensuring the delivery of services to the general population. Counties will conduct participatory and transparent planning processes in which local priorities are respected and vigilance against corruption is maintained.

Early anti-corruption measures will be needed in the immediate term, before capacity and institution building efforts have begun to bear fruit—this includes the establishment of the envisioned Project Implementation Agency early in Phase I, which will hand over its management functions to line ministries by the end of Phase II. In the medium to long term, a pre-emptive approach to combating corruption requires the existence of a professional, upright and committed civil service with a minimum of discretionary authority; transparency in the functioning of government; good financial controls through improved public financial management, procurement and audit; economic deregulation, except where absolutely necessary so as to minimize the opportunities for rent seeking; and public oversight through media, civil society and parliamentary committees. During Phase I, Public Grievance and Restitution Boards and an Anti-Corruption Commission will be put in place.

There is a range of activities needed to create and strengthen public institutions, from construction to training and technical support. These include an assessment of current capacity; design of the pay and staffing structure, and size and composition, of the public service; establishment of a payroll system linked to the financial management system; development of a policy and regulatory framework for recruitment and personnel management functions; establishment of the institutions identified in the protocols relevant to the operation of the GOSS; and training and capacity building of GOSS, state and local government staff as they are recruited.

The public financial management and procurement systems likewise urgently need to be built from the ground up. The Secretariat of Finance and Economic Planning has a rudimentary budgetary system, which covers only a small proportion of public finances. There is no procurement system per se—i.e., official regulations, procedures and institutional framework and capacity—currently supporting the SPLM-led administration. The SPLM recognizes the importance of procurement and has already initiated specific actions; for example, a mutually recognized financial firm has been recruited to implement the Capacity Building Trust Fund, which includes a component to build procurement and financial management capacity. Major compounding constraints for procurement and financial management include the severe lack of communications networks (including no postal system), of physical infrastructure, and of local suppliers in the private sector, with only a nascent supporting regulatory environment (e.g., for the banking sector).

The JAM costing includes a substantial local transfer to counties and *payams*, and at this crucial early stage emphasizes sound revenue management and prevention of corruption through measures that ensure accountability and transparency. Revenue transferred to sub-national levels of administration should be spent according to local needs. In advance of setting up mechanisms for inter-governmental transfers and making the transfers, though, key decisions must be made about the size and number of counties and the role of the *payams*.

The distinct capacity building needs for economic policy-making include increased analytical and management capacity in the Secretariat of Finance and Economic Planning, and the creation of aid management arrangements. There also needs to be a unit responsible for working on the Poverty Eradication Strategy, jointly with the NG, other institutions of the GOSS, civil society and development partners.

Improving the rule of law will be a critical part of consolidating peace, particularly in those parts of the South where there has been a weakening of traditional peace-making systems, and support to the emerging electoral processes. The overall objective is to empower national stakeholders to actively engage in eliminating violations of international standards, restoring confidence in informal and formal law-enforcement, judiciary and civil administration institutions, and gradually building a culture of justice and peace. Protecting human rights will be the centrepiece of bolstering the rule of law. Traditional conflict resolution mechanisms and customary law should be linked to the judicial system, with delineation of the jurisdictions of customary versus formal court systems and a clear follow-up by the local authorities on the work carried out in grassroots peace initiatives. With respect to the electoral system, key priorities include establishment of laws on civil and political freedoms, compliance monitoring, and creating a political and security environment that is conducive to free and fair elections.

Strategic objectives for the near term include boosting the capacity of a competent and representative judiciary and law enforcement sector to address these challenges, and expanding confidence and reconciliation in the South. As the SPLM completes its transition from a military organisation to a functioning government, it will face such challenges as retraining the police force—which consists mostly of those with a military background—to serve in law enforcement capacities, and finding qualified persons to perform judicial and legal functions, which are currently being managed by a handful of staff. Human rights activities will include legislative reform, human rights education (especially for armed forces, police and wildlife forces) and capacity building of governmental and non-governmental institutions.

Creating the enabling policies and infrastructure for an independent media with a broad reach is an integral part of educating the population about the CPA, and in building a culture of accountability and transparency in government in the long run. Access to media will help bolster governance and consensus-building in the South, which has been largely without media outlets and has relied on word-of-mouth for the transit of information. There is significant unmet demand for radio broadcasts with relevant programming in local languages (all of which have been recognized as national languages), while newspaper circulation and television ownership are quite low. Priorities include building a legal and regulatory framework that ensures radio and TV transmissions are independent. It is also important to facilitate the emergence of diverse media that meet the needs of the population in terms of access to information, peace building, language, development, education, culture, and livelihood support. The costs of physical investments in independent public media outlets, as well as capacity building in skills, have been estimated.

Since women's disempowerment is a major issue, attention to gender equity is needed not only as part of larger programmes (i.e. in health, education, and infrastructure, as noted above), but also for programming in its own right. Based on technical work and consultations under the JAM, the emerging priorities include putting a

policy in place to guide gender mainstreaming, implementing targeted activities in leadership and management, and creating a database to monitor progress. Protection against gender-based and domestic violence will also be a key component of the demilitarization of society. A legal system must be developed that can deal effectively with the current system of customary laws and values, some of which can undermine human rights. Support to facilitate dialogue with traditional elders on various negative traditional practices, values and norms is proposed, and there should be laws to punish perpetrators of rape and sexual harassment.

Greater female participation in public life will enable women to influence the future of Sudan, and improve their own position. Institutional arrangements are needed to ensure female participation in the implementation of the CPA and post-conflict reconstruction and in the civil service, and to ensure a gender balance in the composition of all institutions of GOSS. Monitoring and development of gender equity issues need to be strengthened. Promoting girls' education and women's literacy will be critical to progress on this front.

Finally, but not least, substantial investments in information are required to support decision-making and enable programme and policy monitoring. In light of the growing and urgent needs for basic data, the SPLM has already taken steps to establish an independent statistical network by founding the New Sudan Centre for Statistics and Evaluation (NSCSE) in 2003 as an autonomous bureau responsible for collecting, coordinating and disseminating all statistics related to Southern Sudan. However, the number of professional staff is limited and data and information management are weak. Funding and technical expertise for conducting socio-economic and demographic surveys are very limited. One of the most urgent tasks is therefore the upgrading of skills and the creation of improved capacity in the NSCSE, including working with the Central Bureau of Statistics to successfully implement the next population census in advance of the general elections. Data collection and analysis have a focus on poverty and disadvantaged groups, and information will be disaggregated by region, age and gender.

A package of programmes has been designed to meet the information needs for development planning and monitoring in Southern Sudan, including data collection and storage, data analysis linked to user and policy needs, dissemination and capacity building. A key related dimension is building analytical capacity and ensuring strong linkages to users. This will be coordinated with, and complement, programmes developed at the sectoral level (e.g. the Education Management Information System), that have been costed separately. As the CBS and the NSCSE have been mandated by the CPA to conduct the population census, the costs associated with the census in South Sudan will be the responsibility of the NSCSE in collaboration with the CBS through the agreed arrangements.

IV. FINANCING NEEDS AND INSTITUTIONAL ARRANGEMENTS

Implementing the CPA and making sustained progress on the priorities outlined in this Framework will entail substantial commitments on the parts of the NG and GOSS, alongside support from the international community. This effort will shift over time from the current focus on humanitarian assistance, to a recovery phase during 2005-2007, proceeding to a development phase which should allow Sudan to reach most of the MDG targets by 2015.

The financing needs have been estimated through the end of 2007 based on detailed sector programme analysis complemented by available information on the structure of the budget. Estimates for the outer years will be reassessed in the context of preparation of the Poverty Eradication Strategy (PES), and detailed technical studies. The total external financing gap displays an inverted-U shape, increasing until 2009 and decreasing thereafter in line with additional resources at the disposal of the NG and the stabilization of needs on the GOSS side.

- The recovery needs over the period 2005-07 have been estimated by JAM sectoral experts from the bottom up. Beginning in the latter half of 2005, to prepare the ground, and continuing through the full-blown Phase I programme during 2006-07, the identified needs for the NG (including the Northern States and Three Areas) amount to approximately \$4.3 billion, most of which should be covered by domestic financing efforts. For the GOSS, the estimated needs amount to about \$3.6 billion in Phase I.
- The NG, given the pressing needs of the Three Areas and disadvantaged Northern states, and partly to accommodate the oil revenue transfers to the South, should seek a frontloading of donor assistance. At the same time however, very strong own efforts are needed to create the conditions that would attract assistance to cover additional costs in the future.
- The GOSS, through a strong focus on pro-poor development spending out of own revenues, will be able to cover a considerable portion of the JAM estimated needs during the initial phase. However the needs are so large that the JAM program rises to a high level very quickly, and the gap for which external support is sought is projected to stay between \$600-700 million through the end of the Interim Period. GOSS should be able to absorb increased amounts of assistance, as capacity increases and transportation and communication improve. Spending in Southern Sudan would accelerate at a more rapid rate once the capacity to contract and disburse is put in place.
- Shifting from consolidation of the peace and recovery, to accelerated development during 2008-11 (Phase II of the JAM), with the objective of generating broad-based growth to reach the MDG of halving income poverty, will incur very large costs. Preliminary estimates point to \$1.5 billion a year in development assistance, though further work is required to better identify own resources and needs as well as to quantify the impact of PES programmes and external debt rescheduling.

The cost estimates for the JAM-identified priorities are based on full assessments by cluster teams, covering over 20 sub-sectors. It is based on work undertaken over the past twelve months by international technical experts working closely with national teams in the North and South. This bottom-up approach was coordinated with a top-down macroeconomic approach to ensure consistency. The unusually long duration of the Sudan JAM enabled much more detailed cost estimates than has been possible in previous post-conflict assessments. Extensive discussions with Sudanese counterparts at various Ministries and Secretariats and joint analysis with IMF staff reduced the risk of double counting (Volume II details the methodology and unit costs). The cost estimates are linked to the Cluster Matrices described in the next section and presented in Volume II, which reflect international and national judgment and experience on how to reduce poverty in an extremely challenging post-conflict environment with low absorptive capacity.

Public investment and expenditures on service delivery need to rise substantially relative to current levels. Such a major expansion will be facilitated by the NG, the states, and GOSS own efforts at mobilizing public and private resources, and by redirecting existing expenditures towards pro-poor purposes. On the NG side the effort is evidenced in the strong upward trend in the own financing effort which reduces the overall financing gap already by 2007. On the GOSS side, the gap continues to increase for several years, mainly because the immediate financing needs in 2005/06 will be held down by capacity. In both cases, there are strong links between the JAM cost estimates, results, and government budgets.

Table 3 summarises the total estimated needs for Phase I, as well as the financing gap that is expected after domestic financing. This shows that the South, as expected, has the highest financial requirements, while the needs of the Three Areas are also large. The estimates reflect the best judgments of the clusters and core team.

Table 3: Estimated JAM Needs and External Financing Gaps, Phase I (US \$ billions)

	Total JAM needs	Financing gap
North	4.3	1.2
of which Three Areas	0.7	
Southern Sudan	3.6	1.4
<i>Total</i>	<i>7.9</i>	<i>2.6</i>

Notes: For 2005, July-December only.

Beyond the costs of the recovery and development programmes identified under the JAM, the financial requirements of supporting the peace agreement will be substantial and include: the upcoming demobilisation programme; the costs of mounting a large UN peacekeeping force; continued humanitarian relief; the costs of recovery and reconstruction in Darfur; and funds for arrears clearance and debt relief. The next section presents a broad financing picture for the whole country, and then focuses on the recovery period for the NG/Northern States, the Three Areas and the GOSS, before reviewing the medium term outlook through the end of the Interim Period and estimating the investments needed to reach the MDG goals by 2015.

IVA. Domestic Economic and Financing Outlook

The overall fiscal outlook for Sudan is good, in that the economy is growing strongly with low inflation, within a sound macroeconomic policy framework. Once the shock of a major reallocation of budget resources to the South, the Northern States and the Three Areas is absorbed, prospects for actions to underpin Poverty Eradication Strategy are good since the various sources of revenue to support the pro-poor expenditures are expected to show continued strength.

Five sources of domestic financing will play an important role in enabling broad-based growth and investments in the MDGs:

- The oil sector is envisaged to expand steadily, including in terms of contributions to the budget. The consolidation of peace will encourage new exploration and allow for substantial increases in oil income over the medium to long term.
- The restructuring of the military-police-security sector, as per the CPA, will eventually release some resources. However, the effort will entail increased financial costs for demobilization.
- The federal investment budget, and the transfers to the states, will become more targeted at pro-poor programmes in the future.
- Stronger revenue efforts at the national level, especially through broader-based taxation and the elimination of most tax exemptions, will increase resource availability at the level of the NG, and the Northern states.
- Finally, as peace takes root and the business climate improves, local and foreign private investment will accelerate. Additional investment flows to poorer regions will

come as efforts to encourage the growth of small and medium enterprises in the context of developing the rural sector start to bear fruits.

While the outlook for fiscal revenues is positive, international assistance will need to be large. This is essential to help create the conditions needed to enable the domestic effort: as peace is consolidated and social stability strengthened, the investment climate would improve, allowing national efforts to accelerate. It is expected that by 2011, Sudan's external assistance needs would have fallen to African averages, and that by 2015, Sudan would no longer require major amounts of external assistance.

Box 4: A Brief Review of Possible Alternative Scenarios in Oil Production and Prices

Oil dominates NG revenue, and comprises basically the entirety of the GOSS revenue base. The baseline export price currently being used by the IMF (FOB) is \$38 per barrel of oil, and the IMF projections assume a gradual decline in the price through 2009 to \$34 a barrel. The estimates suggest that even if the price drops by ten dollars a barrel, total oil revenue in 2007 would be almost \$3 billion, and transfers to the GOSS about \$900 million. Alongside the price uncertainty, there is a range of estimates with respect to production over the period.

To examine the impact of alternative production volumes on revenue, the JAM team calculated five scenarios to complement the base case. For the NG, by 2009, there is a wide range of forecasts in production, depending on whether there is new exploration or not, with estimated revenues from oil in the range of \$2.8~6.7 billion, or 7.1~16.5 percent of GDP. The baseline case used here is about midway, since we follow the government in adopting the cautious assumption that there is no new production based on new discoveries.

IVB. The Recovery Period: 2005-07

The recovery period that has begun with the signing of the CPA poses substantial challenges for the people of Sudan, the authorities, and international partners. On the financing front, the JAM addresses those challenges by delineating and clarifying the key priorities, and the phasing of financing needs over time. The focus is on the first phase, through end-2007, although the technical analysis and estimates extend through the end of the Interim Period. Indeed while there is clearly some uncertainty about the costs needed in Phase II, it is critical to put the expected requirements of sustaining the peace and accelerating development on the table now. The major expected costs include the scaling up of the infrastructure programme to overcome the historical isolation of disadvantaged parts of the country, expansion of basic services to accelerate progress towards the MDGs, and ongoing programmes to improve different dimensions of governance.

The greater the extent to which donors are able to make upfront commitments to the overall programme, the smoother will be the planning of investments and programmes, and aid management. In particular, the South has major projects where early efforts are needed to build capacity and study feasibility, so that these can be implemented as soon as possible, and where multi-year commitments are being sought now, through the Multi-Donor Trust Fund (described below) or other vehicles. At the same time it is critical that other cost elements, in particular for demobilization, and debt relief, be clarified as soon as circumstances allow.

In recent years, humanitarian assistance to the Sudan has risen substantially. Between 2003 and 2004, total reported funding more than tripled, to \$1.31 billion, an increase largely driven by the international response to the humanitarian crisis in Darfur. As of March 2005, almost 80 percent of food aid needs in Darfur had been pledged to the UN Work Plan, but less than 10 percent of the needs in the South and other areas of Sudan had been committed.

As the JAM has documented, the additional challenge now is to shift increasingly toward addressing development needs. Several international partners already have major development programmes underway, over and above the significant contributions to meet humanitarian needs and to help address the crisis in Darfur. For example under the UN Work Plan for 2005, \$266.7 million (18 percent of the total) was requested for development programmes, notably in support to the return and reintegration of IDPs and refugees, area-based recovery, preparation for a DDR programme, and infrastructure rehabilitation. The United States has expanded its programme of support for Southern Sudan to at least \$300 million for this fiscal year (through October 1, 2005), which is playing a crucial role in the early stages of supporting institutional development and emergency rehabilitation of infrastructure, and enabling rural development and private sector growth in Southern Sudan.

In each cluster, the teams worked closely with agencies active on the ground to ensure maximum synergies, and to avoid overlap and double counting where programmes are already underway.

1. National Government – including the Three Areas

There are difficult financing challenges facing the National Government. The requirements of implementing the CPA and making the investments in development needed to avert the risk of future conflict must be addressed, while maintaining the very important achievement of macro-economic stability.

There has been substantial adjustment and reallocation already in 2005 (Table 4). Approximately half of state transfers are assumed to be poverty reducing, along with some education and health expenditure and a small but rising percentage of NG capital spending. The published budget for 2005 shows a strong commitment to the needs of the post-peace period. In particular:

- Transfers to the South rose from close to zero (excluding GOS-controlled areas) to 4.6 percent of GDP in 2005 to meet the wealth-sharing obligations;
- Transfers to the Northern states tripled, from 1.2 percent of GDP in 2004 to 3.8 percent in 2005;
- Proposed increases in public sector wages were postponed;
- The “General Reserve” (which is usually tapped by the army and for emergency spending) has been reduced from 2.8 to 1.5 percent of GDP over the next 2-3 years (though the 2005 budget does not yet reflect demobilization); and
- The public investment budget was cut from 4.4 to 2.3 percent of GDP.

Over 2006-07, the NG is committed to accelerate efforts in terms of revenue enhancement and, especially, expenditure reallocations (Table 4):

- Tax revenues are expected to continue to rise (from 7.8 to 8.5 percent GDP); and total revenues from oil will be 13-15 percent of GDP in the relatively conservative trajectory of oil exports assumed in the NG macroeconomic programme.
- The wage bill will initially rise due to the costs of demobilization, but once complete, there will be expenditures savings from having a smaller army to support. (As noted above, the full costs of DDR, as well as the wage savings, are not part of the JAM estimates at this stage, pending agreement by the parties on a strategy forward.)

Table 4: Recent and Projected Trends in NG Budget Allocations (percentage of GDP)

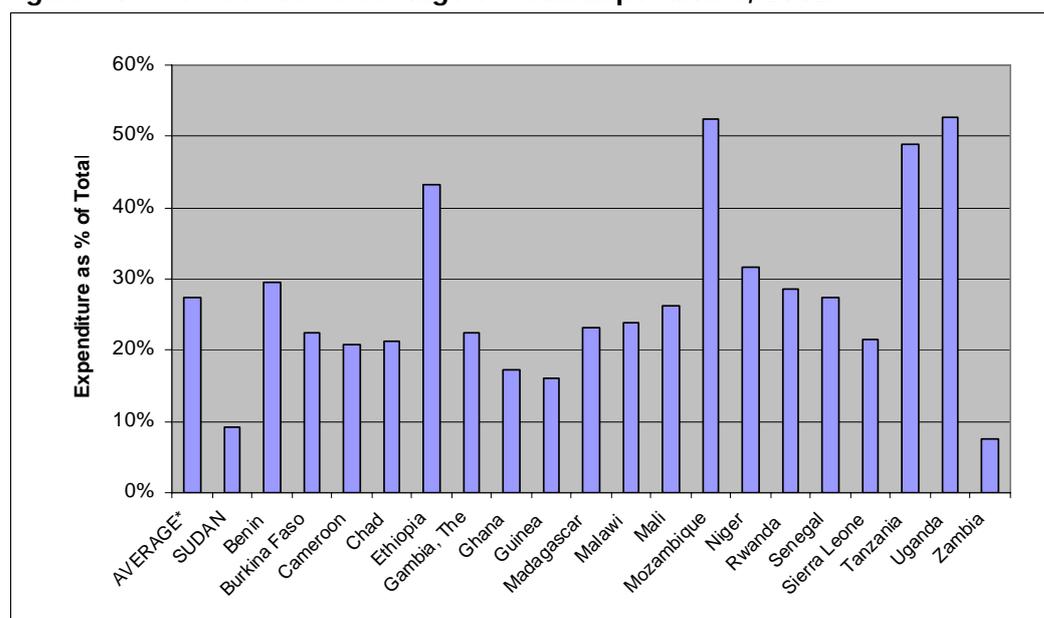
	2004	2005	2006	2007
Total Revenue	21.5	22.6	25.4	24.8
Tax	8.2	7.8	8.1	8.5
Non-Tax	13.3	14.7	17.3	16.3
of which from oil	11.3	13	15.9	14.7
<i>Existing Commitments (net)</i>	<i>1.3</i>	<i>0.8</i>	<i>0.1</i>	<i>1.1</i>
Total Expenditures	20.2	24.3	27.6	27.1
Poverty Reducing (JAM total)	2.2	2.7	5.9	6.5
of which JAM Additional	0	1.9	4.3	4.9
Transfer to Southern Sudan	0.5	4.6	5.6	5.2
Other (including military)	17.5	17	16.1	15.4
Total JAM needs (\$ millions)	–	649*	1,613	2,042
Financing gap (% GDP)	–	0.9	2.1	1.2
Financing gap (US \$ millions)	–	262	575	372
Memo				
Poverty reducing exp. (JAM total) per capita (\$)	-	22	55	69
Financing gap per capita (\$)	-	9	20	13
Poverty reducing /Non- South expenditure (%)	11	14	27	30
Share of JAM financed externally (%)	-	40	36	18

Note: *JAM expenditure in 2005 for six months only. All estimates exclude DDR needs (still to be determined). Note that the estimates here differs from the April 2005 IMF Staff Report in that the latter is based on a conservative (no assistance) scenario. Source: MOFNE, with IMF and Bank staff.

Very importantly, increased savings on the expenditure side will allow budgetary reallocations by the NG towards pro-poor programmes, and thus become part of the overall JAM financing envelope. Pro-poor expenditures per capita are expected to rise sharply from \$22 in 2005, to \$69 in 2007. Based on discussions with MOFNE, the share of pro-poor expenditures financed from the NG budget is expected to continue to rise significantly from historically low levels: a larger share of transfers to the states and of the investment budget will go to pro-poor expenditures, and local state revenues also rise. As a share of public spending in the North, pro-poor programmes had been very low relative to many other African countries (Figure 10). This share is set to almost double, to 27 percent in 2006, and to 30 percent by 2007.

The immediate period ahead thus poses significant fiscal challenges for the NG. The proposed financing strategy for addressing the needs for sustained peace and development is through strong domestic effort, which is front-loaded and supplemented by sizable international support, also frontloaded, which declines over time. The financing gap for Phase I amounts to about \$1.2 billion. Importantly, this does not include the costs (and subsequent savings) associated with demobilisation, nor the reconstruction of Darfur, or debt reduction. Once these needs become clearer, the overall financing needs of the NG will be much larger. Indeed the strong reallocation of expenditure towards pro-poor “JAM” programmes aims at creating the conditions to attract international support for these crucial additional needs in the future. Of the total JAM needs, and given projected budget reallocations, external support is expected to fall from 40 percent of JAM needs in 2005, to about 18 percent by 2007.

Figure 10: Pro-Poor as Percentage of Total Expenditure, 2002



Source: IMF and Sudanese Ministry of Finance. *Average is of countries shown. Note that pro-poor spending is defined according to each country's Poverty Reduction Strategy, thus figures and comparisons should be interpreted with care.

Additional JAM assessed needs for the NG, including Northern States and the Three Areas, which are incremental to those already met by the NG budget for basic education, primary health and other pro-poor programmes, amount to about \$3.2 billion for Phase I (Table 5). The bulk of the needs are in expansion of basic services (education, health, water and sanitation), rural development, and infrastructure. As part of the JAM, a decentralized grant of \$20 per capita has been allocated for community-driven recovery in all disadvantaged areas in the North, including the Three Areas, as a vehicle for delivering the range of services and small infrastructure foreseen in the various clusters of the JAM.

Table 5: JAM Additional—Phase I costs for NG (including 3 Areas) by Cluster (US \$ millions)

	2005	2006	2007	Phase I Total	Share of total (%)
Capacity bldg & institutional dev	11	28	39	78	2
Governance and rule of law	21	56	56	133	4
Economic policy	23	63	44	130	4
Productive sectors	93	203	211	507	16
Basic social services	217	580	697	1495	47
Infrastructure	17	47	318	382	12
Livelihoods and social protection*	68	180	161	409	13
Information & statistics	7	25	27	59	2
Total	458	1183	1552	3193	100

Notes: * excluding DDR (estimates not yet available). For 2005, July-December only. Figures are rounded. For details see Volume II.

In the Three Areas, basic services comprise the bulk of the needs, alongside support to rural development and livelihoods, and the significant costs of building new infrastructure – in particular, roads and a connection to the northern power grid (Table 6). As noted above, the Three Areas face a more difficult situation than many of the Northern States in developing institutional capacities needed to implement the proposed programmes.

Table 6: Phase I: JAM costs for Three Areas, by cluster (US \$ millions)

	2005	2006	2007	Phase I Total	Share of total (%)
Capacity bldg & institutional dev	3	7	12	22	3
Governance & rule of law	6	17	13	36	5
Economic policy	0.2	1	1	2	0.5
Productive sectors	19	50	53	122	16
Basic social services	51	135	169	355	48
Infrastructure	2	4	58	64	9
Livelihoods and social protection*	19	51	53	124	17
Information & statistics	1	4	5	10	1.5
Total	101	270	364	735	100

Notes: * excluding DDR (estimates not yet available). For 2005, July-December only. Figures are rounded. For details see Volume II.

Infrastructure represents an important share of the total financing needs during the first and second phases, and thus warrants a brief explanation. According to the CPA, responsibility for the implementation of national infrastructure, which includes interstate highways and National civil aviation, lies with the National Government. However the needs for major infrastructure investments are massive and significant donor assistance is required in order to make serious inroads on the isolation suffered by war affected and disadvantaged parts of the country. For Southern Sudan the cost of addressing the massive deficit in roads and infrastructure more generally has been estimated to be at least \$1 billion through 2007, and could be significantly higher if contracting proceeds rapidly. The JAM proposes that these needs should be wholly financed by donors. Within the framework of the CPA, the domestic financing and operational arrangements for supporting and managing national infrastructure will be reviewed by the JNTT, which would include the review of plans in case of donor shortfalls. In the JAM documentation, the infrastructure needs are presented in terms of the location of the investments (see Volume III for further details), without prejudice to the jurisdiction and schedule of powers in the CPA.

2. Government of Southern Sudan

Southern Sudan starts from a situation of extreme poverty and underdevelopment with weak skills and virtual non-existence of normal government institutions. The imperative is to establish structures to enable public spending to rise and be absorbed effectively and efficiently as soon as possible. At the same time, as a newly created government, there is a need to build up some financial reserves, particularly given the downside risks to revenues from fluctuating prices of oil—but without introducing taxes that would inhibit private sector development. In the short term, donor resources and technical advice are needed to fill the gap, to launch various sector programmes that would produce peace dividends on the ground, and to complete the studies to underpin large infrastructure projects. The scarcity of local capacity and the breadth and depth of needs place a significant premium on donor coordination.

The assessed financial requirements for Southern Sudan, disaggregated by cluster and sub-cluster, are presented in Table 7. It shows that the biggest ticket items during Phase I are for infrastructure, basic services (especially education) and institutional reform and capacity building (which includes grants to local communities). As shown in the next section, estimates through 2011 reveal that the relative shares shift over time in accordance with shifts in needs and capacity, and a continuing scale-up of infrastructure investments. It should also be recalled that the figures presented here are incomplete. In particular, the costs (and benefits) of demobilisation have not yet been included. The cost of demobilisation will depend on the scope and unit costs, with the latter likely to amount to between \$750 and

\$1,500 per soldier.¹³ It should also be noted that the estimates exclude humanitarian and emergency assistance being financed directly through the UN and other agencies.

Table 7: Phase I: JAM Costs for Southern Sudan, by Cluster (US \$ millions)

	2005	2006	2007	Phase I Total	Share of total (%)
Capacity bldg & institutional dev	107	236	268	611	17
Governance & rule of law	30	67	46	144	4
Economic policy	1	2	2	4	0.1
Productive sectors	55	120	133	308	9
Basic social services	138	415	442	995	28
Infrastructure	197	260	556	1013	29
of which national infrastructure	120	159	339	618	
Livelihoods and social protection*	76	177	194	446	13
Information & statistics	5.1	13.0	13.3	31	1
Total	608	1290	1655	3553	100

Notes: * excluding DDR (estimates not yet available). For 2005, July-December only. Figures are rounded. For details see Volume II. Note that costs, in particular for infrastructure, will be revised based on further technical analysis and studies, and implementation performance.

Infrastructure, alongside basic services, represents the major costs in the proposed program. Donors will be requested to make multi-year pledges during the early stages to allow for the initiation of multi-year large infrastructure projects by 2007 and thereafter.

It is possible to move more quickly on infrastructure construction than has been envisaged in the JAM, if sufficient external financing is forthcoming, the technical studies are completed, a sufficient number of contractors are engaged, and the capacity can be put in place to manage the contracting and supervision. Under the current schedule, the road programme expects to commit at least \$1 billion in the first phase, for which early pledges are sought to enable planning. As noted above, the high case is even more ambitious and would in effect accelerate progress in construction so that Phase II moves up in time. This accelerated scenario – which would add another \$800 million to the road program in 2007 – would come into effect provided there is good progress in contracting and disbursements in Phase I. The agreed benchmark of progress is that 70 percent of activities have been contracted in the first 12-18 months. In such a case the master plan and much higher assessed infrastructure needs for 2007 would be presented to donors for support by the end of 2006.

The GOSS is committed to budget transparency and has thus presented indicative plans across the major categories of expenditures through end 2007, alongside the assessed JAM needs. The broad categories in the budget can be described as (i) JAM related needs; (ii) Other needs, including defence,¹⁴ and for example, tertiary health care, as well as strategic reserves (defined below); and (iii) demobilisation. Given expected revenues, it is possible to project the share of JAM needs that will be covered through GOSS effort, and thus derive the external financing gap being presented to the international community for support.

On an annual basis, total JAM needs for Southern Sudan range up to \$161 per capita by 2007, which is high by African standards of development spending,¹⁵ but reasonable given the very low base of services and infrastructure and enormous

¹³ These estimates do not include any pensions or recurrent payments.

¹⁴ The defence costs include establishment of the SPLA and capital investments in equipment in the first three years.

¹⁵ This is also high relative to the typical range of estimates that are emerging for meeting the MDGs from Jeffrey Sachs and others, for providing a basic package of services, which are around \$100. (Jeffrey Sachs and others: "Investing in Development: A Practical Plan to Achieve the Millennium Development Goals", New York, 2005)

needs of the South. Expenditure is expected to rise with the capacity of the new GOSS. The financing gap is projected to total about \$1.4 billion for Phase I,¹⁶ with a large and rising share of own financing, utilising own revenues. Indeed it is projected that by 2007, GOSS will finance over 60 percent of Southern Sudan's JAM needs. The share of spending being directed to JAM needs shows a substantial and growing own commitment to pro-poor spending, which compares well to other PRSP countries (see Figure 10 above). The extraordinary effort needed to catch up will thus mainly be financed by the GOSS, supported by important contributions from the international community. As noted above, the DDR costs are not yet estimated and will be additional.

Table 8: JAM Needs and Proposed Allocation of GOSS Budget (US \$ millions)

	2005	2006	2007	Total Phase I
Total Revenue (wealth sharing)	1095	1470	1650	4215
Poverty Reducing (JAM total)	608	1290	1655	3553
Of which GOSS Own Poverty Reducing Spending	345	780	1011	2116
Other non-JAM needs	750	710	639	
DDR	TBD	TBD	TBD	
Total Needs (JAM + Other)	1358	2000	2294	5652
Financing gap (US \$ millions)	263	530	644	1437
<u>Memo:</u>				
Poverty reducing (JAM total) per capita (\$)	67	135	161	
Financing gap per capita (\$)	29	55	62	
Pro-poor/Total spending	45%	65%	72%	
Share of JAM financed externally	43%	41%	39%	

Notes: Exclude DDR (estimates of costs not yet available); excludes existing commitment from revenues. For 2005, July-December only. For details see Volume II.

It is important for the GOSS to build precautionary savings, to be able to withstand unforeseen events, and smooth oil price fluctuations given its total reliance on oil revenue, and smooth out investment over time. By the time local implementation capacity is fully established, the current level of domestic revenue will become a constraint. Uncertainty, from either price or production shocks, increases the recommended amount of saving. The proposed precautionary savings from GOSS revenue during the next three years is reflected in Table 8. This is saving which is additional to that in the Oil Savings Account at the level of the NG, and would be drawn upon by the GOSS in accordance with rules to be established to govern spending (e.g. if there are shortfalls in donor financing or oil prices dip below an agreed floor).

Levels of GOSS revenue, in per capita terms, are high relative to per capita income in Southern Sudan. It is suggested that the GOSS could postpone introduction of additional sources of own revenue, in order to save scarce capacity, and to avoid barriers to private sector development. This approach, if adopted, would need to be consistent with national agreements, such as those in the CPA.

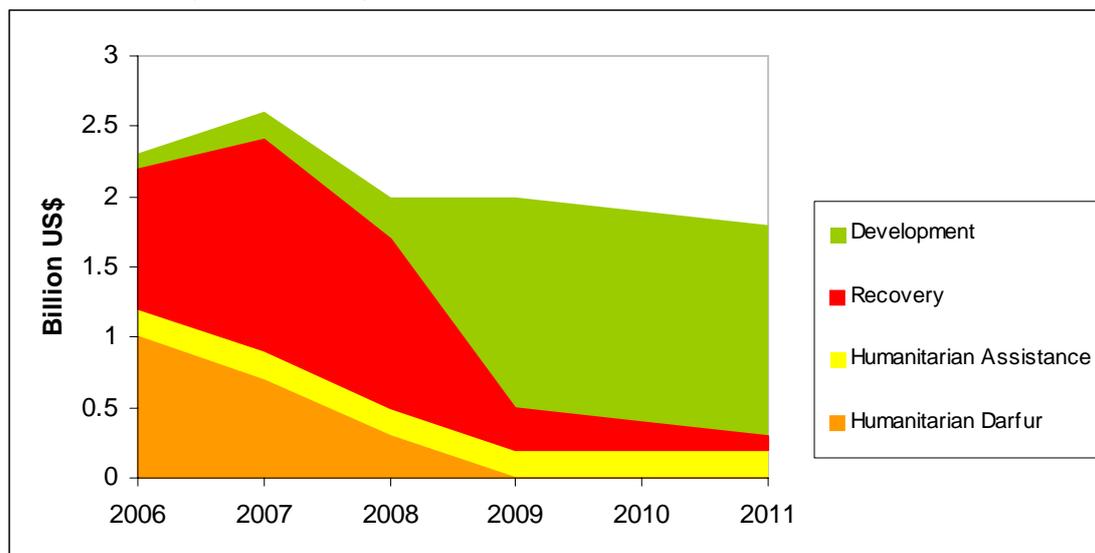
¹⁶ In the high case of an accelerated infrastructure program, the gap for Phase I would rise to about \$2.1 billion, depending on the costs determined by detailed engineering studies.

IVC. The Medium Term: 2008-2011, and 2015

In the medium term, investment in Sudan's financing needs will increasingly shift away from humanitarian and recovery toward development and long term capacity building priorities financed via own resources. While significant donor support will be necessary at the outset of the post-conflict era to meet the reconstruction and development needs identified by the JAM, as well as funding of ongoing and planned humanitarian and security operations, over time the external financing gap will steadily decrease, albeit with different patterns in the North and South. As explained below, by 2015 the external financing gap is projected to have fallen to zero in the North and about \$400 million in the South.

It is important to place the different elements of Sudan's medium term financing needs into perspective. The whole process of recovery and development is founded upon sustaining the peace. For this, the costly UN peace-keeping operations but also Sudanese own efforts are crucial. The annual costs of the UN mission have been estimated by the UN Secretary-General at around \$1 billion. This cost will be borne by the international community in addition to allocations towards humanitarian, recovery and development interventions. Humanitarian operations also need to continue, although with an expected downward trend from estimated needs of about \$1.2 billion for 2005 in the UN Work Plan. Additional costs are those of stabilizing and reconstructing Darfur, DDR and the rescheduling of Sudan's large debt. These needs run alongside the requirements for a major expansion in recovery and development efforts in order to put Sudan on the path to reaching the MDGs.

Figure 11: Expected Evolution of Some Types of International Assistance in Sudan, 2006 – 2011 (US \$ billions)



Note: Does not include costs associated with peace-keeping operations, DDR, or debt relief.

Using conventional macroeconomic methods, the magnitude of the medium term development effort needed for Sudan to reach the MDGs can be estimated. To halve average poverty by 2015 (which requires more rapid improvement in the poorer regions), a national growth rate of about 10 percent needs to be sustained. This would require overall investment to rise sharply in the post-recovery period – from 2008 to 2015 such that development investment would have to jump to about 30 percent of GDP. Moreover, growth would have to become broader-based, i.e., benefiting poorer regions and households. The required investments include the JAM bottom-up estimates for 2008-11 (about \$9 billion), but go beyond these estimates to indicate investment needs for disadvantaged regions.

The estimates derived from the macro-economic framework complement those which have been identified through bottom-up costing, even if the latter is inevitably more tentative for the outer years. These sectoral costs are designed to help inform planning at the domestic level, as well as to enable multi-year commitments from potential partners. The costing reflects a substantial scaling up of infrastructure programmes based on the feasibility studies completed in Phase I, while the transitional costs associated with IDPs and immediate post conflict needs decrease.

Given the expected expansion in oil and tax revenues and in private investment over the period, the total financing gap is front-loaded, albeit with different paths in the North and South. Overall external financing needs are estimated at about \$2 billion per year between 2008 and 2011, falling sharply afterwards. In average per-capita terms for the whole country, the required ODA amounts to about \$40 in 2008, \$30 in 2011, and then could decline significantly by 2015 – while the per capita needs for the South would remain at a higher level, about \$65. It is important to stress that these are indicative orders of magnitude, and that ongoing technical and strategic analysis, including on the Poverty Eradication Strategy, has to look more closely at medium term needs.

The distribution of the financing gap between the NG and the GOSS changes over time. Initially, the gap is larger in the North, given the sheer size of the poor population, and the smaller public revenue per capita. But over time, as the North improves revenue effort and reallocates expenditures, the gap is expected to fall rapidly. We estimate the medium term development assistance needs of the North at about \$0.8 to \$1 billion between 2008 and 2011, falling sharply afterwards (to zero by 2015). In the South, the opposite trend is expected, both because absorptive capacity will continue to rise with time, and because the share of oil revenue in the economy will fall fast – barring new oil discoveries. We estimate the annual external financing needs of the South at between \$600 and \$700 million during 2008-2011, falling to about \$400 million by 2015 as tax revenue and private investment rise with time.

In the medium term, the challenge of poverty reduction in the North will remain very much related to the need to redirect public expenditures towards pro-poor spending and the poorest parts of the North, and to also attract private investment to these regions. This will occur within a decentralization drive, and a strong focus on capacity building, and empowerment at the household and community levels. The share of pro-poor spending in the consolidated budget will have to rise from its current low level to over 50 percent to become comparable to the levels achieved by well-performing PRSP countries. We also estimate that for the poor regions to converge rapidly towards the national averages over the next decade, development spending and social services in poor regions will have to expand substantially. A large share of ODA going to the North should be directed to poor regions, reinforcing the larger efforts already demonstrated by the NG. Over time, as ODA needs decline, national transfers to poor regions should continue to rise steadily. At the same time, the policy environment should encourage private investment in poor regions.

Sudan has a very large volume of external debt, accumulated mainly in the 1980s. The nominal external debt was approximately \$26.5 billion by the end of 2004, or about 133 percent of GDP, of which most is accumulated arrears. Sudan could qualify as a Heavily Indebted Poor Country (HIPC), with debts owed to Paris Club creditors, non-Paris Club members, and to international financial organisations. Arrears to the IMF currently stand at about \$1.5 billion, and outstanding debt to the World Bank (which has not had an active lending programme since 1993) equals about \$1.3 billion, including arrears.

Normalization of credit relations with the international community will be a key element in Sudan's post conflict recovery and development. Resolution of the external debt will require a comprehensive plan, from payment of arrears, to rescheduling,

and to debt relief and normalization of relations with creditors. The normalization of the external debt situation, including the provision of HIPC debt relief, will lead to a slight increase in Sudan's external payments over time, from the current level of around \$400 million per year, to about \$500 million over 2008-10, and \$600 million over 2011-15. There is some uncertainty as to the exact timing of debt rescheduling and debt relief – if these events do not occur simultaneously, debt service will rise sharply. Moreover, the cost of HIPC debt reduction on the IFIs' portion will amount to about \$2.2 billion (2003 estimates), which would have to be paid by donors to the IFIs over time. World Bank and IMF staff are working to update debt figures, and with other development partners and Multilateral Development Banks, to explore options for clearance of arrears and debt relief.

Despite this daunting picture, the investments of the international community in helping peace take root in Sudan would have large pay-offs in terms of enabling Sudan to graduate from aid dependence. If Sudan achieves an annual economic growth of 8-9 percent over the next decade, in 2015, GDP in today's dollars would exceed \$50 billion. With an investment rate of around 30 percent of GDP, and with half of the investment coming from the public sector, and supporting private sector investments of at least equal magnitude, gross public investment will be on the order of \$8 billion a year, almost entirely from Sudan's own resources. In the North, except for some niches, the donors will no longer be needed, while Southern Sudan is expected to attract levels of development assistance similar to that in well-performing neighbouring countries. Sudan will have successfully launched on the path of equitable, rapid, sustained and self-financed growth.

IVD. Aid Management Arrangements and the Multi-Donor Trust Funds

The expected inflows of aid pose major management challenges for the NG and GOSS as well as multilateral and development partners. This has several dimensions at the domestic level in terms of getting organized to deal effectively with partners, as well as for donor coordination.

The recommended modes of financing have been discussed extensively and agreed with the NG, GOSS, and major partners. In order to enable effective coordination and harmonization, and to enable key programmes to be launched, donors are thus requested to work mainly through the Multi Donor Trust Funds (MDTFs). The establishment of these two MDTFs shall be in accordance with the implementation modalities of the Wealth Sharing Agreement (Clause 15.5); MDTF governance and fiduciary arrangements are detailed below.

Building on the positive experience of the JAM, there is commitment on the part of partners to re-engage in Sudan in ways that are well coordinated and minimize fragmentation and unnecessary transaction costs (Box 5). This is expected to include working groups at the sector level and lead donors in specific areas. The Monitoring Framework includes specific commitments to this end.

It has been agreed with the NG and GOSS that a Sudan Consortium would bring together on a regular basis (for example, meeting in country twice a year) all donors, joined by the NG and GOSS, and representatives of civil society. This is an occasion at which past performance, as well as future priorities and directions, would be discussed using the Monitoring Framework presented below. This would help provide transparency regarding the use of national and international resources (oil revenues, taxation, and international aid). The Consortium would also be a forum for renewing donor pledges.

The Wealth Sharing Protocol specified that two MDTFs be established to facilitate the coordination of external donor financing of Sudan's reconstruction and development needs as laid out in the JAM. One is for the NG for war-affected (including the Three Areas) and less-developed areas in the North and the Three Areas, and

the other for Southern Sudan. The Implementation Agreement on Wealth Sharing also specified that the World Bank would be the Administrator for both MDTFs.

The objective of the MDTFs is to ensure coordinated, flexible and swift donor responses for JAM financing of priority expenditures in the context of a unified budget and a coherent public expenditure process. As a pooled funding vehicle, MDTFs reduce transaction costs and help to avert the emergence of gaps or duplication. While fostering harmonization among donors, full ownership and endorsement of programmes and projects of the MDTFs by the NG and GOSS will be at the forefront in consultation with donors.

Key design features of the MDTFs for Sudan that have emerged so far include:

- Grounding all programmes in the analysis of the JAM, the Monitoring Framework and cluster matrices, which will be updated and adjusted over time in light of experience and changing needs;
- Close coordination with counterparts at the technical level and strong focus on building local capacity for programme design and implementation;
- Transparency of financing flows, both external and domestic – and the assistance being provided in ways that can be captured on budget; and
- Regular review and reporting on progress with development partners.

In order to ensure ownership, the MDTF programme would be initially structured to reflect the eight cluster groupings of the JAM, as jointly agreed with the respective authorities. Thereafter, as part of each government's budget process, the programme would be reviewed annually and updated and restructured as needed. To the extent possible, the development of sector-wide programmes, and area-based interventions (rather than smaller projects) would be encouraged. It is expected that the MDTF would often co-finance activities with the NG and GOSS.

Box 5: Donor Engagement in the JAM—and Beyond

Key to the preparation of this assessment has been the active and continued engagement of development partners and donors, which helps to lay the foundation for a coordinated international approach to reconstruction planning. Over the past year, a total of 10 bilateral, seven multilateral (including the IMF and AfDB), and 17 UN agencies were directly involved in the assessment, and many more were consulted. Contributions have been many, and have ranged from co-leading clusters to designing specific strategy components (e.g. Public Financial Management, population census). Donor financial support was also instrumental to the consultative process, capacity building activities and completion of the final strategy.

The Core Coordination Group (CCG) was established in early 2004 as the executive decision making body of the JAM. Chaired by the Government of Norway on behalf of the IGAD Partners Forum, and with donor observers including the UK, Italy, USA, the European Union, the Netherlands, and the African Union, the CCG has played an important role in donor coordination throughout the JAM, including through dissemination of information, and as a facilitator of discussions on modalities for greater donor coordination in the Interim Period and beyond.

Basic principles of country ownership, alongside transparent and accountable mechanisms for aid management, information sharing and coordinated donor involvement, are emerging and should continue throughout the Interim Period. At the "IPF plus" meeting in Oslo in September 2004, and in Rome in March 2005, potential ground rules for such donor coordination were discussed, including:

- Developing effective policy dialogue between the Parties and development partners -- based on a shared vision for development and poverty eradication -- and operational fora for donor coordination that are led by the Parties;

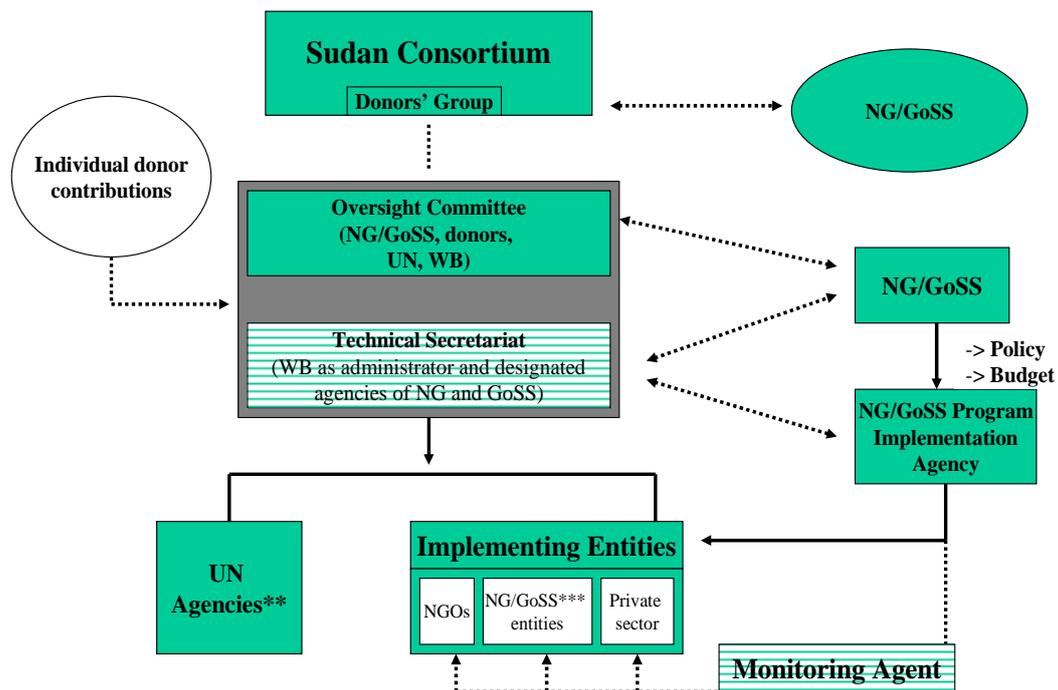
- joint donor offices and operations;
- lead-donor arrangements and effective division of labour among partners; and
- utilizing the mechanisms and indicators emerging out of the JAM and PES to monitor performance during the Interim Period.

Steps are underway to formalize donor engagements, through lead donors and NGO focal points working with each cluster, building on the links between JAM teams and development partners.

While a pooled donor funding mechanism is desirable, the MDTFs will not be the sole funding channel for development assistance in the Sudan. It is recognized that humanitarian and security assistance, and large “flagship” development projects of donors would be appropriately financed through separate agreed-upon channels including the National Reconstruction and Development Fund and the Southern Sudan Reconstruction and Development Fund. However, donors will still be encouraged to follow the basic principles of coherence, coordination and transparency outlined above.

MDTF-financed activities will be implemented as much as possible by the Sudanese authorities, with the aim to help strengthen over time sustainable local capacities, effective government structures, and a strong and transparent budget management framework. At the same time, the MDTFs should provide appropriate arrangements to ensure that the immediate transition needs of Sudan are met in a context where local structures and capacities are weak. UN agencies, civil society organisations and the private sector would also be full actors in implementation.

Figure 12: Proposed MDTF Structures



* This chart relates only to the governance outline of the MDTF. A suitable advisory body to the NG/GoSS, as well as the broader links to the government program and budget, are assumed but not included in this chart.

** Fiduciary procedures for projects implemented by UN Agencies are envisaged to be provided legally through the UN system, in a manner agreed between the UN and the Bank.

*** Including line ministries and local governments

Striped areas: Fiduciary arrangements
Solid lines: Accountability/oversight
Dotted lines: Information/assistance

Figure 12 presents the governance structure proposed for the MDTFs. This includes a Technical Secretariat which would be administered by the World Bank, working closely with the NG/GOSS to receive and review proposals, undertake technical appraisal and make recommendations to the MDTF regarding allocation of resources. The NG/GOSS would

submit to the MDTFs those proposals considered consistent with national priorities as embodied in the budget. Criteria for the approval of programmes and projects will be elaborated by an Oversight Committee which includes the NG/GOSS, the UN, World Bank, and representatives of donors, and would include: conformity with the MDTF programme; costs versus benefits; capacity building of national and local entities; and feasibility based on demonstrated capacity of the implementing agency. In the South, a Project Implementation Agency will assign and oversee project implementation by a variety of entities. MDTF performance would be regularly reviewed by a Donor's Group (as specified in the Implementation Modalities) in the context of the Sudan Consortium.

V. Monitoring Arrangements

Monitoring of JAM programme and policy implementation will begin immediately to ensure efficient use of resources and to cultivate a results-based culture of accountability. Monitoring and evaluation are important tools for improving decision making at all levels, and therefore need to be coordinated at the central level as well as integrated into state and local institutions. The JAM has identified indicators and responsible agencies to monitor progress on priorities for reconstruction, development, and poverty eradication at the cluster level, which are outlined in more detail in Volumes II and III.

The monitoring framework is a process-oriented instrument, to be used in dialogue at several levels: national-national, national-donor and donor-donor. Dialogue allows the promotion of country ownership. It helps country-specific solutions to emerge, ensuring that strategies are designed and adapted to local conditions and are sustainable. The framework can also function as a management tool for strategic planning for Governments, as a simple and effective way to monitor progress and revise plans at the Cabinet levels. Over time the framework is expected to become a central pillar of the Poverty Eradication Strategy (PES).

In developing the Cluster Matrices and the overall summary Monitoring Framework several core principles were followed, as far as possible:

- Simplicity -- a clear format and easily readable by all stakeholders;
- Selectivity -- relative to the breadth of needs, a limited number of focused targets and prioritized to offer sequenced strategic direction;
- National ownership -- as a necessary condition for reforms to be promoted and sustained, to enable high level decision makers in the NG and GOSS to assess whether actions are on track and to identify needs for corrective actions; and
- Sufficient donor buy-in – to support promises being translated into financial commitments, disbursements and priority technical assistance and to avoid fragmentation of donor dialogue and assistance.

Each cluster team has identified actions, indicators and responsible agencies to monitor progress over time. The indicators have been selected to allow for disaggregation at a number of different levels, including gender, geographical regions, and disadvantaged groups. These Cluster Matrices are presented in Volume II. Over time an increasing effort will be directed to qualitative information alongside quantitative indicators.

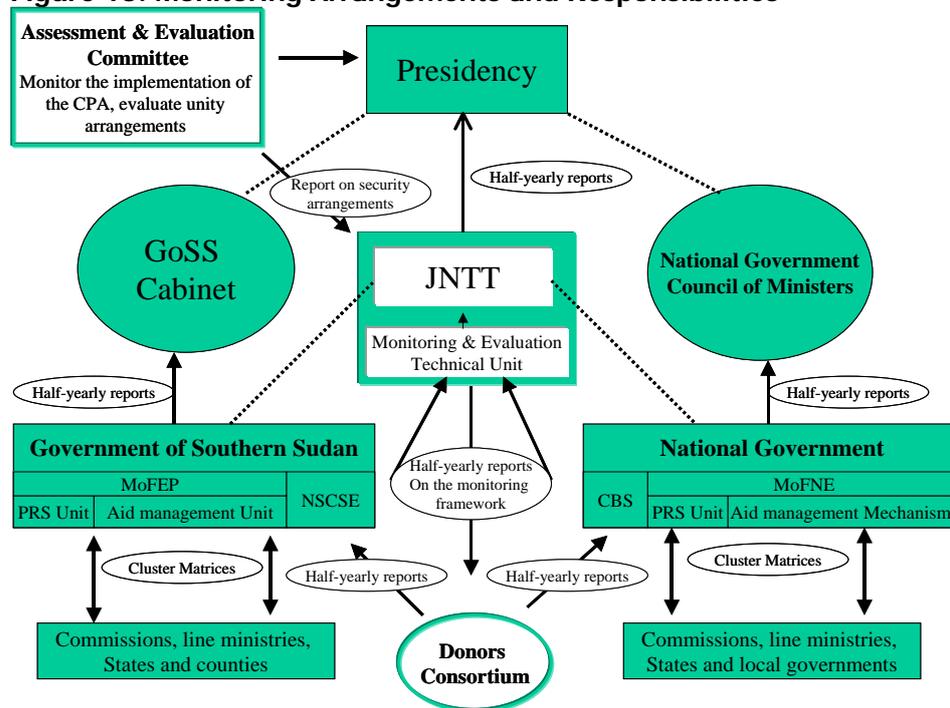
To complement the Cluster Matrices, a summary Monitoring Framework was developed and agreed upon by the NG and GOSS respectively: the main criterion for identifying the priority actions for the summary monitoring framework was to flag the crucial areas where lack of progress would risk reversal in the recovery process. The minimum necessary to do this in the case of Sudan includes meeting the obligations of the CPA, progress on national reconciliation, re-establishment of security and public safety achievement of a minimal level of functioning public finance systems and improvements in basic service delivery, alongside economic recovery.

The time horizon has been adapted to Sudan's circumstances. Recognizing that reporting takes time and effort, and the link to the donor consortia meetings, six-monthly intervals have been adopted. It was felt that annual tracking was too long a period in Sudan, where fast moving events on the ground will risk the process going off-track before this is measured at the end of a year.

Responsibility for monitoring progress lies at the level of the implementing agencies, which would report to the respective core agencies at the NG and GOSS level, with important links to the respective ministries of finance and aid management units, as well as to the Joint National Transition Team (JNTT) which will play a key coordinating role, also linking to the Presidency (Figure 13). The JNTT is established at the political level, in accordance with the CPA, and would be supported by a technical secretariat, which includes key core agencies, like the Ministry of Finance. It would also be supported by a monitoring and evaluation unit to collect and analyze data on key actions and indicators. The statistical agencies have an important role to play in setting up and maintaining the necessary information base. Development partners are also expected to report on aid commitments and disbursements, as well as on actions to improve coordination and harmonization.

The milestones in setting up of the monitoring system include: establishing the Monitoring and Evaluation (M&E) Unit; establishing cross-sectoral M&E committees at the NG and GOSS levels; agreeing on reporting procedures and deadlines for sector reporting; and production of an annual M&E report by the JNTT. Over time, progressive decentralization of the system would include state administrations. This same network would be used to coordinate the M&E programme for the Poverty Eradication Strategy once this has been finalized.

Figure 13: Monitoring Arrangements and Responsibilities



The monitoring framework will function on a rolling basis, and would be updated over time. In particular, the actions and targets for 2007 remain to be set for mid year. Over time, evaluations of key programmes (for education, community development, and so on) would enhance knowledge about impacts and outcomes, and complement the information generated by the monitoring of input and output indicators. These formative evaluations and research activities should ensure informed and evidence-based decisions at

all levels. Provision has been made for conducting evaluations in the short term and on an annual basis going forward.

The Monitoring Framework and Cluster Matrices have been designed to operate as a basic national development framework – a simple application of Poverty Reduction Strategy (PRS) principles - helping to prioritize and harmonize assistance. These are put forward as part of a compact of joint responsibility between the country authorities and the donor community. However, the actions do not represent conditionality; the object is to clarify expectations. Rather than treating each action as a condition, periodic reviews of the Cluster Matrices and progress towards their planned outputs allow donors to clarify with national authorities their expectations on satisfactory progress being made against the broad programme of key results, and to reinforce the link with donor agencies' ability to justify further funding to their domestic constituencies.

Through the regular dialogue that is envisaged under the aid management arrangements for Sudan, donors, with the NG and GOSS, would discuss progress against the agreed targets, and revise those targets where appropriate. It is recognized by the NG and GOSS that, while all concerned will understand if some specific actions lag, failure to make progress across the programme as a whole will risk future financial support.

By enhancing transparency, the Monitoring Framework is intended to create the right incentives to achieve more visible results. Wide dissemination of the Monitoring Framework, inside and outside government, and with donors, will be undertaken.

VI. SUMMARY MONITORING FRAMEWORK

	1 – Institutions & Decen.	2 – Governance & Rule of Law	3 – Economic Policy	4 – Productive Sectors	5 – Social Services
Up to end December 2005	<p>NG, GOSS: Decentralization and competencies of lower levels of government clarified</p> <p>NG, GOSS: National Civil Service Commission established</p> <p>GOSS: New Ministries established</p> <p>3 A: Requirements for state governments in Southern Kordofan and Blue Nile reviewed. Abyei Executive Council</p> <p>GOSS: System and formula for intergovernmental transfers established</p> <p>NG: Framework for Civil Service Reform approved including resizing plans and review of pay structure</p> <p>GOSS: Recruitment policy and stocktaking of civilian employees finalized</p> <p>GOSS: Local Government Act adopted</p> <p>GOSS: Auditor General and internal auditors in place</p> <p>NG, GOSS: JNTT, including monitoring and evaluation unit, established</p> <p>NG: FFAM established & begin work on progressive and transparent formula for state transfers</p>	<p>NG: Interim National Constitution adopted</p> <p>All levels: National Assembly, Council of State Assembly, and State Legislature established</p> <p>NG, GOSS, 3 A: Commissions, institutions, etc. as agreed in CPA established and operational¹⁷</p> <p>GOSS: Adoption of Southern Sudan constitution, and state constitutions</p> <p>NS, 3 A: State constitutions adopted</p> <p>NG, GOSS: Review of regulatory framework for NGO and media underway</p> <p>NG, GOSS: Begin review of customary laws and practices</p> <p>3 A: Decision of the Abyei Boundaries Commission published</p> <p>NG: Review of regulatory framework for media</p> <p>All levels: Media communication strategy developed to support peace, returnees</p>	<p>NG: Policies conducive for macroeconomic stability with high growth maintained</p> <p>NG: Bank of Sudan restructured including establishment of Bank of Southern Sudan branch, enacting banking laws, rules & borrowing regulations</p> <p>NG: Finalize preparations and begin issuance of the new currency</p> <p>NG: National Petroleum Commission, MTDf operational</p> <p>GOSS: MDTF operational</p> <p>NG, GOSS: Public Expenditure Review (PER) initiated, and work on functional classification of the budget continues</p> <p>All levels: Joint Interim Poverty Eradication Strategy (I-PES) elaborated in a participatory way and finalized</p>	<p>NG: Investment climate assessment initiated</p> <p>GOSS: Regulatory framework for the private sector prepared</p> <p>NG: Agricultural policies for improving rainfed farming formulated</p> <p>NG: Reform measures for irrigated agriculture agreed</p> <p>NG: Export monopolies in Gum Arabic abolished</p> <p>NG, NS: Plans for investments in stock routes and water points developed in consultation with local communities</p> <p>NG, GOSS: Environmental & social impacts of existing oil contracts reviewed</p> <p>GOSS: Extension agents in agriculture recruited and trained</p> <p>GOSS: Options for micro-finance programmes reviewed</p>	<p>NG, GOSS: National health and education polices reviewed</p> <p>NG, GOSS: Curriculum for primary and secondary schooling in place, and adult/vocational modules ready for testing</p> <p>NG, GOSS: Targets for teacher training and recruitment met</p> <p>GOSS: Affirmative action programme for girls' education adopted</p> <p>All levels: Classroom construction & rehabilitation programme launched</p> <p>All levels: Health service expansion strategy implemented</p> <p>All levels: National and regional HIV/AIDS policies agreed, and strategic plan fully costed</p> <p>All levels: Coordination arrangements for water sector established</p>
	6 – Infrastructure	7 – Livelihoods	8 – Information & statistics	Security	Development Partners
Up to end December 2005	<p>All levels: Legal frameworks for infrastructure assessed, and action plans proposed</p> <p>All levels: Institutional arrangements for improved management adopted</p> <p>NG: Road development in Darfur and other war-affected areas underway</p> <p>GOSS: Emergency rehabilitation of 40% of prioritized emergency access roads completed</p> <p>Detailed design underway for major roads, and contracting initiated</p>	<p>All levels: Establish demining authority as per CPA, demining strategies developed, targets met</p> <p>GOSS, 3 A, NS: Mechanisms for assisting returning IDPs and refugees improved</p> <p>GOSS, NS, 3 A: Community Driven Recovery programmes initiated</p> <p>NG: Reconciliation framework approved</p> <p>All levels: Reconciliation process and local peace-building programmes initiated, including advocacy for gender equality</p> <p>GOSS: South-south dialogue ongoing</p>	<p>NG, GOSS: Statistical Acts reviewed</p> <p>NG, GOSS, 3 A: National population census preparations underway</p> <p>NG, GOSS: MDG progress report published</p> <p>NG, GOSS: Multiple Indicator Cluster Survey initiated</p> <p>NG: Family Health Survey initiated</p> <p>NG, GOSS: Participatory Poverty Assessment launched</p> <p>NG, GOSS: Assessment of capacity building requirements completed, & action plans agreed</p>	<p>NG, GOSS, 3 A: National DDR Co-ordination Council and sub-national Commissions established as per CPA</p> <p>NG, GOSS: Assembly of troops completed</p> <p>All levels: Ceasefire institutions as per CPA established and operational</p> <p>NG, GOSS: SOFA signed; UN Peace Support Mission underway</p> <p>NG, GOSS: Reintegration of other armed forces initiated</p> <p>NG: Deployment of Joint Integrated Units initiated</p>	<p>Aid disbursed as per pledging</p> <p>Partners' dialogue based around this Framework and Cluster Matrices</p> <p>Donors' aid management units established and linked with national coordination bodies</p> <p>Joint NG/GOSS and donors sector working groups formed in governance, health, education, and water and sanitation, with lead donors in place</p> <p>Progress on debt relief</p>

¹⁷ Commissions for National Election, National Constitutional Review, Boundary, Human Rights, Assessment and Evaluation, Ceasefire, Judicial, Auditor General, National Land, State Land, established according to CPA. Also, as per CPA, the Presidency, National legislature, National Council of Ministers, National Interim Constitution, National Assembly, State councils, State Constitution, Southern Sudan Constitution, First Sudan Assembly, and subsequently (per CPA) Referendum Commission

	1 – Institutions and Decentralization	2 – Governance and Rule of Law	3 – Economic Policy	4 – Productive Sectors	5 – Social Services
January-June 2006	<p>All levels: Programmes to build capacity for decentralized service delivery underway</p> <p>NG: Plan for right-sizing civil service agreed, and measures undertaken</p> <p>NG, GOSS: Draft laws on public financial management presented</p> <p>GOSS: Procurement law prepared and procurement and audit units established with training programmes underway</p> <p>NG: 2006 central government budget implemented on GFS lines</p> <p>NG: Monitoring of actual disbursements to states through improved PFM</p>	<p>NG: National Election Commission operational</p> <p>NG: National electoral laws enacted</p> <p>All levels: National and State Land Commissions assessment of impact of current land laws and practices completed</p> <p>GOSS: Courts established, staffed, and operational in each state</p> <p>NG: Regulatory framework for an independent media adopted</p> <p>All levels: Media capacity building activities and peace programming underway</p>	<p>NG: Policies conducive for macroeconomic stability with high growth maintained</p> <p>NG: PER completed</p> <p>NG: Accounting modernization plan for Sudan Petroleum Corporation (SPC) and subsidiaries initiated</p> <p>NG: External debt and new borrowing policy adopted in context of the 2006 budget; full DSA completed</p> <p>NG: Tariff reform underway</p> <p>NG: Micro-finance legislation and operational regulations enacted</p>	<p>NG: Reforms adopted in light of investment climate assessment and industrial census</p> <p>GOSS: Regulatory framework and competition laws enacted</p> <p>NG, GOSS: Value chain analysis undertaken in four sectors</p> <p>NG/ GOSS: Development of technical support services for small and medium enterprises</p> <p>GOSS: Construction of market centres underway in ten localities</p> <p>NS, 3 A, GOSS: Agricultural extension and veterinary services are operational as per plan</p> <p>NG, GOSS: Environmental impact of teak and forestry production reviewed</p>	<p>NG, GOSS: Health, education water & sanitation polices revised for consistency with INC & CPA</p> <p>All levels: Plans for human resource investments and training in place</p> <p>NG, GOSS: Arrangement for NGO participation in service delivery clarified</p> <p>All levels: Financial systems and IT developed</p> <p>NG, GOSS, 3A: Targets for health coverage and vaccinations met</p> <p>NG, GOSS: Targets for teacher training and recruitment met</p> <p>GOSS: Tertiary education scholarship policy adopted</p>
	6 – Infrastructure	7 – Livelihoods	8 – Information & statistics	Security	Development Partners
January-June 2006	<p>All levels: Legal frameworks for transport, electricity, water, sanitation, and urban infrastructure passed, and programmes in place</p> <p>All levels: Framework for public/private partnerships established</p> <p>NG, GOSS: Institutional arrangements for efficient management of infrastructure sub-sectors in place</p> <p>NG: Port Sudan efficiency improved by reducing customs clearance to 25 days</p> <p>NG, GOSS: Urgent rehabilitation for river transport -Kosti –Juba -- underway</p> <p>GOSS: Emergency road rehabilitation completed according to targets</p> <p>GOSS: Contracting & disbursements on track</p>	<p>All levels: Reconciliation processes underway</p> <p>GOSS, 3 A: Demining targets met</p> <p>All levels: Community-based programmes for IDPs and host communities underway in the context of area-based recovery</p> <p>GOSS, NS, 3 A: Community Driven Recovery (CDR) programmes underway and monitored with reviews</p> <p>GOSS: Process to encourage return of qualified expatriate Sudanese initiated</p>	<p>NG: Statistical Act revised</p> <p>All levels: National population census preparations started</p> <p>All levels: Action plan for capacity building for CBS and NSCSE underway</p> <p>NG, GOSS: Focal points within all line ministries appointed</p> <p>NG, GOSS: PES monitoring and evaluation plan developed</p> <p>NG: National Accounts updated</p> <p>NG, GOSS: CBS and NSCSE websites established</p>	<p>All levels: DDR process underway</p> <p>NG, GOSS: Reintegration of other armed groups completed</p> <p>All levels: Redeployment of SPLA from Eastern Sudan, Nuba Mountains, and Southern Blue Nile completed</p> <p>NG, GOSS: All child soldiers demobilized</p> <p>NG, GOSS: Cease-fire monitoring arrangements in place</p> <p>NG: Sudan Armed Forces presence in Southern Sudan reduced by 31%, as per CPA</p>	<p>Disbursements in line with plan</p> <p>Review of procurement procedures with view to harmonization launched</p> <p>Improved aid coordination along sectoral lines</p> <p>Partners' dialogue based around JAM Framework</p> <p>Coordination and smooth information flows with NG and GOSS aid management units</p> <p>Placement of development programme staff in field</p> <p>Progress on HIPC and debt relief</p>

	1 – Institutions and Decentralization	2 – Governance and Rule of Law	3 – Economic Policy	4 – Productive Sectors	5 – Social Services
July-December 2006	<p>NG, GOSS: Basic financial management laws approved</p> <p>NG, GOSS: Overall training needs in civil service assessed</p> <p>GOSS: County level plans developed</p> <p>NG: FFAMC monitors actual disbursements to states</p>	<p>All levels: Voter registration launched</p> <p>All levels: Laws and regulations to strengthen women's positions finalized</p> <p>NG, GOSS: Statutory law and practices reviewed in order to address gender bias</p> <p>3 A: Abyei special status in effect</p>	<p>NG: Policies conducive for macroeconomic stability with high growth maintained</p> <p>NG: Continue issuance of new currency as per plan</p> <p>NG, GOSS: Commercial banks in Southern Sudan licensed</p> <p>NG: 2007 budget prepared in the context of a 3-year Medium-Term Framework</p> <p>NG, GOSS, 3 A: Consultations and analysis for a full PES underway</p>	<p>NG: Investment promotion regime adjusted to encourage greater forward and backward linkages of foreign investment</p> <p>All levels: Micro-enterprise development programme operational, and micro-finance schemes operational</p> <p>NG, GOSS: Agricultural survey, in conjunction with CBS & NSCSE</p> <p>GOSS: Market centres in place as per targets</p> <p>All levels: Programme of community forestry piloted</p>	<p>All levels: Mobilization campaigns for adult literacy underway</p> <p>All levels: Vaccination campaign targets met</p> <p>GOSS: Targets for rehabilitated and constructed PHCs met</p> <p>GOSS: Targets for boreholes and water points met</p> <p>GOSS: Schools provided with sanitation facilities according to targets</p> <p>NG, GOSS: Targets for teacher training and recruitment met</p>
	6 – Infrastructure	7 – Livelihoods	8 – Information	Security	Development Partners
July-December 2006	<p>NG, GOSS: Feasibility studies and trunk road construction as per plan</p> <p>3 A: Priority roads rehabilitated and a plan for linking all population centres with market towns adopted</p> <p>All levels: Plans for upgrading airstrips in war-affected areas prepared and priority action initiated</p> <p>NG: Master plan for private sector participation in ports approved</p> <p>GOSS: At least 75 % of towns and larger villages provided with access to electricity; at least 300 towns with micro hydro</p> <p>GOSS: Contractors in place as per plan, and disbursement of at least 70% of infrastructure commitments</p> <p>3 A: Water and sanitation facilities functioning in at least 50% of towns</p>	<p>All levels: Demining of main road links and fields in areas of high return completed</p> <p>All levels: Targets met for return of refugees and IDPs</p> <p>All levels: Targets met for reuniting children or providing alternative care</p> <p>NS, 3 A, GOSS: CDR programmes expanded</p> <p>NG: Squatter rehabilitation programmes implemented in Khartoum</p> <p>3 A, Northern, GOSS: HIV/AIDS services provided as part of resettlement process</p>	<p>All levels: Integrated statistical databases established, with working links with line agencies and lower levels of government</p> <p>NS, GOSS, 3 A: Local development programmes are monitored and result published</p> <p>NG, GOSS: MDG Progress Report published</p> <p>GOSS: CWIQ light indicators survey piloted</p>	<p>NG: Sudan Armed Forces presence in Southern Sudan reduced by 50%</p> <p>NG, GOSS: Demobilization actions executed as per agreed plan</p>	<p>Disbursements in line with plan</p> <p>Review of procurement procedures launched</p> <p>Review of aid coordination mechanisms undertaken</p> <p>Placement of development programme staff in field</p> <p>Progress on HIPC and debt relief</p>
Review and revise actions for 2007, including specification of mid year.					

	1 – Institutions and Decentralization	2 – Governance and Rule of Law	3 – Economic Policy	4 – Productive Sectors	5 – Social Services
2007	<p>GOSS: Staffing completed in all line ministries, central agencies, states, and local jurisdictions</p> <p>3 A: The two systems' integration underway</p> <p>NG, NS: Own resource mobilization increased by 10% in pilot states and localities</p> <p>NG: Revised pay structure adopted and resizing implemented</p> <p>NG: Basic framework of PFM rules and regulations approved</p> <p>NG: Procurement law enacted</p>	<p>NG: Referendum act enacted. Referendum commission established</p> <p>GOSS: Southern Sudan institutions fully functioning according to the CPA, INC and SSC</p> <p>NG, 3 A: Submission of Land Commission's recommendations presented as per the CPA</p> <p>GOSS: Appeal Courts staffed with additional judges</p> <p>3 A: Abyei Referendum Commission, and criteria for Abyei residency established</p> <p>3 A: Presidential monitoring and evaluation commissions (SBN, S. Kordofan) established</p> <p>NG, GOSS: Media infrastructure expansion targets met</p>	<p>NG: Policies conducive for macroeconomic stability with high growth maintained</p> <p>NG: Publication of the budget in functional classification</p> <p>NG, GOSS: Monitoring of actual disbursements to the states</p> <p>NG, GOSS: Evaluation of distributional impact of reformed/new system of transfers</p> <p>NG: PES finalized and approved; implementation begins; incorporated into the 2008 budget</p> <p>NG, NS: State-level cash management units fully operational</p> <p>NG: Currency conversion completed</p>	<p>NS: Investments in small scale rain fed agriculture underway, including group based extension and technology transfers</p> <p>GOSS: Policy and regulatory capacity established</p> <p>NS, GOSS, 3 A: Access to formal credit for small farmers & pastoralists doubled</p> <p>NS, GOSS, 3 A: Support Services in place in agro-pastoralist areas</p> <p>NS, GOSS: Diversification of agricultural and pastoralist activities</p> <p>GOSS, NS, 3 A: Fishing groups formed and supported as per targets</p>	<p>NG: Rehabilitation and construction health infrastructure targets met</p> <p>GOSS: Health service coverage target met</p> <p>NG: Health service coverage target met</p> <p>3 A: Health infrastructure network met targets</p> <p>NG, GOSS: Targets for teacher training and recruitment, and enrolment met.</p> <p>NG: Textbooks to 60% of pupils</p> <p>GOSS: Affirmative action programme reaches at least 30% of beneficiary group</p> <p>GOSS: Vocational training targets met</p> <p>NG: VCT facilities expanded</p> <p>GOSS: VCT (HIV) network expanded to at least 3 towns</p>
	6 – Infrastructure	7 - Livelihoods	8 – Information	Security	Development Partners
2007	<p>GOSS: Road transport policy adopted</p> <p>NG, NS: Rural access roads completed as per plan</p> <p>GOSS: Rural access roads completed as per plan</p> <p>NG: Rehabilitation of the Babanussa – Wau railway section completed. Plans for Port Sudan – Khartoum line completed</p> <p>GOSS, NS, 3 A: Access to electricity in all towns and larger villages</p> <p>NS, GOSS: 500 micro-hydro installations established</p> <p>3 A: Diesel generators set up in all towns, and micro-hydro, solar or wind power facilities set up in at least 40% of targeted areas</p> <p>GOSS: Six airstrips established</p>	<p>NG, GOSS, 3 A: Landmine impact survey completed</p> <p>All levels: Targets met for returning refugees and IDPs to their communities</p> <p>All levels: Targets met for reuniting children or providing them with alternative care</p> <p>All levels: Targets met for refugees and IDPs, and communities of return, regarding HIV/AIDS awareness</p> <p>NG: Policy framework for conditional transfer programme developed</p> <p>NG, GOSS, 3A: Targets on assistance to mine victims met</p>	<p>NG, GOSS: Census fieldwork completed</p> <p>NG, GOSS: Integrated statistical databases in CBS and NSCSE operational</p> <p>NG, GOSS: Analysis and publication of census results</p> <p>NG, GOSS: Preparation for post-census surveys</p>	<p>NG: Completion of Sudan Armed Forces redeployment to North Sudan</p> <p>NG: Sudan Armed Forces presence in southern Sudan reduced by 100%</p> <p>NG, GOSS, 3 A: Demobilization executed as per agreed plan</p>	<p>Disbursements as per plan</p> <p>Sector working groups functioning in all major sectors, joint NG/GOSS and donors</p> <p>Concrete harmonization measures adopted to reduce transaction costs</p> <p>Progress on HIPC</p>