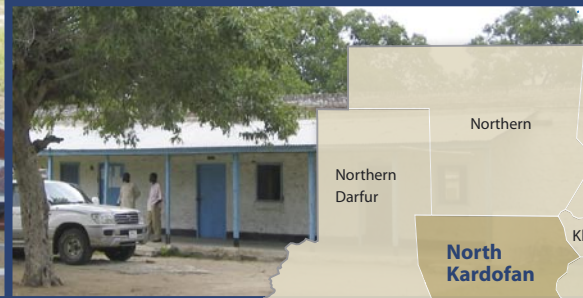


World Bank/LICUS

Assessment of Localities' Compliance with Minimum Qualifying Criteria and Identification of their Capacity Needs in Northern Sudan

Synthesis Report (Final)

January 2007



COWI

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Table of Contents

Acronyms and abbreviations	3
Executive summary	4
1 Introduction	11
1.1 The community development fund project - and why the locality capacity assessment was done	12
1.2 Assessment approach and method	14
2 Policies and systems of local governance in northern Sudan	17
2.1 Brief historical perspective on local government in northern Sudan	17
2.2 Current local governance policy framework	19
3 Assessment of Minimum Qualifying Criteria	23
3.1 Development planning and budgeting capacity	24
3.2 Fiscal capacity and financial management	25
3.3 Procurement	26
3.4 Functioning of political institutions	27
3.5 Staff functionality	27
3.6 Assessment of CBSAC	27
3.7 Summary of MQC	28
4 Performance levels of localities in northern Sudan: A Baseline	30
4.1 Development planning and budgeting capacity	30
4.2 Fiscal capacity	32
4.3 Financial management	33
4.4 Procurement capacity	33
4.5 Transparency and accountability	34
4.6 Functioning of political institutions	35
4.7 Human resource development/capacity building	35
4.8 Project supervision and monitoring	36
4.9 Summary of locality performance	36

5	Issues arising and conclusions	39
5.1	Issues arising	39
5.2	Conclusions	43
6	Strategies for capacity development (recommendations)	46

Acronyms and abbreviations

BOT	Build Operate Transfer
CAP	Community Action Plans
CBSAC	Capacity Building Support Access Criteria
CDF	Community Development Fund
CPA	Comprehensive Peace Agreement
Danida	Danish International Development Assistance
JAM	Joint Assessment Mission
LIU	Locality Implementation Unit
LM	LIU Manager
LSC	Locality Steering Committee
MQC	Minimum Qualifying Criteria
NGO	Non-Government Organisation
PEAP	Poverty Eradication Action Plan
PIU	Project Implementation Unit
UNDP	United Nations Development Programme
USD	United States Dollar

Executive summary

Introduction

A Community Development Fund (CDF) project funded by the Northern Sudan Multi-Donor Trust Fund is planned to provide urgently needed local public infrastructure and, in the longer term, to establish the capacities, mechanisms, and procedures in selected localities to enable them to support sustainable, locally-led development. In support of the CDF project, a capacity assessment of selected localities in northern Sudan was undertaken using WB/LICUS funding with the objectives to:

- 1 Identify localities that comply with the Minimum Qualifying Criteria (MQC) for accessing funding under the community development window of the CDF programme.
- 2 Identify localities that comply with the Capacity Building Support Access Criteria (CBSAC) for accessing funding under the capacity development window.
- 3 Assess the functional capacity needs of localities using the tentative Performance indicators.

This document is the synthesis report for the assessment based on separate assessment reports for each of the 16 localities.

Summary of MQC and CBSAC

The main findings concerning the MQC and the CBSAC are as follows:

In the area of **development planning and budgeting**, almost all localities meet the criterion of having an annual plan and some also meet the criterion of linking plans and budgets. A few localities are able to capture operational and maintenance costs in their budgets; no localities have Executive Committees in

place. Apart from Kadogli, the urban localities¹ are better able to meet the planning and budgeting criteria than others. There is also some variation between states, with Kassala and Blue Nile State localities being relatively better placed to meet the criteria for development planning and budgeting. Localities in South Kordofan find it particularly difficult to meet the planning and budgeting MQC.

In the areas of **fiscal capacity and financial management** the majority of the localities satisfy the criterion of no-decreases in own revenue in 2005. The majority also ensure timely submission of final accounts, maintain account books, and have internal audit functions in place. Financial irregularities are not seen in any of the localities apart from one.

Some of the fiscal and financial criteria are not relevant at this stage and have therefore not been applied. Specifically, the criterion of project co-funding has not been applied since the CDF projects do not yet require co-funding; the criterion of opening a project bank account has not been applied in localities not yet invited to participate in the CDF; the criterion relating to accounts has not been applied in localities that did not function with full formal status in 2005.

The localities in Blue Nile and Kassala States find it relatively easy to meet the criteria for fiscal capacity and financial management. In North Kordofan the localities typically have difficulties in the areas of revenue generation and auditing while in South Kordofan there are difficulties in maintaining the books of accounts or showing clean audit reports (revenue generation is also not strong here).

In **procurement** almost all localities meet the main criterion of an established tender committee and compliance with the required procedures, but few procurements are made at this stage.

With regard to **political institutions** the criterion of an operational Legislative Council is met in three localities. In the remaining localities Legislative Councils are not yet in place probably because the respective State constitutions have not yet been approved.

In the area of **staff functionality** the criterion of a qualified Executive Director in place is met by almost all localities and most localities also have a qualified Head of Administration and Finance Affairs.

In sum, **no localities meet all of the MQC**, which we recognise partly reflects the interim situation of the legislation governing the localities. If the requirements relating to Executive Committees and Legislative Councils were disregarded, then three localities (Kassala, Ed Damazin and Al Roseirees) would meet all remaining MQC.

¹ Urban localities: Al Roseirees, Ed Damazin, Kadogli and Kassala.

Also, the **CBSAC criteria** are not met by any of the localities. However, most localities have a staff management function in place, and the difficulty of meeting the CBSAC relating to capacity building plans merely reflects that strategic human resource development at this stage is not part of the formal mandate of the localities.

Urban areas seem well placed to meet the MQCs. Apart from the case of Kadogli², all urban localities show a relatively high level of compliance with the MQC. Urban localities thus meet the MQC in the areas of development planning and budgeting; revenue generation; and internal auditing. Typically the urban localities also have fully qualified staff in place for the main positions.

There is some **variation between the states**. The localities in the eastern states of Kassala and Blue Nile tend to meet a relatively large share of the MQC. Kassala and Blue Nile States typically comply with 14-15 MQC as compared to 7-8 MQC in the two other states. The differences are seen especially in the areas of planning and budgeting as well as fiscal and financial management (no difference seems to appear between transitional and non-transitional areas).

Summary of locality performance

The main findings regarding the performance levels of the localities are the following:

- **Almost all localities show low capacity in the area of development planning.**
 - Few localities use participatory processes or make any attempt to involve communities in the planning, and interaction with the People's Committees is limited in most localities.
 - In all cases the quality of the plans produced are weak in terms of analytical basis, depth of explanation, clarity of objectives, prioritisation, link to budgets, and monitoring.
 - A few localities have strategic plans but this is not typical.
- **There is capacity for budgeting in a few localities** in the sense that recurrent budgets are based on consideration of the investment budget and previous years' performance, but revenue prediction capacity is low.
- **Most localities show some capacity in the area of fiscal management.**

² Kadogli had a higher performance rate on three criteria, but a poorer performance on seven criteria relative to the average of the localities assessed.

- The revenue management systems based on the state-defined procedures function in most localities, but revenue capacity is varied with only some localities managing to increase revenues and no localities having strategies for increasing revenues.
- The capacity for revenue generation and management is relatively stronger in the urban localities.
- **Most localities are able to meet the basic requirements in the area of financial management** and comply with the state-defined accounting procedures.
 - However, not all have functioning internal control systems in place.
 - While information for assessing budget execution is scarce, the localities do not appear to prioritise budget performance.
 - The systems for cash-flow management and budget execution are weak in all localities but at the current levels of funding flows they do not present a problem.
 - At higher levels of funding flows the systems need strengthening.
- **Almost all localities have some capacity for procurement** in the sense that procurement organs are used (not always permanent organs) and the processes seem to follow State regulations. However, the transparency is generally low and the general experience with managing tender processes is limited.
- **All localities have weaknesses in the areas of transparency and accountability.**
 - Downwards accountability is a particular challenge for most with no systematic outreach and interaction seen in relation to the communities. It could not be established if other, more informal, channels for downwards accountability exist.
 - Some degree of horizontal accountability is seen within the localities where departments share information but not externally in relation to NGOs.
 - The upwards accountability to the State is fairly strong but its effectiveness could not be fully ascertained.
- **The functioning of political institutions is almost universally weak,** which is explained by the absence of Legislative Councils in localities in

states (in Kassala, South Kordofan and North Kordofan States) where the new constitutions have not yet been approved. Moreover, while People's Committees are in place everywhere they interact very little with the locality administration.

- **Almost no capacity exists in any of the localities for human resource development and capacity building** in the sense that training needs assessments and capacity building/training plans are not made and no capacity building takes place, apart from the ad hoc courses instigated by the state level. Capacity building of locality staff is the responsibility of the State and thus most localities have not developed capacity building plans or implementation procedures.
- **The capacity for project supervision and monitoring is low** in the sense that localities have almost no experience with contract management and supervision or monitoring, apart from the sporadic technical supervision carried out by the technical staff.
- **Overall, urban localities show a relatively higher capacity** in most areas examined (9 out of 23 performance measures), especially in areas of fiscal and financial management and procurement. The exception here is Kadogli. At the same time **rural** localities typically show higher capacity in areas of participatory planning and downward reporting and accountability.
- **There is also some variation in the performance between the states.**
 - Localities in Kassala and Blue Nile States tend to have relatively higher levels of capacity in areas such as fiscal capacity; financial management and audit capacity; and procurement.
 - Localities in South Kordofan State generally have relatively lower capacity, especially in the areas of accounting and procurement. The localities in Blue Nile State have low capacity in the area of participatory planning possibly reflecting the existence of legislative councils which may cut short participation of communities beyond what is possible in the legislative council.

Issues arising

There are important issues to consider in order for the support to lead to effective and sustainable performance improvements of the localities in northern Sudan. These issues relate to:

- The special historical context and of the localities, which necessitate a specific and targeted capacity building effort.

- The need to focus on policy and to align the support with a clear, nationally-owned policy vision for the future local governance system in northern Sudan.
- The need to adjust the MQC and performance measures to the new policy frameworks.
- The possible trade-offs between measures to control fiduciary risk and motivate performance improvements *and* measures that limit discretion of localities to manage and plan resource use.
- The need to also focus on the state level (particularly state level capacity), to ensure sustainable results.

Summary of conclusions

- 1 The overall conclusion is that while the localities have low, but also varying, levels of capacity in the functional areas assessed, on the whole there is sufficient capacity for localities to take on more responsibility in key areas and to improve performance given a conducive policy environment and targeted capacity building support.
- 2 The present general status of local governance in northern Sudan is characterised by almost no devolution of functions, powers and resources in the areas of development planning and human resource management; there is practically no devolution or fiscal decentralisation.
- 3 No locality complies with the full range of MQC; however, if the MQC regarding Legislative Councils and Executive Committees were disregarded on the grounds that the relevant legislation is not yet in place, then Kassala, Ed Damazin, and Al Roseirees would meet the MQC.
- 4 Not every MQC is relevant in the present (transition) context and, in view of this, the MQC could be fine-tuned based on the new state-specific local government acts and project objectives.
- 5 Many localities have capacity in the areas of financial and fiscal management though the systems and procedures are inefficient.
- 6 Most localities are weak in the areas of planning, budgeting, participatory approaches, downwards accountability and involvement of political institutions.
- 7 Localities in Kassala and Blue Nile States generally have higher levels of capacity than localities in North and South Korfordan and rural-urban differences are also seen.

- 8 In some functional areas a finding that capacity is low mainly reflects the definition of the performance measures which do not reflect the procedures that localities are formally required to follow.
- 9 As the state level plays an important role in service delivery and capacity building of the localities, some targeted support should also be directed to the states³.
- 10 A clear policy vision for the future system of local governance in northern Sudan would benefit the development of the local government sector in general and provide a needed basis for more effective support.

³ The Public Sector Decentralization and Capacity Building Project (currently under preparation) envisages such support.

1 Introduction

A Community Development Fund (CDF) project funded by the Northern Sudan Multi-Donor Trust Fund is planned to provide urgently needed local public infrastructure and, in the longer term, to establish the capacities, mechanisms, and procedures in selected localities to enable them to support sustainable, locally-led development. It is expected that some localities here and now will be able to efficiently manage such grants for improved service delivery at the community level, while other localities through the support will develop the necessary capacities over time.

In support of these objectives COWI A/S was contracted through WB/LICUS funding to undertake a capacity assessment of selected localities in northern Sudan. The objectives of the assessment were to:

- 1 Identify localities that comply with the Minimum Qualifying Criteria (MQC) for accessing funding under the community development window of the CDF programme.
- 2 Identify localities that comply with the Capacity Building Support Access Criteria (CBSAC) for accessing funding under the capacity development window.
- 3 Assess the functional capacity needs of localities using the tentative Performance indicators.

This document is the synthesis report for the assessment based on separate assessment reports for each of the 16 localities.⁴ The report summarises the qualification status of each locality based on the MQC. It also assesses the capacity level of the localities in a number of functional areas and indicates the major gaps. Finally, based on a request during the mission, an attempt is made to indi-

⁴ A total of 16 localities were assessed out of 20 planned. The four localities not assessed were: Abiya and Talodi due to inaccessibility as a consequence of poor weather conditions; Al Fola as all locality staff were on strike at the time of the assessment; and Haiban as the locality is still to be formed.

cate some strategies for capacity building of the localities though capacity building was not the main focus of the field investigations.

The report is organised as follows. The rest of chapter 1 describes the rationale, focus, and methodology of the assessment in the framework of the CDF. Chapter 2 summarises key aspects of the policy and institutional framework of local governance in northern Sudan for a better appreciation of the assessment results. Chapter 3 presents the findings on the qualification status of the localities based on the MQC and the CBSAC. Findings on the capacity baseline based on the performance measures are presented in chapter 4. Chapter 5 discusses selected issues arising from the capacity assessments and on this basis presents the conclusions. The indications for capacity building strategies are given in chapter 6.

The team would like to express our sincere gratitude to everyone involved in supporting the effort to undertake this assignment.

1.1 The community development fund project - and why the locality capacity assessment was done

The CDF has two overall objectives, one focused on the immediate term and one aimed at the "longer-term". The first objective is to meet *urgent community-driven recovery and development needs* in the war-affected and underdeveloped areas of north Sudan by providing social and economic services and infrastructure. The second, longer-term, objective is to establish the capacities and mechanisms that will support sustainable locally-led development. The project's component 1 addresses the first objective by providing funds for development investment at locality level while component 2 will fund capacity building of staff at locality level.

The project will be based on a mechanism that combines control of the fiduciary of fund management by the localities with performance incentives. In order to be entitled to receive development funds the localities must meet certain MQC and in order to receive capacity building funds they must meet certain CBSAC. Performance criteria will be defined in the future as a basis for triggering "rewards" (or penalties) for the localities in the form of extra funds over and above the basic tranche. Such performance-based local government development funding mechanisms are well-tested in countries like Uganda and Tanzania.

This report summarises which localities meet the MQC (table 1) which enable them to receive development funds. The report also summarises the general capacity levels of the localities for obtaining a baseline for definition of the future performance criteria (table 2).

The capacity building component has not been formulated yet and is only envisaged to take off at a later phase in the project. The status so far is that the CBSAC have been decided and some initial considerations have been made (the tool kit report) for the conceptualisation of the capacity building support. This report will contribute with indications of strategies for capacity building of the localities, which can feed into the formulation of the capacity building component.

Certain features of the CDF are relevant to highlight with a view to the objectives of "meeting urgent infrastructure recovery needs" and building capacity for "sustainable locally-led development":

"Locally-led" development will be achieved by inviting communities in the selected localities to draw up Community Action Plans (CAP) that establish the community investment priorities using participatory methods (supported by consultants). To ensure the focus on development, CAP projects must fall within a set menu of social and economic development options. Moreover, the CAPs must respect a budget ceiling (typically USD 100.000 for each community) to promote resource-constrained prioritisation by the communities. The CAPs will subsequently be consolidated at locality level.

A Project Implementation Unit (PIU) will channel the project funds directly to localities that satisfy the MQC and monitor, report, and account to the relevant national and state authorities. Locality Implementation Units (LIUs) will be set up in the target localities to supplement the locality capacity and follow up on project implementation. Each LIU will be managed by an LIU Manager (LM) who is recruited from the private sector and will report directly to the PIU Executive Manager. It is also envisaged that NGOs will play a critical advocacy and project facilitation role. A Locality Steering Committee (LSC) will be chaired by the LIU Manager and include locality Heads of Department, NGOs, and other stakeholders. Once approved, funds will be channelled by the PIU directly to a separate project account opened by the locality.

The localities will participate in the LSC and thereby have some influence on the CAPs. The locality will be expected to provide recurrent funding for the projects (most likely using funding from the State) and should assume the main responsibility for project implementation. The locality will also be expected to allocate staff to the LIU on a full-time basis (and training of the LIU staff is regarded as an important element in the capacity building). However, the most dynamic link for deciding on plans and budgets will be that between the communities and the LSC, chaired by the LIU. The mechanism for the locality level to prioritise across the CAPs based on supra-community concerns is not clear to the team.

In the later chapter on issues arising we will discuss some implications of the above-mentioned arrangement for the objectives of the CDF.

1.2 Assessment approach and method

Approach. The assessment approach was based on the tool kit developed in a separate exercise in early 2005.⁵ The tool kit defined the MQC, CBSAC, and performance measures on which basis the capacity of each locality was assessed.

The MQC, CBSAC and performance measures were designed in 2005 based on the decentralization framework envisaged in the Comprehensive Peace Agreement (CPA) and the Interim National Constitution. The identification of the criteria and measures is based on the vision of democratic decentralisation involving decentralised political and administrative powers and resources at the locality level articulated in these documents as well as in the the Joint-Assessment Mission report⁶. It was expected that the Local Government Act of 2003 would be replaced with state-specific local government legislation consistent with the INC. This process is still ongoing.

On this basis the criteria and indicators focus on local government functional areas in:

- planning
- budgeting
- fiscal capacity
- financial management and audit
- procurement
- transparency and accountability
- functioning of political institutions
- human resource development/capacity building
- project supervision and monitoring

Method. The assessment was carried out by COWI A/S in collaboration with DEGE Consult Ltd over a period of two weeks in September 2006⁷. Four different sub-teams covered between 3-5 localities each. Each sub-team was composed of an international consultant and two Sudanese representatives from local or national governments, private sector or the NGO sector. The intention of mixing international consultants with Sudanese professionals was to institutionalise the assessment approach in the Sudanese context. It also proved help-

⁵ World Bank (2005): 'Tool-kit (Manual) for assessment of the minimum qualifying criteria and preliminary performance measures for localities in northern Sudan'

⁶ Joint-Assessment Mission, Framework for Sustained Peace, Development, and Poverty Eradication, Sudan, March 2005.

⁷ The international team was composed of Thomas Juel Thomsen/Team leader, COWI A/S, Erik Bryld, COWI A/S, Revocatus Sangu, DEGE Consult, and Jeremiah Lima, DEGE Consult.

ful in feeding knowledge and understanding based on hands-on experience with local government in Sudan into the assessment.

The teams spent one to two days in each locality interviewing relevant staff and political representatives, and reviewing relevant available documentation. The assessments were guided by a checklist developed by COWI based on the tool-kit. A check-list was filled by all team members to ensure a systematic coverage of all the capacity criteria and indicators. In each locality, selected team members reviewed available information based on the checklists and interviewed all relevant locality staff from commissioner and executive director to accounts and clerks⁸. Where feasible, interviews were also conducted with People's Committee members and members of the locality legislative council. At the end of each day the team would compare and discuss findings internally and feed into a joint assessment checklist. In conclusion of each visit, a brief wrap-up meeting was held with the locality administration to give preliminary feedback on the findings, though no conclusions were presented at that stage.

In addition to the localities, the teams visited the state administrations in Blue Nile and North and South Kordofan for interviews on the decentralisation setup and projected future arrangements in the given state.

A number of challenges confronted the teams during the assessment process, which are important to consider for appreciation of the assessment findings:

There was limited background information available on local government procedures and systems. To a minor degree this was a language constraint given that some local government documents only exist in the Arabic language. Yet irrespective of language the team was able to access only very limited documentation on the local government situation in Sudan. Only two official documents were obtained (financial management guidelines and the Local Government Act 2003) and very few analytical reports. It appears very limited relevant documentation exists, and sharing of documents between stakeholders is limited. The formal procedures could therefore not always be established in an authoritative manner.

Locality staff and some Sudanese team members found it challenging to work with the assessment questions. Appreciation of some of the criteria and performance measures presupposes some familiarity with a certain form of "local democratic governance", which may not be widely seen in Sudan. The limited experience with the processes in such systems made some of the underlying ideas and concepts appear alien to the locality staff. Even some of the Sudanese team members found the underlying concepts challenging to work with. In some cases it therefore proved difficult to focus the discussion on the questions asked and to obtain accurate and comprehensive answers.

⁸ A full list of persons interviewed is attached to the individual assessment reports as Appendix B.

Not all localities were fully prepared or familiar with the CDF. Many localities were well prepared for the assessment and had arranged for the necessary staff to be present. In other cases, the teams were not expected and ad hoc arrangements had to be set up to enable the interviews to take place. In a number of localities there was limited or no awareness about the CDF, which clearly limited the motivation of the staff to participate. It was therefore not possible to mobilise all the relevant staff in every locality, which made some of the questions difficult to cover effectively.

2 Policies and systems of local governance in northern Sudan

As a basis for better appreciating the findings in chapters 3 and 4, this chapter briefly reviews certain aspects of the history and policy of local governance in northern Sudan.

2.1 Brief historical perspective on local government in northern Sudan

A first point worth noting is that Sudan has a long tradition of local government. Already during the 1930s a system of local government was introduced by the British as part of their policy of indirect rule. Further steps were taken to prepare for independence during the 1940s where a detailed study conducted by the British local government expert James Symons led to the design of a comprehensive local government system that set the direction for the first Local Government Act passed in 1951. This act provided for the foundation of 84 Local Government Councils and in 1954 the establishment of a Ministry for Local Government. Three levels of government existed, local, provincial and national level.

Traditionally the main local government functions were delivery of basic services in basic education, public health, water resources and agriculture. Councils existed with mandates to discuss and approve budgets. Council members were initially appointed from different social factions and civil servants, tribal chiefs and merchants dominated the membership, but after 1960 the members were elected. District Commissioners served as chairmen of the councils.

Local governments were financed through transfers from the central level subsidy fund in addition to own revenues collected through animal taxes, trade licenses, and other local sources. The staff was recruited locally, except the administrative officers, and all staff members were paid by the council. The administrative officers were hired and reported to the Ministry of Local Government, which was also responsible for all training.

The local government system as outlined above changed little up to the early 1990s (in 1981 a regional level was inserted between the provincial and na-

tional level, and some slight changes took place in the functions, authority, status and financing of local governments). However, since the mid-1990s some more significant changes were seen in the functioning and roles of local governments.

First, new functions of political advocacy on behalf of central government were added to the localities' responsibilities, such as political awareness creation campaigns and "mobilization of the defence for the national cause". These political functions gradually came to dominate the activities of the localities and squeezed the traditional functions of service provision as attention and resources were allocated to the "political" tasks. The lines of accountability of the localities were increasingly "turned upwards" and localities were expected to plan and budget under the supervision of the state teams and to disburse and account according to the guidelines set out by the higher levels. Staff was hired and remunerated by the national level. In sum, the changed role of the localities established a situation where their authority and discretion to plan and budget according to own priorities became increasingly curtailed, leaving still less room for participatory involvement and downwards accountability.

Second, the effects of the protracted conflict in the country only added to the challenges the localities faced in delivering services to the population. Inputs for service delivery were not available and locality staff abandoned their posts for security reasons or because salaries were not being paid. The localities had to provide for varied activities with almost no technical or financial capabilities and their own resources were invested according to central level priorities. As a result basic service provision in many of the worst affected areas had almost ceased. After the CPA in 2005 and consistent with the INC, the allocation of resources to the sub-national level has increased significantly with a large increase in the budgeted development transfers. Further allocations from the states to the localities will presumably be guided by the state-specific local government laws. At this stage it is too early to tell whether this has resulted in any significant increase in the resources available at the locality level. Irrespective, many localities in the conflict affected areas start from a very low capacity level.

There has been a flurry of activity on the local government legislative side in the past decade. In 1995 a new legislation gave localities the status of corporate entities and financial independence, though responsibility for final budget approval was left with the State Ministry of Finance and the State Legislative Assembly. In 1998 a new framework law provided for all states in Sudan to draft local government legislation based on its general provisions, which - however - involved some weaknesses with regard to achieving equal and standardised levels of services across the country (South Kordofan never drafted the state level law). On this basis a conference in 2002 recommended a single Local Government Act for the whole of the country in order to standardise procedures and service levels nation-wide.

The Local Government Act, approved in 2003, defined the elements of the local governance system which are reflected in the criteria and performance measures of the tool kit. It provided for three levels of government, at locality, state and national level, and introduced and defined the roles of the Legislative Councils, Executive Committees, Commissioner, etc. It established the Commissioner, appointed by the President, as the overall political leader at locality level and defined the locality functions to include "rendering services and development" and "exercising the powers specified in the schedule hereto". It also defined the principle revenues with an emphasis on local revenues, but also "gifts" and "grants".

Even so, the Local Government Act 2003 was abolished already in 2005 as part of the power-sharing arrangements of the Comprehensive Peace Agreement (CPA) which involved a decision to replace the national constitution with separate state constitutions, including separate state-level local government acts. The new State Constitution (2006) and Local Government Act has only been approved in Blue Nile State of all the CDF target states. Kassala, South Korfordan, and North Korfordan States have not yet approved their constitutions; therefore the local government act for these states exists so far only in a draft form. In this transition situation, the guiding legislative framework is probably that of the Local Government Act 2003.

Immediately, the future policy on local governance does not seem clear. The exact role envisaged for the localities in northern Sudan and the powers and resources they will be granted to fulfil that role appear not to have been decided, though this could not be firmly established. The immediate indications from interviews with representatives of the state levels are that the "new" acts will only differ slightly from the Local Government Act 2003.

Whereas the INC lays down the functional and revenue assignments between the national and the state governments, the assignments to the localities are to be defined by the state-specific local government acts. Since these are not in place in all states, this leaves a major gap in the legislative framework for decentralized local governance in Sudan.

2.2 Current local governance policy framework

In the following we attempt to summarise the status of the local governance policy framework. As is clear from the above, we are at present between two systems in three of the four states. The description of local governance in northern Sudan can therefore not be fully accurate - it relies partly on observed practice in the localities and on the elements of the Local Government Act 2003 that appear to subsist. Reference is also made to the information in the toolkit.

2.2.1 The system of local governance

As described in the tool kit, the Local Government Act 2003 provided for a local government system operating through legislative and executive powers at state and locality levels.

At **state level** the Legislative Council has the overall political power while the *Wali* (Governor) heads the executive, supported by a Cabinet of Ministers and an administrative apparatus. The state-level governance structure remains functioning in all the as even after the suspension of the 2003 Act.

The state level plays a dominant role in service delivery and development planning and has primary responsibility for approving and implementing development projects based on project identification by the localities. The Local Government Act 2003 reaffirmed the primary role of the State in these matters, which may be expected to prevail in future local government acts. The state level also has authority over staff working in the localities, including hiring/firing and placing staff in the localities and at state level. There is no immediate indication that this will change with the new acts.

At **locality level** the 2003 act provided for a Legislative Council⁹, an Executive Committee, and the People's Committees at the community level. The Legislative Council's main functions include facilitating linkages between the Executive Body and the Community through the community level People's Committees, and planning, supervision of financial management, review of audit reports, and performance control of the executive headed by the Commissioner. Legislative Councils have the important function of issuing bylaws for the activities of the People's Committees in relation to the locality. The Executive Committee and the three specialised committees of the Legislative Council are to be responsible for implementation planning and for making recommendations on the performance of the executive body to the council meetings. Any council-approved recommendations by the committees should be approved by the executive. As mentioned, the Commissioner is the overall political leader of the locality and appointed by the President.

At present, Legislative Councils are only in place in the Blue Nile State after the approval of the State's new Local Government Act in March 2006; Executive Committees are not provided for in that act. Therefore, Executive Committees have - and will - not be established in Blue Nile State. In Kassala, South Kordofan, and North Kordofan States no Legislative Councils or Executive Committees are in place at present. It is expected that these bodies will be established after the respective local government acts are approved (but final confirmation could not be obtained; in some new localities these bodies have never existed).

⁹ The Legislative Council should have 20 members, including 2 women, elected from 18 geographical circles.

Moreover, no uniform interim governance system has been put into place across the states or within each state for the period up to the approval of the respective local government acts. The actual practice for organising local governance in this interim period varies from locality to locality. Typically, a technocratic committee is set up consisting of Heads of Departments and the Executive Director to manage all planning and budget responsibilities.

2.2.2 Development planning and budgeting

As noted in the tool kit, the Local Government Act 2003 allocated functions of service delivery and promotion of development planning to the localities. It thus required the localities to prepare their "economic and social plans" in accordance with the State's directives. Legislative Councils are responsible for passing the annual plans and budgets and the People's Committees should make proposals for the plans.¹⁰ Final prioritisation and compilation of the plans are done by the Commissioner, Executive Director and Heads of Departments. The plans are then submitted for discussion in the Legislative Councils and their committees before final council approval. The plans are then forwarded for discussion and approval in the Council of Ministers at the state level before discussion and endorsement by the State Legislative Assembly.

The locality budgets are divided into three or four "chapters" depending on the state. In all states chapter 1 consists of salaries. Chapter 2 covers operational costs. The definition of chapter 3 varies between the states. In some states chapter 3 covers maintenance (the tool kit refers to chapter 3 as "social capital investments" based on the information collected at their study sites), while in Kassala State chapter 3 accounts for both maintenance *and* development investment. In the remaining three states chapter 4 covers development investment. Salaries (chapter 1) are in all localities fully funded and decided by the state level through central transfers. Recurrent and maintenance (chapters 2 and 3 depending on definition) are generally financed through the localities' own revenues, while investment (chapter 3 or 4) is financed and decided by the state level but - in principle - with contribution from the locality's own revenues.

Generally, the budget is prepared by a team from the State Ministry of Finance who visits each locality and works with the staff to prepare the budget based on the ministry guidelines.¹¹ Normally, each chapter is prepared in a separate process; one Ministry of State official works on the salary budget while another prepares the investment budget. The locality budgets are subsequently consoli-

¹⁰ The tool kit notes that practices vary in terms of community involvement in defining project ideas, which this assessment confirms as will be seen in sections 3-5.

¹¹ In South Korfordan around March 2006 localities were extraordinarily asked by the state government to prepare updated plans and budgets for the second half of 2006.

dated at state level and debated in the State Legislative Assembly. Based on macro-budget considerations at state level, the overall budget may be adjusted which in turn has affected the locality specific budget implications. Moreover, budget implications are not considered when the compiled locality plans are discussed and endorsed by the State Legislative Assembly, which means that endorsement of plans by the Assembly does not imply any guarantee of funding. Based on the above, it is clear that the planning and budgeting process at state level does not enable a direct link between plans and budgets at locality level.

2.2.3 Financial management

The localities undertake financial management based on the Sudan financial regulations from the early 1990ies¹², which do not appear to have been adjusted at any time. Any changes in the role and functions of the localities by the more recent local government acts are therefore not reflected in the financial management procedures.

2.2.4 Human resources management

The locality administrators are contracted centrally and the centre manages all training of staff. It appears that a national training programme has been outlined, which all locality officials must complete during their career. The existence and content of such a programme could not be confirmed, however. Locality staff is more or less irregularly invited to take part in courses managed by the central level. The state level invites the localities to indicate what trainings they desire by completing a standard form. The Executive Director in agreement with the Heads of Departments decides who among the staff will be proposed for the various trainings and thus how the form is completed. The form is subsequently submitted to the state level. At a later stage the staff may be invited to take part in specific courses, but there is no guarantee the needs defined in the form are met.

¹² This is not the exact English language translation of the title.

3 Assessment of Minimum Qualifying Criteria

This chapter presents our findings on the localities' compliance with the MQCs. Table 1 below summarises the overall level of compliance while table 2 in section 3.7 presents the qualification status by locality.

Table 1: Summary of MQC status			
Criteria	Comply	Non-comply	Non-applicable
Functioning of the Locality Executive Committee in development planning	0	16	
Timely and council-approved annual social and economic plan	11	5	
Timely and Legislative Council-approved annual budget	15	1	
Clear link between annual plan and annual budget	9	6	
Capture of operational costs in the budget derived from capital investments	5	11	
Capture of maintenance costs in the budget derived from the capital investments	7	9	
No decrease in own revenues in nominal figures for the previous-year-but one to the previous year	10	4	2
Co-funding requirements complied with for capital investments			16
Entire final accounts for the previous financial year produced on time and submitted for audit	12	1	3
All books of account maintained and up to date	11	5	
Project specific account opened and ready for operations	4		12
Internal audit function in place, including submission of quarterly reports to the Council and the State	11	5	
Clean audit report for the last audited year	7	3	6
No major financial irregularities noticed during the year and/or irregularities unsettled from previous years	15	1	
Tender evaluation committee has been established and tender procedures are as per regulations	13	3	
Legislative Council in place and operational	3	13	
Positions of Executive Director filled with requisite qualifications.	14	2	
Head of Administration and Finance Affairs Section filled with requisite qualifications	10	6	

3.1 Development planning and budgeting capacity

Functioning of the locality Executive Committee in development planning.

An Executive Committee is not in place in any of the localities. Many localities have set up ad hoc committees to meet the need for cross-departmental coordination in the preparation of plans. In some cases these ad hoc committees include locality staff as well as stakeholders from the community. Most often the committees are purely technocratic consisting only of the Executive Director and the Heads of Departments. In some localities planning is undertaken without any committee involvement; here the Executive Director merely compiles the plan based on bilateral inputs from Heads of Departments. In most localities assessed, the Commissioner had devolved all day-to-day operation to the Executive Director including issues of to budgeting and planning.

Timely and council-approved annual social and economic plan. An annual plan exists in all but two localities. None of the plans can be considered comprehensive social and economic plans since most often they are simple matrix form outlines of priority projects stating a title name and, sometimes, budget.

None of the plans were approved by the Legislative Councils which were not in place in any locality at the end 2005. All plans were approved by the Executive Director, the Commissioner or a senior staff member who had been delegated the task by the Executive Director.

In South Korforfan in particular (it appears) the plans for 2006 were only prepared well into that year. It reflected a special instruction by the new State Government in early 2006 that all localities should prepare updated budgets and plans for the remainder of the year. That makes the submission by June 2006 of the 2006 plans timely despite the late time in the year.

Timely and Legislative Council-approved annual budget. An annual budget was prepared in all localities except for one. All were prepared in accordance with the State defined procedures and submitted to the State Council of Ministers for approval after signing by the Commissioner. The chapters (numbering three or four, depending on the State) are in most cases prepared separately by different departments at locality level and the state level prepares the chapters on staff and investment. The budgets were not submitted to the locality legislative councils for approval as these are not in place.

Clear link between annual plan and annual budget. There is a clear link between the budget and annual plan in nine localities. In these localities priority projects in the annual plans are clearly reflected in the budgets. In the other localities the plans are over-ambitious relative to the budget, comprising a long-list of desired but non-prioritised projects. However, given the planning and budget process described in chapter 2, there is no guarantee that any link between plan and budget, which was established in the process at locality level,

will also be respected after the plans and budgets have been processed at state level.

Capture of operational costs in the budget derived from capital investments. A clear commitment from the relevant authorities to meet operational costs of the capital investments in the annual plan is seen in only five localities. Here funds are set aside for operational costs but the link to investments is not direct in all cases.

Capture of maintenance costs in the budget derived from the capital investments. Nine localities do not budget for the maintenance costs derived from capital investments. The remaining five localities do set aside funds for maintenance but the items in the maintenance budget are not directly linked to the items in the investment part.

3.2 Fiscal capacity and financial management

No decrease in own revenues in nominal figures for the previous-year-but one to the previous year. Most (12) localities showed an increase in revenue generation from 2004 to 2005. Revenues decreased in only four localities. Where revenues had decreased a typical explanation was the removal of locality taxes to the state level. All four urban localities complied fully with this criterion. Three of these showed a limited to substantive (>50%) increase in revenues from 2004 till 2005.

Co-funding requirements complied with for capital investments. No locality is yet at a stage where co-funding of CDF programme activities is required. In one locality funds have been mobilized to co-fund a project by IFAD. Nevertheless, it is not relevant to apply the criterion at present.

Entire final accounts for the previous financial year produced on time and submitted for audit. All localities except one have completed and submitted the final accounts to the State Auditor-General on time. The accounts or submission letter was in most cases signed by the Executive Director, Financial Controller or Accountant. In some localities the files documenting submission were not in place.

Three localities were only established recently or still function as administrative units, which means no accounts exist for 2005. Therefore, it is not relevant to apply the MQC relating to submission of accounts to these localities.

All books of account maintained and up to date. Accounting books were regularly maintained and updated as required by State regulations in eleven localities. In four out of eight localities assessed in South Kordofan some books were updated regularly while other documentation, such as bank reconciliation

statements, was not up to date. In Baw in Blue Nile State the requested information was not available for assessment.

Project specific account opened and ready for operation. In none of the localities visited the CDF programme was at a stage where the opening of a separate bank account at locality level was required. Nonetheless, a few localities have already opened separate project accounts which were established for development activities. At this stage, it is not relevant to apply the MQC related to project specific accounts, especially in localities that have not yet been finally selected and prepared for CDF support.

Internal audit function in place, including submission of quarterly reports to the Council and the State. The internal audit function is in place and operational in eleven localities. Here monthly and/or quarterly reports are produced by the auditor and submitted to the State Auditor-General. There was evidence to suggest that the internal auditor undertook daily audits of all relevant financial operations in accordance with State regulations. In five localities the internal auditor is not in place, out of these four were located in South Kordofan. Three of four urban localities had a fully operational internal audit function in place.

Clean audit report for the last audited year. Of the ten localities which existed as independent financial entities in 2005 seven had clean audit reports with only minor comments. Of the three remaining localities two are within South Kordofan State and the last is in North Kordofan State. Three of the four urban localities showed clean audit reports. In some places the locality has not addressed the comments made by the auditor in the 2004 audit properly. In other cases the Auditor-General has not yet finalised the 2005 audit report for the locality (this was the case for all localities in Blue Nile State).

No major financial irregularities noticed during the year and/or irregularities unsettled from previous year. Only one locality showed evidence of major financial irregularities during the year or issues from the previous year which were not settled.

3.3 Procurement

Tender evaluation committee has been established and tender procedures are as per regulations. A procurement committee is in place and operates in accordance with State procurement procedures in all except three localities (all in South Kordofan). Only a limited number of purchases had been undertaken in the localities visited and most transactions concerned minor purchases not exceeding the procurement limit.

Generally, the procurement processes followed are in line with the procedures set by the State. These involve advertisement in State media with requests for

proposals in accordance with, often simple, criteria pertaining to quality and price. The committee meets to open bids and evaluate these against the criteria for rewarding the contract to the most favourable bidder. In several localities all bidders are invited to the opening of bids.

3.4 Functioning of political institutions

Legislative council in place and operational. Legislative Councils are only in place in three localities for reasons explained in chapter 2.

In North and South Kordofan States, where councils were abolished after the signing of the CPA in January 2005, the councils are expected to be operational after the endorsement of the new State Constitutions.

In Kassala State localities have been without legislative councils since 2003. Also here it is expected that new councils will be established after endorsement of the new State Constitution. The recent peace agreement between the Government and the Eastern Front is expected to move this process forward.

In Blue Nile State legislative councils have been in place since March 2006. In the three localities assessed the councils are fully operational and in two the councils act fully in accordance with State regulations and discuss relevant issues.

3.5 Staff functionality

Generally, all relevant positions at locality level have been filled with staff seconded from state level. In most localities the staff in leading positions have relevant qualifications and experience.

Positions of Executive Director filled with requisite qualifications. The position of Executive Director was filled with a qualified candidate in 14 localities. Most of these Executive Directors have a post graduate degree and about 20-25 years of experience with locality level administration.

Head of administration and finance affairs section filled with requisite qualifications. The position as Head of the Administration and Finance section or department was filled with a qualified candidate in 10 localities, including the four urban localities. In the remaining six localities the candidate in place did not have adequate formal education or the position was not filled; this is the case in two out of three localities in North Kordofan.

3.6 Assessment of CBSAC

Most staff management takes place at the state level with only a few administrative personnel tasks undertaken in the localities.

Capacity building plan. One locality has developed an internal capacity building plan for locality staff, none of the other localities have developed such a plan. As issues pertaining to training and related capacity building exercises are the responsibility of the State government there is no motivation at the localities for designing capacity building plans.

Human resource management function. In all localities there was a human resource function in place to handle human resource management issues.

3.7 Summary of MQC

The findings with regard to localities' compliance with the MQC are presented in a consolidated form in table 2.

As seen, in a number of areas it was difficult to establish clearly whether a locality was complying or not complying with regard to a certain criteria. More than the usual degree of interpretation and subjective judgement has been necessary to identify the score in these places. Therefore the score is presented in parenthesis. It is expected that a later adjustment of the MQC will reduce the scope for subjective judgement.

Table 2: Summary of MQC status by locality	States and localities															
	South Kordofan								North Kordofan			Kassala		Blue Nile State		
	Dilling	Abu Gibeha	Al Rashad	Baba-nossa	Ed'-Debabat	Keilek	Lagawa	Kadogli	Jabrat Sheikh	Sodari	Wad Banda	Kassala	Hamash-koeib	Ed Damazin	Al Ro-seirees	Baw
Development planning and budgeting capacity																
Functioning of the Locality Executive Committee in development planning	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N
Timely and council-approved annual social and economic plan	C	N	N	C	C	N	C	N	C	C	C	C	C	C	C	N
Timely and Legislative Council-approved annual budget	C	C	N	C	C	C	C	C	C	C	C	C	C	C	C	C
Clear link between annual plan and annual budget	C	C	N	N	C	N	(C)	C	(C)	N	N	C	N	C	C	N
Capture of operational costs in the budget derived from capital investments	N	N	N	C	N	N	(C)	N	N	N	N	C	N	C	C	N
Capture of maintenance costs in the budget derived from the capital investments	(C)	N	N	C	N	N	(C)	N	N	N	C	(C)	N	C	C	N
Fiscal capacity and financial management																
No decrease in own revenues in nominal figures for the previous-year-but one to the previous year	C	C	N	C	C	N	N	C	C	N	N/A	C	N/A	C	C	(C)
Co-funding requirements complied with for capital investments	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	C	N/A	N/A	N/A
Entire final accounts for the previous financial year produced on time and submitted for audit	C	C	C	C	N/A	N/A	N	C	C	C	N/A	C	C	C	C	C
All books of account maintained up to date	C	N	N	C	C	N	C	N	C	C	C	C	C	C	C	N
Project specific account opened and ready for operations	N/A	C	N/A	N/A	N/A	N/A	N/A	N/A	C	C	C	N/A	N/A	N/A	N/A	N/A
Internal audit function in place, including submission of quarterly reports to the Council and the State	(C)	C	C	N	N	N	C	N	C	C	N	C	C	C	C	C
Clean audit report for the last audited year	C	N	N	N/A	N/A	N/A	N/A	N/A	C	N	N/A	C	C	C	C	C
No major financial irregularities noticed during the year and/or irregularities unsettled from previous years	C	C	C	C	C	C	C	N	C	C	C	C	C	C	C	C
Procurement																
Tender evaluation committee has been established and tender procedures are as per regulations	C	C	C	N	(C)	C	N	N	C	C	C	C	(C)	C	C	C
Functioning of political institutions																
Legislative Council in place and operational	N	N	N	N	N	N	N	N	C	N	N	N	N	N	C	C
Staff functionality																
Positions of Executive Director filled with requisite qualifications.	C	C	C	C	N	C	C	C	C	C	C	C	N	C	C	C
Head of Administration and Finance Affairs Section filled with requisite qualifications	C	C	C	N	N	(C)	N	C	C	N	N	(C)	(C)	C	C	N

C = Compliant N = Non-compliant N/A = Non-applicable

4 Performance levels of localities in northern Sudan: A Baseline

This chapter synthesises the findings regarding the localities' capacity levels based on the performance measures defined in the tool kit. In table 3 an attempt is made to illustrate the general picture.

4.1 Development planning and budgeting capacity

Existence of a participatory planning process. All localities show weak capacity for participatory planning as defined by the performance measures. None of the localities appeared to appreciate or command any methods for participatory planning and they did not seem to practice outreach activities to involve the People's Committees or the community in the annual planning process in any systematic way. Only about half of the localities had made at least some effort to involve communities in planning. There was little appreciation of the relevance of participatory planning processes in several localities, and comments such as "the people do not know what they need" were typical among locality staff as well as among state level representatives. Blue Nile State showed particularly low performance in participatory planning, except for the involvement of the legislative councils.

About half of the localities make at least a limited attempt to involve People's Committees. The localities may be asked to consider project proposals from the People's Committees and, moreover, some committees are proactive and hold meetings and discuss project proposals with the community. Others are less active. In all cases project ideas submitted by the People's Committees are evaluated by the technical departments at the locality to decide on whether the projects should be included in the annual plan.

Urban localities typically are less likely to engage in participatory planning than rural localities; urban localities typically make no or very little effort to involve People's Committees in the planning process. On the other hand, the quality of annual plans is generally higher in urban localities than in rural localities.

In Blue Nile State, the only state with functioning legislative councils at locality level, localities typically use the councils as the main link to the communities. Here council members are typically involved in debating and developing

the annual plans and budgets and are expected to communicate this further to the communities. It was interesting to note that the interviewed locality staff tended to view the council's involvement as sufficient for the participatory involvement, which means no additional effort is considered necessary to reach down to the communities.

The involvement of NGOs in the planning process varies greatly among the localities. In some localities no interaction takes place at all with NGOs. However, most localities do seem to have regular meetings or other means of information sharing with NGOs. There were practically no cases where attempts were made to exploit synergies through joint planning or harmonisation between NGOs and the localities.

The localities do not undertake specific needs assessments as part of their annual planning process, such as analysis of the needs of vulnerable or poor sections of the communities. In most localities, however, some understanding of the need to prioritise projects for specific groups was detected. For instance, several localities have planned for projects in support of local economic development activities for women, girl schools or activities aimed at disabled people.

Quality of the annual development plan. All localities which had annual plans had produced these in accordance with the State requirements (one locality had no annual plan but simply referred to the budget). However, the quality of the plans was generally low in the definition of the performance measures. No plans reviewed had descriptions of the planning process and only one plan had relevant locality specific information included. Most plans reviewed were basic project lists in a matrix format, indicating the title or heading and estimated cost. The rare cases of more extensive plans might indicate the source of funding, objectives and target group (in particular in some localities in Blue Nile and Kassala States).

About half of the localities have defined some kind of prioritisation in their plans by ranking projects. In the other cases the plans are submitted to the State as open "wish lists" with no direct link to the annual budget. None of the plans are prioritised within a given resource envelope, since the budgets are typically not known ex ante. No plans reviewed had monitoring strategies in place for the implementation stage.

Comprehensive strategic medium-term plan in place. Only three localities have a strategic or medium-term plan in place. A number of localities referred to the State Strategic Plan. Only one of the three medium-term plans included details and project descriptions beyond the simple lists of project headings, duration and budget.

Budgeting capacity. Some capacity for budgeting as defined by the performance measures was seen in all but one locality. Most localities base Chapter 2 (operational costs) and, for some, Chapter 3 (rehabilitation and maintenance) on previous year's performance and take into consideration planned activities, inflation and revenue projections.

The capacity for revenue prediction rate is generally low. Significant deviations are seen between predicted and actual revenues collected. Some localities deliberately overestimate revenues as a tactic to trigger the State to cover any deficits realised at the end of the year. It appeared only one of the localities had a running deficit.

There is no direct prioritization of development of service activities in relation to the PEAP. Certainly, there is no specification of activities relating to the PEAP in the plans or budgets of the localities. In most cases, the appreciation of the PEAP, and what activities fall under the PEAP, was limited. Therefore, it was not immediately possible to identify the PEAP activities in the budgets and plans of the localities.

4.2 Fiscal capacity

Revenues. There are variations in the capacity for revenue collection shown among the localities. Five localities had seen significant increases in revenue collections in 2005; three of the five are urban localities. In other localities the collections matched the levels of the previous year or minor decreases were seen. No localities have any explicit or clear strategies for increasing revenues. Several had more or less clearly formulated ideas for revenue increases based on increasing tax or fee rates (e.g. increasing business tax from 40% to 60%). A few had some innovative ideas for generating revenue such as the use of Build Operate Transfer (BOT) systems. Generally, however, revenue collections are minor compared to the development budget and mostly cover recurrent costs and locally hired staff.

Revenue management. All localities showed adequate capacity for revenue management in the sense of complying with the system and procedures defined by the State. Accountability measures are generally in place and functioning, including internal checks (by Head of the revenue unit or the financial controller). Where internal auditors are in place, these do undertake audits of the revenue. Revenues collected from the individual tax payers are duly registered. In most cases revenue collectors are rewarded based on their performance to stimulate effective revenue collection. Kassala and Blue Nile States appear marginally better in the area of revenue management than the other states based on the performance measures.

Transparency in the area of revenue collections is limited in all localities. There is no active effort on the part of the localities to inform communities about collected revenues. Communities will only be informed about revenue collections if the relevant council member decides to share such information, which means no information is transmitted in the three states where the councils are not in place.

Expenditures. Expenditures at locality level are limited to locality operations and limited maintenance and rehabilitation. Thus, the localities do not spend any of their own revenue on capital investments.

4.3 Financial management

Budget execution and cash flow. Most of the localities display some capacity for budget execution but the level is not high. Cash flows are managed by checking payment requirements against the cash account balance as payments are made. If there is sufficient cash in the account payments are made, otherwise payments are postponed and arrears may build up. However, most localities informed that they rarely develop arrears, which may be a credible claim. No localities had any cash flow plan, but some were aware of the need to consider fluctuations in cash inflow and outflow over the year, e.g. that health related expenses increase during the rainy season while cash inflows increase before the rainy season.

A commitment control system is not in place in any of the localities, otherwise the Executive Director is the person authorised to commit funds. The financial liquidity at the localities was from medium to low.

Accounting. All localities demonstrate adequate capacity for accounting as defined by the performance measures. About half of the localities had their books of accounts maintained and up to date, including three of the four urban localities. In the other half of the localities the books were in place but the updating less regular, particularly in South Kordofan. Two localities had no updated or even accessible books of account.

Most localities have an asset management system but the registration and inspection of assets are not systematic and regular in all cases.

Internal control. Most localities exhibited some capacity in the area of internal control, in particular the urban localities. In these localities internal audit functions are in place and they report to the State Auditor-General in accordance with State regulations. Most localities also seem to follow up on internal audit recommendations and comments.

However, four localities have no internal audit functions in place and, moreover, appeared unaware of the requirements and relevance of internal audits. Three of these localities are in South Kordofan State.

No localities have individually customised procedures related to auditing or prevention of conflict of interest besides the State requirements. Most localities adhere to the policies and procedures of the states, which require double-checks and double signatures on all financial transactions.

4.4 Procurement capacity

Almost all localities showed a minimum level of capacity for procurement but with few tenders undertaken at locality level the routine is limited.

Procurement organ. All but two localities (both in South Kordofan) had procurement committees in place that were constituted in accordance with State regulations, as reflected in the constitution letters signed by the Commissioner

or Executive Director. There are no cases where the Commissioner was involved in the procurement process or interfered with the recommendations of the committee.

Procurement process. Most localities also demonstrated awareness about the requirements related to procurement processes. In most localities minutes reveal that the procurement processes are in line with State regulations, including appropriate advertising and /or obtainment of three quotations; evaluation by the procurement committee; and award of contract/purchase. Three of the four urban localities satisfy this description. However, in four localities in South Kordofan and one in North Kordofan the procurement process was not in accordance with State regulations or non-existing. Procurement plans do not exist in any of the localities but with few purchases made at locality level such plans are not highly relevant.

In most cases transparency of the procurement award process is limited to informing the successful bidder. However, in three localities all tenderers are invited to attend the opening of bids, showing awareness and practice of transparency in the procurement process.

4.5 Transparency and accountability

Downward reporting/accountability. Few localities seem to make any systematic effort to reach out to the communities. The urban localities in particular are inactive in the outreach or proactive engagement and reporting to the communities on locality operations. Generally, there does not seem to be a tradition or practice for publishing locality-related information such as plans, budgets and audits. When asked if citizens would be allowed to see such documents on request, the response was in most cases positive. However, no regular procedures exist and no such request has ever been made. Where a legislative council is in place, the locality staff expect that council members report to the communities on council matters. The low performance in the area of downwards accountability was seen in all four states but Kassala and Blue Nile States showed the weakest performance in this respect.

At the same time it is important to note that the brief visits paid did not make it possible to accurately detect the nature of the interaction between localities and communities. It is possible that non-formal, but effective, lines of accountability do exist even if the non-formal mechanisms are absent.

Horizontal accountability. The capacity for horizontal accountability is varied. Some localities make efforts to share information with other locality departments and a few localities share information with external actors, such as NGOs. Yet several localities do not appear to make any effort to share information internally or externally and in no case is the information sharing systematic. Regular department meetings are only seen in very few localities and in (about) half of the localities interdepartmental information sharing can only take place after approval by the Executive Director. In most localities the in-

formation sharing with NGOs is limited to occasional meetings set up by the NGOs.

Upward accountability. At first glance upward accountability appears to be strong in all localities (except Baw). It mostly consists of reporting to the state level in the areas of budgets, plans and audit reports. The reporting is mostly timely and comprehensive and procedures are generally complied with. At the same time it was not immediately possible to check the effectiveness of the accountability to the state level, especially whether there is any effective feedback from state to locality level on reports submitted by the locality.

4.6 Functioning of political institutions

Locality legislative council. Legislative Councils are only in place in three localities. Two of these appear to operate in accordance with State regulations in the sense that sub-committees are established and (based on minutes) relevant issues of budgeting and planning are debated at the meetings. In localities without Legislative Councils the Commissioner is the only political representative.

Peoples committee. People's Committees are in place and operational in all localities but there is no regular monitoring of their activities by the localities and no relevant training or feedback provided. The general interaction with the People's Committees is weak in most of the localities; little effort is made to reach out to, guide, and train these committees. At the same time, a few of the People's Committees receive training in issues such as health and sanitation from a range of different NGOs.

4.7 Human resource development/capacity building

Capacity building planning process. No localities had undertaken any training needs assessment of staff and functions, and only in one locality had a capacity building plan been elaborated. However, in several cases the locality staff - often the Head of Staff - showed clear awareness of the need for capacity building and was immediately able to mention areas where capacity building was needed. Such areas are termed as "training needs".

In the localities there is no focus on distinguishing between training needs and wider institutionally-derived capacity building needs. Human resource management at locality level is generally addressed as an administrative issue and not as a strategic issue of human resource development.

Quality of the capacity building plan. Many localities had completed the State administered form indicating training course requests. However this form does not represent any plan and only indicates the training needs. Moreover it is not based on an overall institutional capacity assessment but instead on individually felt needs. No background information or selection criteria were available.

Capacity building implementation. Staff in the localities are more or less regularly invited to training courses at the state level. In some cases 2-10 staff members had been invited over the past year; in other cases no training had been received by any staff for a long time. Generally, there is no direct link between the training requests defined by the staff in the state-administered form and the training eventually received from the State.

Monitoring of capacity building. As no plans were available there has been no need to set up monitoring mechanisms for capacity building activities. Neither is any effort made to follow up on the benefits of training received from central level. The anecdotal evidence collected suggests a mixed assessment of the training received; some have appreciated it while others have found it irrelevant.

4.8 Project supervision and monitoring

Contract management and supervision. As projects are normally decided and managed by the State, the localities have little experience in this field and capacity is therefore expected to be minimal. A few localities have experience from minor project activities from the past and one locality does implement a limited number of rehabilitation projects for the State.

Monitoring and reporting. There is limited monitoring by the state of project activities in the localities. In one locality limited monitoring of chapter 3 activities (rehabilitation) was undertaken by the technical department with reporting back to the State.

4.9 Summary of locality performance

In table 3 overleaf we attempt to illustrate the performance levels of the localities in a consolidated manner. The table indicates the general level of each locality by functional area based on the performance indicators. A "dark" marker thus indicates a generally favourable assessment in the sense that "most" questions in the tool kit under that performance area were answered positively. A "grey" marker indicates that some capacity was shown but significant scope for improvement exists; only 1-2 questions in the tool kit under that performance area were answered positively. A "white" marker indicates that very weak capacity was shown in the sense that none of the questions defined in the tool kit under that performance area were answered positively.

It is emphasised that wide intervals have deliberately been set for each category, dark, grey, or white. It reflects that the categories should not be seen as scientifically established scores that determine the exact performance level of the locality for each functional area. The categories should only be seen as a general illustration of each locality's performance level.

Table 3: Summary of locality performance	States															
	South Kordofan							North Kordofan			Kassala		Blue Nile State			
	Dilling	Abu Gibeha	Al Rashad	Babanossa	Ed'Debabat	Keilek	Lagawa	Kadogli	Jabrat Sheikh	Sodari	Wad Banda	Kassala	Hamash-koeib	Ed Damazin	Al Ro-seirees	Baw
Development planning and budgeting capacity																
Existence of a participatory planning process	○	○	●	●	○	●	●	●	●	●	●	○	○	○	○	○
Quality of the annual development plan – must adhere to the provided format	●	○	○	○	●	○	○	●	○	○	○	●	●	●	●	○
Comprehensive/strategic medium-term (3-4 years) plan in place	●	○	●	○	○	○	○	○	○	○	○	○	●	○	○	○
Budgeting capacity	●	●	●	●	○	●	●	●	●	●	●	●	●	●	●	○
Fiscal capacity																
Revenues	●	●	○	○	●	○	●	●	●	○	○	●	-	●	○	○
Revenue management (administration)	●	●	●	●	●	●	●	●	●	●	●	●	-	●	●	●
Expenditures	●	○	●	●	○	●	●	●	●	○	○	●	○	○	○	○
Financial management and audit capacity																
Budget execution and cash flow	●	●	○	●	○	●	●	○	●	●	●	●	○	○	○	○
Accounting	●	●	●	●	○	●	●	●	●	●	○	●	○	●	●	○
Internal Control	●	●	●	○	○	○	●	○	●	●	○	●	○	●	●	○
Procurement Capacity																
Procurement Organs	●	○	○	○	○	○	○	○	○	○	○	●	●	●	●	●
Procurement Process	○	○	○	○	○	○	○	○	○	○	○	●	○	●	●	●

Table 3: Summary of locality performance	States															
	South Kordofan							North Kordofan			Kassala		Blue Nile State			
	Dilling	Abu Gibeha	Al Rashad	Babanossa	Ed'Debabat	Keilek	Lagawa	Kadogli	Jabrat Sheikh	Sodari	Wad Banda	Kassala	Hamash-koeib	Ed Damazin	Al Ro-seirees	Baw
Transparency and Accountability																
Downward reporting/accountability	○	○	○	●	○	●	●	○	●	●	●	○	○	○	○	○
Horizontal accountability	●	○	○	○	●	○	●	●	●	○	○	●	●	●	●	○
Upward accountability	●	●	●	●	●	●	●	●	●	●	●	●	●	○	●	○
Functioning of political institutions																
Locality Legislative Council	○															
People's Committees	○															
Human resource development/capacity building																
Capacity building planning process	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○
Quality of the capacity building plan	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○
Capacity building implementation	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○
Monitoring of capacity building	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○
Project supervision and monitoring																
Contracts management and supervision	●	●	●	○	●	●	○	○	○	○	○	○	○	○	○	○
Monitoring and reporting	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○

Blue: ● Most questions relating to the performance measure answered positively
 Grey: ○ Only 1-2 questions relating to the performance measure answered positively
 Dark: ○ No questions relating to the performance measure answered positively

5 Issues arising and conclusions

In the following we start by identifying some key issues arising from the assessment before we move on to summarising our conclusions.

5.1 Issues arising

5.1.1 Tailoring the support to the specific needs in northern Sudan

In chapter 2 we pointed out that Sudan has a long tradition of local government. Although the vision of local government as an instrument for democratisation and participatory development is recent, the idea of local government as the main vehicle for service delivery is not new. This provides a good starting point for an effort aimed at strengthening the role of localities in service delivery.

However, certain developments over the past two decades have reduced the localities' ability to perform their service delivery functions and to respond to local priorities. The emphasis on political advocacy and the associated strong orientation towards the centre have removed the attention of the localities from service delivery and weakened the linkages to the population. A key role of the centrally appointed Commissioner is to serve Government's interests at local level, which may overrule local needs and concerns. Localities have virtually no resources available in their budgets for local development. Finally, the many years of conflict have drained the localities of the qualified staff and resources necessary to manage basic service delivery, especially in the conflict-affected localities.¹³

Even so there is a base to build on provided that the support is well-targeted to the specific situation of these localities. The distinct aspects of the localities in northern Sudan (compared to for instance the typical local governments in Uganda and Tanzania) must be appreciated. The support must begin from this starting point. For some localities it will take some time before they have reached a level where they can make full use of the performance mechanism;

¹³ In fact, some of the localities in Northern Sudan may face the same challenges as the districts in Northern Uganda which are just now emerging from the conflict. At the moment it is being debated in Uganda how to address the special needs of these districts.

these localities may need extra-ordinary and tailored support. Bringing such localities up to that level will be the immediate challenge.

5.1.2 Alignment with the policy framework

Alignment of any locality level support with government policies and procedures is important for aid effectiveness. Alignment helps to avoid unintended consequences such as disqualifying localities unfairly for following the "formal procedures" and it prevents conflicting incentives and sanctions from facing the localities. In relation to alignment not all of the MQC and performance measures are fully relevant at this stage, as exemplified by the following:

- The performance measures favour a resource-constrained and vision-based planning approach at the locality level. In contrast, at present the formal planning procedure at locality level is an open-ended identification of project ideas by the localities which are netted and consolidated at state level, and budgets only considered in a separate process at state, disjoint from the planning (refer to chapter 2).
- The MQC and performance measures envisage that responsibility for human resource management and development is placed with the localities. In contrast, staff management and development presently remains the mandate of the state level.
- The MQC and performance measures assume that project management and monitoring is a function of the locality level. In contrast, presently the main responsibility for infrastructure planning and management is left with the state level.

However it is understood that the less than full alignment reflects the objective of the toolkit to be consistent with the vision of decentralised local government in Sudan as articulated in the CPA and the INC, underpinned by a consistent and robust intergovernmental fiscal system. *Such a decentralised system is not yet in place and achieving it will require a concerted and long-term effort.* In this regard the performance mechanism can play an important role in introducing and stimulating the local government procedures and processes that would be the basis for a decentralised system. In this regards policy dialogue on the shaping of the future local government system would be an important requisite to complement the efforts at local government level.

5.1.3 Level of MQC: Setting the bar too high?

No locality met the entire set of MQC, which in essence means that not any of them has enough capacity to justify their handling of development funds. The alternative analysis is that the bar was set too high. Some qualification of the results is needed to address this question from the right perspective.

First, the MQC relating to functioning Legislative Councils and Executive Committees are not meaningful to apply at this stage where State Constitutions

in Kassala, South Kordofan and North Kordofan have not been approved. Second, the MQC that relate to the CDF project are only relevant to apply as far as justified by the project's progress in the specific locality (e.g. establishment of a project account, counterpart funding, etc. where the CDF has not started yet). Third, some MQC reflect past events that may not affect future performance, which make them unreasonable to apply (e.g. absence of previous year's account for a locality that was not a corporate body that year). Fourth, some MQC contradict the formal procedures that localities follow, which make these MQC unfair to apply, i.e. the discussion in the preceding section.¹⁴

The immediate question therefore is not if the bar is set too high but rather if it contains the right set of requirements. The impression of the team is that for the purpose of controlling the fiduciary risk the level of the MQC and the functional areas they target are appropriate. However the specific MQC need adjustment to reflect the institutional reality of the localities defined by the formal system.

5.1.4 The MQC and performance criteria versus a development funding mechanism

A key challenge in view of the objective to improve locality performance is to ensure consistency between the MQC and performance mechanism *and* the development funding mechanism of the project supporting the localities. For instance, the MQC are defined to ensure that localities that receive development funds have enough capacity to manage the funds through their standard procedures. Therefore consistency requires that the project uses the standard procedures of the localities for transfer and management of the funds. In this regard where MQC are applied it is useful to carefully consider the relevancy of including additional safeguards, such as a LIU mechanism and separate bank accounts and transfer mechanisms.

Similarly, performance improvements of the localities will be promoted by giving the localities more control over resources combined with clear performance criteria and the right incentives. Therefore consistency requires that the project places authority and responsibility for planning firmly with the localities so they can take the appropriate actions and decisions to meet the performance criteria. It also requires that the localities are given a meaningful level of discretion over resource use to match the authority and responsibility they are given.

Against this background it is understood that the original plan was to apply a development fund mechanism that was based directly on the systems and procedures of the localities. This would have ensured the type of consistency re-

¹⁴ For example: The MQC require the localities to link plans and budgets, but the formal procedures separate planning and budgeting in two steps and leave decisions at the State level based on aggregate state budget concerns. The MQC require the localities to reflect recurrent and maintenance implications of investment decisions, but it seems localities are only informed of the state approved investment budget after their recurrent and maintenance budgets are already completed.

ferred to above. Instead an alternative community-focused project modality relying on an LIU mechanism was opted for. It will therefore be relevant to carefully consider the degree of consistency between the processes promoted by project, the standard procedures of the localities, and any longer term vision for decentralised government in Northern Sudan.¹⁵

5.1.5 Considering the state level

Chapter 2 points out the leading role now played by the state level in areas such as development planning, project management, monitoring, locality inspection, human resource management and development. Although the future functions of State and localities are unclear at present, the state level is likely to continue for some time to play a leading role in these areas, both formally and in practice. Even in a future, more decentralised system the state level is likely to maintain functions such as policy setting and analysis, inspection, monitoring and capacity building of the localities. Therefore, there is every reason to focus on the state level for a project aimed at improving service delivery and strengthening locality capacity to manage service delivery.

There are several issues to consider regarding the state level. First, are the internal organisation and processes of the state level (structures, budgeting, planning, financial management, human resource management, etc.) supportive of, and consistent with, the systems and processes foreseen at locality level? Second, to what extent do the individual states have capacity to undertake their functions in relation to the localities (especially "state policy" analysis, inspection, monitoring, capacity building)? Third, how can State involvement and participation in the support be ensured to guarantee state level ownership (and sustainability) and feedback of lessons from the project into state level processes. It has not been possible to address the above issues during this assignment. However, the future modality for support and capacity building will be more effective if it takes into account answers to these questions.¹⁶

5.1.6 Focusing on policy and systems

The need for announcing a clear policy for the future role and system of local governance emerges as a key issue, though the assessment was not in a position to examine policy questions directly. As mentioned in chapter 2, the overall impression is that the future policy of local governance in northern Sudan has not been decided, yet a clear policy for the local governance area is necessary if

¹⁵The influence of the locality on development planning within the project is through participation in the Steering Group, where the locality can participate in prioritising among the pre-defined projects of the CAPs. In principle, the locality is also in a position to veto or deselect projects by deciding whether or not to provide recurrent funding for the chosen projects. However, the onus of development planning within the project is placed with the communities and the Locality Steering Committee.

¹⁶ As noted earlier, the Public Sector Decentralization and Capacity Building Project (under preparation) will address issues of state government capacity needed for making decentralization work.

the intention is to grant the localities a significant role in meeting the urgent service delivery needs in their areas. A clear policy will also be essential for setting the directions and focus of the capacity building support, thus ensuring that the capacity building effectively leads to the desired performance improvements.

It will be important to consider the degree of consistency between the roles envisaged for the localities and the powers, resources, and administrative processes and procedures the localities are given to fulfil their roles. In the present situation the development decisions and control of resources are concentrated at state level which contrasts with the expectation that localities should take on more responsibilities for development planning and management. For instance, none of the localities assessed had any development budget of their own.

It is also unclear to what extent the challenges of national standardisation (which led to development of the Local Government Act 2003) and a unified national policy on local governance will be addressed in the context of state-specific local government acts.

5.2 Conclusions

The conclusions from the assessment are as follows:

- 1 **The overall conclusion is that while the localities have low, but also varying, levels of capacity in the functional areas assessed, on the whole there is sufficient capacity for localities to take on more responsibility in key areas and to improve performance given a conducive policy environment and targeted capacity building support.**
- 2 **The present general status of local governance in northern Sudan is characterised by almost no devolution of functions, powers and resources in the areas of development planning and human resource management; there is practically no devolution or fiscal decentralisation.** While localities can propose development projects to the state level, the state level decides and implements development budgets and plans. Human resources are also budgeted, planned, and managed from state level. Localities only maintain control over recurrent and maintenance budgets, which tend to be fully financed by own resources, which are moreover often limited and not always stable.
- 3 **No locality complies with the full range of MQC;** however, if the MQC regarding Legislative Councils and Executive Committees were disregarded on the grounds that the relevant legislation is not yet in place, then Kassala, Ed Damazin and Al Roseirees would meet the MQC.
- 4 **Not every MQC is appropriate in the present context and therefore there is a need to revise the MQC based, among other, on the new state-specific local government acts.** Several of the MQC, which led the localities to fail, focus on institutions or procedures that the state systems

do not provide for at present, which makes these MQC not relevant and therefore unfair in the present situation. Yet the revision of the MQC to ensure alignment with the local governance systems in each state will have to await the approval of the respective local government acts. It may be necessary to define state-specific MQC to ensure full alignment, though it is possible that the actual variation between states will be limited.

- 5 **Many localities have the required capacity in the areas of financial and fiscal management though the systems and procedures are inefficient.** Most localities maintain and update their accounts and there are virtually no reports of mismanagement, but hand-kept account books are used. Most localities also have a functioning system of revenue generation and stable inflow of own revenue, though their own resource levels are limited.
- 6 **Most localities have weak capacity in the required areas of planning, budgeting, participatory approaches, downwards accountability and involvement of political institutions.** This supports the conclusion of the tool kit. No actual planning takes place at locality level; the involvement of locality staff in planning is limited to defining open-ended project priorities which are then sent to the state level for netting and approval. Budgeting is mostly disjoint from the planning process at both locality and state level. There are no systematic processes of involving communities in the planning and budgeting processes or regular feedback on activities to the communities. The political institutions are in place in Blue Nile State but not in the three other states.
- 7 **Localities in Kassala and Blue Nile States generally have higher levels of capacity than localities in North and South Korfordan and rural-urban differences are also seen.** The localities in Kassala and Blue Nile States tend to comply with slightly more MQC than the two other states and they also score better on the performance measures, particularly in planning, budgeting and financial and fiscal management. Part of the explanation may be their location near the main Khartoum-Ed Damazin highway in the more prosperous and accessible part of Sudan. In contrast, half of the localities in South Kordofan fail to comply with MQC relating to maintenance of account books and lack of internal audit functions. Some of these may present genuine fiduciary risks for the support (Abu Gibeha; Al Rashad; Keilek; and Kadogli). In the limited sample of the assessment, urban localities tend to show better performance in areas of financial management and planning while rural localities are stronger in areas of participation.
- 8 **In some functional areas a finding that capacity is low mainly reflects the definition of the performance measures which do not reflect the procedures localities are currently required to follow.** Some performance measures describe processes which the formal systems and procedures do not enable the localities to follow, while others are not meaningful given the formal systems. In order for the performance-based mechanism to be meaningful it will have to be based on criteria that reflect the formal procedures governing the local governments. A revision of the per-

formance measures based on the new legislative frameworks is therefore relevant.

- 9 **The state level plays a leading role in service delivery and capacity building of the localities, which makes it relevant for support to be directed to the state level.** The state level plays an important role not only in service delivery but also in supporting, monitoring, and capacity building in the localities. This assessment has insufficient basis for making conclusions about the exact role and challenges of the state level vis-à-vis the localities, but issues of policy, internal organisation and processes, and state capacity are relevant to consider. It is also important to consider and involve the state level for the sake of ownership and incorporation of lessons learnt from the support.
- 10 **A clear policy vision for the future system of local governance in northern Sudan would benefit the development of the local government sector in general and provide a needed basis for more effective support.** The future local governance policy, regulations and legislative framework are still unclear and some divergence is seen in the ideas for the role of localities reflected in the MQC/performance measures (based on the vision of the CPA and the INC) and the formal system in place. Broadly speaking, the former give localities a leading role in development planning while the latter maintains this responsibility (and others) at state level. This divergence reduces the effectiveness of the project and risks sending contradictory signals to the localities. Therefore, while the local government sector in general would benefit from a focused policy, there are good reasons for the project to include a direct focus on policy issues through analysis and policy dialogue with the relevant authorities. An emphasis on supplementing the project's "down stream" focus on localities and communities with upstream policy dialogue is therefore necessary to ensure achievement of the project objective of capacity building.

6 Strategies for capacity development (recommendations)

This assignment has not addressed the question of strategies for capacity building in a systematic way. Even so, the assessment has brought out a number of issues that are important to consider for an effective capacity building effort. We present these proposed elements of strategies for capacity development below.

It is worth reminding that some initial recommendations about capacity building have already been made in the tool kit report. We consider these a useful starting point and have remarked on some of these in the following.

Before presenting the recommendations, it is worth repeating one overall point. There must be consistency between the messages and instructions of the capacity building *and* the procedures that the states and localities are required to follow, both in relation to the formal government system and within the project. Otherwise the effectiveness and sustainability of the capacity building will be reduced. To this end it would be useful to clarify in advance the policy vision, institutional arrangements and procedures that will guide the development of the local government sector of northern Sudan in the future. As concluded in chapter 5, support to policy development combined with policy dialogue to achieve clarity on these questions is an important basis for an effective capacity building support.

It also follows that we find a system-wide and holistic approach to capacity building necessary. While the ultimate focus is on the localities, the capacity building can only be fully effective if it also addresses the other levels such as policy and key institutions at state level.

On this basis our recommended strategies for capacity building in the local government sector in northern Sudan are the following:

- Support the development of a clear policy for local governance and base the capacity building support on this policy (include a policy component). Activities in this area should focus on support to policy analysis and policy formulation aimed at paving the way for a clear and consistent policy on local governance. The activities should be supplemented by focused policy dialogue between the World Bank, other development partners and the Government, including the state level as relevant. The capacity building

support should be formulated to support and be aligned with the policy on local governance.

- Address capacity building needs at the state level. In each of the states conduct functional reviews and capacity assessments focussed on the state level's role in relation to the localities. Focus in particular on the role of the State in capacity building of localities and on the "capacity of the state for capacity building". Given the leading role of the state level in capacity building of the localities, the below locality-focused interventions should be led by and integrated into the state level. To this end include a component targeting the state level's capacity to manage the capacity building interventions of the localities. This may involve long-term technical assistance or a process-support arrangement based on short, recurring inputs of technical assistance to the state level¹⁷.
- Establish a supply-led capacity building programme targeting the locality level. We agree to the proposal made in the tool kit, including the development of a coherent, integrated training programme that covers the basic functional areas of participatory planning, budgeting, and financial management. An attempt should be made to build on whatever national training programme already exists. It will also be important to make sure the training messages are consistent with the procedures that councillors and staff are required to follow in the project; for instance, if the training transmits the message that councillors and locality staff should play a leading role in the participatory planning and budgeting at locality level these stakeholders should also in practice play a meaningful role in the planning/budget process¹⁸. For sustainability and learning the training programme should be integrated institutionally in the structures at state and locality level; the human resource development functions at state level should play a leading role in developing and implementing the programme and work through the human resource functions at locality level (we do not support separate capacity building units at locality level as proposed in the tool kit). Technical assistance should be given to the state level to support the development and management of the programme, and thus also build the capacity of the State to take on this role. The actual production of the training package may be outsourced to a consortium, as proposed in the tool kit.
- Establish a demand-led capacity building programme targeting the localities. We support this proposal already made in the tool kit report, including the grant facility and the CBSAC mechanism. Several of the localities will need assistance to develop the required capacity building plans, for instance by the proposed mobile locality TA team. The plans should be based on organisational needs and not only individual aspirations.

¹⁷ In Red Sea State UNDP/Danida is at present preparing a capacity building component for local government development focussed at both state and locality level.

¹⁸We understand that in the present project concept the dynamic link in the planning and budget process is between the communities and the LIU with less direct involvement of the localities.

- In the supply/demand-led capacity building efforts, focus resources on the target group that consists of the locality administrative staff, council members, community development teams, and People's Committee members. This is a general point also made in the tool kit but nevertheless important to emphasise. It may also be relevant to train other stakeholders such as NGOs or the LIU staff. But for an effective long-term impact and sustainability, the scarce training resources should be prioritised towards the key players, which are the locality administrators and politicians given their formal responsibility for service delivery.
- Include a special component for targeted assistance to the weakest localities. The weakest localities, particularly in the conflict-affected areas, should be given extra and targeted assistance since they will not immediately be able to exploit and benefit from the more general supply/demand-led programmes.¹⁹ To this end establish a mobile, technical assistance unit at state level, consisting of state-level staff and technical assistants. The unit should be staffed to cover the major functional areas of planning, budgeting, and financial management. The mobile TA unit members should regularly visit and spend time working with the weakest localities. They should coach and spar with the locality staff in undertaking their functions, thus building their capacity through hands-on learning. It can also be considered to redefine the role of the LIU to become a locality-level TA unit.

¹⁹ The supply-led capacity will not be adequately targeted to the specific needs of these localities, and they are unlikely to be able to clearly express their demands to benefit from the demand-led model.