

NUMBER 1

SUDAN REPORT

MARCH 2017



UNIVERSITY OF BERGEN

CMI CHR. MICHELSEN
INSTITUTE

Governance and Fiscal Federalism in Sudan, 1989–2015:

Exploring Political and Intergovernmental Fiscal
Relations in an Unstable Polity

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Sudan report

Number 1, March 2017

ISSN 1890-7059

ISBN 978-82-8062-665-3 (print)

ISBN 978-82-8062-666-0 (PDF)

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Cover photo

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List of abbreviations

CPA	Comprehensive Peace Agreement of 2005
DJAM	Darfur Joint Assessment Mission
Interim National Constitution	Interim National Constitution of the Republic of Sudan of 2005
JEM	Justice and Equality Movement
NCP	National Congress Party
PEC	province executive council
SGD	Sudanese pounds
SPLM	Sudan People's Liberation Movement
SPLM–N	Sudan People's Liberation Movement–North
SRF	Sudan Revolutionary Front
Umma	National Umma Party

List of Arabic terms

dagmasa	fudging issues
damj al-hukm al-mahalifi	incorporation of local governance as part of the political machine
el ligan el shabia	popular committees (plural)
jibiyat	levies
la za'malilGudama	no authority for traditional forces
mahaliya	local councils (plural)
maracheel	tribal fighters
muhafaza	provinces (plural)
mutamadiya	provinces (plural)
tachneeb	irregular and/or illegal extraction of revenues
tamazug	border zone
tamkeen	empowerment
wallis	governors (plural; singular walli)
willayat	states (plural)

1 INTRODUCTION

The centralisation of authority is essential to national politics, and some degree of central control over a territory is essential for the formation of a state with a legitimate monopoly of the use of force.¹ While the threat and use of force can make or break a state's territorial integration, the consolidation of force only occurs when the political authority reflects a contractual relationship between the ruler and the ruled and becomes expressed in the capacity to tax and to deliver needed services, in particular, to marginalised territorial regions. A weak contractual relationship between the ruler and the ruled, as well as centralisation of revenues and expenditures without delivering services and development goods, may threaten states with violence, warlord-ism, and a constant threat to property and life, causing human and environmental destruction. Decentralisation is one policy measure that can strengthen the legitimacy of the state and enable the state to deliver needed services and development goods in countries characterised with regional-ethnic diversity.

In Sudan, the decentralisation of political and economic powers has been a commonly chosen strategy for boosting state legitimacy and quelling separatist demands for greater political authority to manage economic, social, and religious affairs. The country has experienced various forms of decentralisation over its history. For example, from 1989 to 2002, decentralisation occurred in the form of an increase in sub-national governmental units: the number of states increased from 9 to 26 (that is, by about 189%), the number of provinces increased from 18 to 98 (by about 444%), and the number of localities (that is, cities, towns, and other municipalities) increased from 328 to 493 (that is, by about 50%) (El-Battahani 2011). In the following period, from 2003 to 2010, decentralisation occurred through drastic changes in the composition of government expenditures in Sudan, with the central government share in total expenditures dropping dramatically. This was largely due to implementation of the Comprehensive Peace Agreement (CPA) between the northern and southern parts of the country in 2005, which emphasised the role of sub-national governments in the country's public finance. Crossing both these periods, the "oil decade" of 1999 to 2010 was characterised by the strongest growth trend in the country's history. Unfortunately, the relatively huge amounts of oil reserves extracted and sold benefitted first of all the central level, and were not converted into equivalent public investments in education, health, and infrastructure in the states and local governments.

On its face, decentralisation in Sudan was introduced to provide development goods and services throughout the country and to integrate the regions and units of Sudan's vast geography into a united polity. However, the outcome of decentralisation efforts has been disappointing and has diverged widely from these policy intentions. In particular, fiscal decentralisation during past decades has neither established an accountable and representative governance framework nor proven to be an efficient development-oriented service delivery strategy.

¹ The "state" is defined here in Weberian sense, that is, as "a human community that (successfully) claims the monopoly of the legitimate use of physical force within a given territory" (Weber 1946; emphasis removed). In other words, in this context, the word "state" is used to refer to the country of Sudan as a whole. Elsewhere in this paper the term "state" is used to refer to sub-national units within Sudan.

1.1 Research questions, objectives, and methods

This report considers decentralisation over Sudan's history from three perspectives. First, it looks at requirements of decentralisation in laws and other proclamations (*de jure* decentralisation). For example, the 2005 CPA required Sudan's central government to provide "equalisation grants" to the states to help disparate areas of the country to achieve similar levels of development. Second, the report considers how decentralisation has played out in actual practice (*de facto* decentralisation), in particular considering disparities in financial support provided by the central government to Sudan's many states. Finally, the report analyses the impacts of decentralisation efforts in Sudan on the fiscal relationship between the centre and the states (the fiscal bargain).

The report addresses the overall questions:

- How has Sudan's central government implemented its decentralisation policies, from independence and to date?
- To what extent has the efforts to implement decentralisation policies actually devolved power and fiscal resources to sub-national levels, for the benefit of the local populations?

This report is based on both quantitative and qualitative data. The primary data source is official documents and reports issued by the Sudanese government. These are supplemented by other secondary academic and grey literature.

1.2 Structure of report

The report consists of six sections. Following this introduction, section 2 discusses the general concept of decentralisation, and presents the argument of the report. Section 3 then gives a brief survey of the history of decentralisation in Sudan from the early 1950s to the late 1980s. Section 4 focuses on the Ingaz regime (1989–2015), including sub-periods-within this broad regime. Section 5 emphasises the last period of the Ingaz regime in which the political leadership sought to bring in new policy measures culminating in constitutional amendments in early 2015 that aimed to rectify centre-state relations. Section 6 gives a general conclusion and policy recommendations.

2 DECENTRALISATION: A BASIC FRAMEWORK OF ANALYSIS

For purposes of this study, *decentralisation* is defined as the transfer of power, responsibilities, and finance from central to sub-national levels of government, such as to provinces/states or municipalities (Crawford 2008).

While taking note of the rich debate and voluminous literature that exists on the subject, this research outlines how politicians at both central and state levels act rationally in the decentralisation process to calculate the costs and benefits of proposed courses of action and then to engage in a fiscal bargaining process consistent with their preferences and interests.² These preferences often do not coincide with the country's public interests, but rather aim to profit individuals, parties, and political clients. In other words, the institutions that have been established with aims of decentralising power and spreading wealth throughout the country are instead leveraged to serve short-term, narrow interests. Those in power, whether the central elite in Khartoum or *wallis* (governors) at the state level, ultimately act in the interests of themselves and the constituencies that keep them in power.

2.1 Argument

Since Sudan's independence in 1956, "national" ruling elites at the country's centre have negotiated effective bargains with regional and local elites and rebels. In this way, they ensured the political survival of the old established autocracy, despite changes in regime and institutional arrangements caused by decentralisation, regional rule, and federalism. The more fragile the elites' power base at the centre, the more these elites tend to cooperate with or accommodate local political actors; the more consolidated the elites' central power base, the less they rely on local political actors.

All "fiscal bargains" struck between central authorities and local leaders and rebels in Sudan have been characterised by their short-term nature. They ultimately serve the interests of contending central, state, and local politicians and elites, rather than the social needs of citizens at the local levels. Still, rulers at both the centre and the state and local levels act rationally, calculate the costs and benefits of their actions, and choose the course of action most consistent with their preferences and interests. These are not necessarily nationwide public interests but those of the individual, party, and/or client, as is explained in the following sections.

One way central, state, and local elites negotiate their relationship is through bargains over intergovernmental fiscal relations, that is, transfers of funding from the central government to state and local governments to fund state and local activities. Intergovernmental fiscal relations are part of a political context that has been shaped by relations between Sudan's centre and the states over several decades.

States in Sudan have reached varying degrees of separation from Sudan's centre (that is, they are "decentralised" to varying extents. The innermost part of the circle (a) includes state that represent Sudan's historic core. These include states such as Khartoum state, River Nile, North State, Gezira, Sennar, and White Nile, that share an ethnic and religious background and have come to be known as the Hamdi Triangle. The outermost part of the circle (d) includes parts of Sudan that have managed to fight for and/or negotiate complete removal from the regime, that is, South Sudan, which seceded from Sudan in 2011. Between these two extremes are two levels of separation: (b) decentralised areas that are still tied to Sudan's centre (including the states of Darfur where the centre has claimed victory over rebel movements) and rebellious areas within individual states and (c) areas where central authorities are unable to claim total control of the territory because of rebellion (for example, South Kordofan in the Nuba Mountains region and the Blue Nile state). However in view of changing power relations analysis should allow for the possibility of states moving across categories.

2 See for example Crook and Manor (1998); Connerley et.al. 2008; Crawford 2008; Dickowick and Wunch 2014; Falleti 2010; and Grindle 2007.

Figure 1: Degrees of separation of Sudan's states

Source: Authors

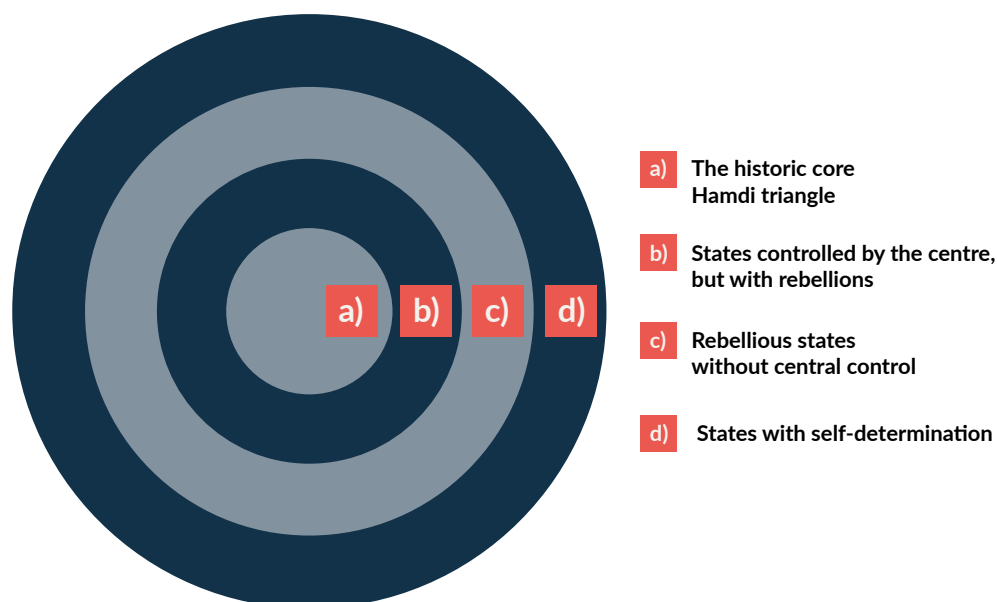


Table 1: States' relations with the Centre

Source: Authors

Category	States
A	Khartoum, River Nile, North State, Gezira, Sennar, White Nile
B	North Kordofan, Kassala, Red Sea, Gedarif
C	North Darfur, South Darfur, Central Darfur, West Darfur, East Darfur, Blue Nile, West Kordofan, South Kordofan (Nuba Mountains region).
D	The former region of South Sudan, now an independent state

Importantly, this broad categorisation does not fully reflect all traits of Sudan's member states. For example, in eastern Sudan, the Red Sea state is not comparable to the Kassala state in terms of its revenue base and political leadership. Similarly, each of the Darfur states exhibit stark differences: North Darfur (in the Kiber reign) has had a relatively stable state government for 12 years, while South Darfur has had about 5 *wallis* (governors) during the same period, many of them replaced after interference from the central government. Nonetheless, this classification helps to shed light on the dynamics of current centre-state relations.

Furthermore, the history of decentralisation in Sudan also show the "fiscal bargain" between the centre and states has evolved over past decades, as central and state actors have negotiated their financial relationships. A pattern that has emerged from this history is that when the power base of elites at the centre has been more fragile, the elites at the centre have been more willing to cooperate with and accommodate state and local political actors. On the other hand, when elites at the centre have had more consolidated power, they have relied less on state and local political actors. In short, the ruling class at the centre will only concede more power to states and localities if it risks losing its power at the centre. The secession of South Sudan in 2011 shows the extent to which the ruling centre will compromise in order to maintain its fledgling hold on power, that is, bargaining away territorial control for political survival.

3 AN EARLY HISTORY OF DECENTRALISATION, 1951–1989

A few years before Sudan obtained independence, Sudanese natives pressured the British colonial administration to pass the 1951 Local Government Act, which established local councils to replace the former system of indirect native administration. This set the stage for decentralisation efforts that characterised the early years following Sudan's independence in 1956.

The early years following Sudan's independence in 1956 were characterised by a cycle of civilian, multi-party regimes followed by military regimes (see Table 2). During civilian, multi-party regimes, decentralisation was often espoused as a policy through formal (*de jure*) structures. Nonetheless, the actual (*de facto*) processes that were shaped by *realpolitik* (political bargaining and deals) more than policy pronouncements often resulted in the concentration of power in the country's central ruling elite. On the other hand, Sudan's leaders advocated central power during periods of military rule, yet the ruling elite often took into consideration the will of local leaders in order to maintain their hold on power.

This section discusses these *de jure* and *de facto* decentralisation efforts by focusing first on the periods of civilian rule and then on the periods of military rule.

Dates	Regime type
1956–1958	Multi-party government led by coalition of DUP and Umma
1958–1964	Military regime led by Abboud
1964–1969	Multi-party government led by coalition of DUP and Umma
1969–1985	Military regime led by Numeiri
1985–1989	Multi-party government led by coalition of DUP and Umma

Table 2: Regime types in Sudan, 1956–1989

Source: Authors

3.1 Civilian, multi-party regimes in Sudan's early post-colonial history

Multi-party governments led by a coalition of conservative political parties, mainly the Democratic Union Party (DUP) and National Umma Party (Umma), have ruled in Sudan during three periods since independence: 1956–1958, 1964–1969, and 1985–1989. These parties drew political support from tribal aristocracy and religious sectarian leaders (that is, the local elite), which has led to a belief that their decentralisation policies did not favour a meaningful transfer of power to ordinary citizens at the local levels (Ali and El-Battahani 2011).

A few years before Sudan obtained independence, a major decentralisation policy change was initiated with the introduction of the 1951 Local Government Act. This act created local councils that had legal corporate status and clearly defined responsibilities. They were to exercise authority over a large range of local activities, independent of central control from British administrators, and they were directly accountable to local electorates. As these councils developed, they acquired more powers. The objective of the act was to dismantle the scaffolding of central administration and allow self-governing democracy to take root.

Local councils at the lower level, Districts and then Provincial Council and then Central Government. Local councils in rural areas were dominated by native leaders unlike urban councils in towns where merchants and middle had upper hand in administrative matters. The difference between the provincial council and the local council is that Provincial Councils were later replaced by Regional Councils.

In contrast to these early efforts to modernise the local administrations, all three periods of multi-party civilian governments between independence and 1989 relied heavily on native administrations in rural areas. The last multi-party government in the 1980s, led by Sadiq al-Mahdi, sought to reinstate native administrations in marginalised regions. This did not prove to be an easy task because demographic, economic, and political developments (most importantly, the spread of modern education) had contributed to undermining the influence and prestige that native leaders had enjoyed in the past. In addition, the new class

of centrally appointed local administrators who had emerged to mediate between the centre and the countryside had succeeded in establishing themselves as the real power brokers, and their power could not simply be ignored by the central authority.

A large number of civil servants entered government employment between 1951 and 1956. These were the beneficiaries of the Sudanisation programme, which was introduced in the years leading up to independence. However, most of these bureaucrats were from central regions, which undermined efforts to decentralise Sudan's government. A study by Sudan's Civil Service Commission shows that 86% of retired civil servants in 1970–1980, who constituted the main force in civil service from the 1950s, were drawn from the Khartoum and the Riverian provinces, while only 8% were from Kordofan (Ibrahim 1985).

Although the multi-party governments led by Umma and DUP alleged that they supported efforts to resolve controversies around the government of Southern Sudan, they did not take active measures to translate these intentions into concrete policies. Rather, these governments were supportive of the interests of the political constituency of the Riverian elite groups, rather than the interests of the country as a whole. For example, during the conflict in Darfur and Kordofan, Sadiq al-Mahdi provided financial support to *marahel* (tribal fighters), instead of trying to resolve the conflicts in the interests of the two region's general population.

In short, efforts at decentralisation during the civilian regimes were disappointing. Although the British administration had established a framework that could have allowed for local government autonomy and power over certain issues, in practice, the central bureaucracy grew in power. The central government ministries in Khartoum jealously guarded their powers. Further from the centre, officers in the field regarded their loyalties to the centre higher than any loyalty they might have to a local community or to local representatives. Finally, the members of local councils themselves became involved in corruption and nepotism, becoming ensnared in national party politics that were characterised by family, tribal, and sectarian rivalries (Awad 1967). Thus, politics became monopolised in the hands of a regional oligarchy or Riverian elite (Ibrahim 1985; Harir and Tvedt 1994).

Furthermore, efforts of less developed areas and regions to resist this centralisation of power were quickly halted by central authorities, who controlled the military and police forces.³ This was largely a result of the effective patronage networks of the two leading parties, Umma and DUP, in co-opting aspiring rural politicians and withholding the resources needed for individuals in these areas to obtain education, healthcare, and other services that would have allowed them to gain more economic power and autonomy. Nonetheless, regionally based opposition parties were established in this period, for instance the Beja Congress in the Eastern region in 1958, and the Nuba Mountains Union in 1964. Darfur, however, remained under Umma influence despite the radical movements of Sunni and other grumbling elements.

3.2 The military regimes of Abboud and Numeiri

In contrast to the civilian, multi-party governments in Sudan's early history of independence, the military regimes of Abboud (1958–1964) and Numeiri (1969–1985) expressly advocated a highly centralised government. Nonetheless, while Abboud's regime maintained a convenient relationship with native administrations and religious sectarian leaders, Numeiri's regime took a radical stance against them. Even during Abboud's regime, however, decentralisation policies were not meant to empower individuals at the local level. Rather, they were merely meant to create a stronger base of support for the central government and its policies.

3 A notable exception was the armed resistance of Anya Nya in South Sudan. This armed insurgency movement waged war against the central northern based government during the first Sudanese civil war (1955–1972).

3.2.1 *The Abboud regime, 1958–1964*

Scholars in the field of decentralization stipulates that local rule reforms in Sudan whether before or after independence have focused more on legal structural and functional interrelationships among central governments and the local units and paid less attention to finance, infrastructure and community development (Taraifi 1990; Al-Asam 1983; El Shibly 2013).

According to Al-Asam (2016) the *modus operandi* of decentralization is not in shortcomings in the constitution or the law, rather he believes that failure is attributed to the interests of those responsible for implementing the laws.⁴ Successive governments, since the days of the British before independence right through to post-independent governments (both civilian or military) were more interested in stability and were not serious enough to delegate real powers to local and regional layers of government. This meant that they were not willing to let go of their central dominance over the public finance, further more they were not serious in sharing funds with their states and municipalities, nor were they serious in allowing the decentralized institutions to think and plan for the development of their localities.

Yet, overtime, some measures by way of incremental change were taken. During the British the role of the District Commissioner was key in maintaining the hegemony of the centre with semblance of decentralization. A few years before Sudan obtained independence, a major decentralisation policy change was initiated with the introduction of the 1951 Local Government Act. This act created local councils that had legal corporate status and clearly defined responsibilities. They were to exercise authority over a large range of local activities, independent of central control from British administrators, and they were directly accountable to local electorates. As these councils developed, they acquired more powers. The objective of the act was to dismantle the scaffolding of central administration and allow self-governing democracy to take root.

The Abboud military regime did little to introduce a new system of administration until it passed the Provincial Administrative Act of 1960, which abolished the role of District Commissioner and eliminated other policies derived from the *Report of the Commission on Coordination between Central and Local Government*.⁵ The act set up a new system of provincial administration that included the creation of the post of “government representative” and the institution of province councils and province authorities (Howell 1974, 42–43). Province councils, under the chairmanship of the government representative, had responsibility for legislative functions at the provincial level, while province authorities had responsibility for executive tasks.

Major changes in the fiscal transfers from the centre to the local level also took place during Abboud’s regime. When the British left Sudan in 1956, the Sudanese economy was in a much better position than it was in later years, particularly in 1970s and 1980s. In its early post-independence period, the Sudanese economy relied on cotton as a principal cash crop, which provided much of the country’s needed revenue.⁶ As a result, the central government had less need to rely on taxation for revenue compared to the governments of most other African states (Niblock 1987, 48). The relative economic and financial stability and the reasonable performance of the economy was attributed to the post-World War II economic boom and demand for primary products (Ali 1990).

In these early years, the Sudanese population enjoyed a living standard that was envied by most other developing countries, with a per capita income much higher than that of South Korea and with an exchange rate of more than three US dollars for one Sudanese pound (SDG). Until the 1960s, Khartoum, the country’s capital, was one of the most clean and beautiful cities in the developing world (O’Brien 1986, 275).

4 Mukhtar al-Asam, Former minister and expert in local government, Conversation by telephone 22 December 2016

5 This is also known as the Abu Rannat Commission Report, after Chief Justice Muhammad Ahmad Abu Rannat, who chaired the commission that set out to study and make recommendations for improving local governance (Shouk 1998, 136–137).

6 Government gains from the Gezira scheme, one of the largest irrigation schemes in the world, situated in the state of Gezira, alone exceeded 5 million SDG annually.

Up until the 1959–1960 fiscal year, all local councils in Sudan registered surpluses and none of them required transfers from the central government (Al-Asam 1983). However, beginning in 1961, local councils had to balance their books by resorting to transfers from the centre as drawn from Government and Government Finance statistics Year Book, vol. VI, 1982 shown in Table 3. The continuous growth in transfers from the central government from the early 1960s to the late 1970s is particularly striking. According to Howell (1974, 108–109), two reasons were responsible for this growth: First, local government revenues from their own sources were either stagnant, declining, or unreliable during this time period, meaning more and more assistance was required from the central government. Second, the prices of goods and services local authorities needed to procure increased over this period, due to inflation.

Table 3: Transfers to local government as a percentage of central government expenditures, 1961–1980

Sources: Government Finance statistics Year Book, vol. VI, 1982; also El-Battahani, A. 2011, pp.107–08

Fiscal Year	Total Central Government Expenditures (in millions SDG)	Transfers to Local Governments (in millions SDG)	Transfers as a % of Total Government Expenditures
1961–62	51.5	4.5	8.7
1962–63	58.5	4.7	8.0
1963–64	60.8	3.8	6.3
1964–65	63.2	9.0	14.2
1965–66	74.3	11.8	15.9
1966–67	83.2	9.0	10.8
1967–68	86.4	8.8	10.2
1968–69	107.1	10.1	9.4
1969–70	144.0	20.1	14.0
1970–71	146.4	17.6	12.0
1971–72	153.3	18.6	12.1
1972–73	164.8	15.6	9.5
1973–74	214.6	23.7	11.0
1974–75	200.1	52.8	26.4
1975–76	248.6	64.4	25.9
1976–77	286.9	83.5	29.1
1977–78	357.1	105.0	29.4
1978–79	462.9	128.7	27.8
1979–80	578.9	181.2	31.3

In terms of the actual process of decentralisation, the Abboud regime (1958–1964) was not as radical as the Numeiri regime in terms of its hostility toward native administration. In fact, Abboud’s military regime maintained native administrations, and this was one of the issues of contention between progressive forces led by the Communist Party and the main liberal, traditional parties of Umma and DUP.

Following the “October Revolution” in 1964 and the overthrow of Abboud, military forces were quick to rally modern urban forces around *la za’malil Gudama* (“no authority for traditional forces”) against native administrations. However, this move was met with equal ferocity by Umma and DUP, who defended the status of native administrators and set up a civilian, multi-party government. The controversy surrounding the power of native

administrations contributed to curbing the influence of the Communist Party in the post-1964 government and eventually led to the Communist Party being outlawed in Sudan and expelled from the country's parliament. Ensuing constitutional and political crises during this period contributed to a military takeover by progressive army officers in May 1969, which led to the second period of military rule.

3.2.2 The Numeiri regime, 1969–1985

The issue of decentralisation took a different turn during the Numeiri regime, which came to power in the 1969 military coup. The October Revolution of 1964 had brought to the fore the political influence of native administrations in rural areas and highlighted the difficulty progressive forces encountered in mobilising rural masses, hence slogans such as “*la za'malil Gudama*”. The Numeiri regime fought an ideological as much as a political battle, even without the support of the Communist Party.

The issue of decentralisation can be looked at as contested between an educated, urban modern political class and a less educated, rural conservative-sectarian class. The Numeiri regime did not waste time in showing hostility towards religious, tribal forces and native administrative units in the country. The outcome of these policies tended to favour government officials and bureaucrats to fill in position of native administration. Central government contributions to local governments progressively rose starting in the early 1960s (see Table 2 above). In addition, as Table 4 below shows, the level of total expenditures on local government—both by the centre and by localities—increased starting in the mid-1960s.

Fiscal Year	Aid from the Central Government	Expenditures by Local Authorities	Central Government aid as % of Local Expenditures
1966–67	14 249 290	18 385 300	77.5
1967–68	16 237 266	20 640 154	78.6
1968–69	19 466 282	23 882 298	81.5
1969–70	19 271 213	23 865 630	80.8
1970–71	22 821 320	27 870 214	81.9

Table 4: Central government aid to local governments, 1966–1971 (in millions SDG)

Source: Howell (1974, 108)

Provincial administrations were once again reformed in 1971. The Local Government Act of 1971 advanced decentralisation to the provincial level considerably further than the Provincial Administrative Act of 1960, but it did not change the political nature of provincial leadership (Howell 1974, 43). For example, under the 1960 act, the government representative for a particular province was appointed by and responsible to the Supreme Council, the cabinet at the central level. The government representative was the head of all other government officials in the province. Under the 1971 act, the “commissioner” was given similarly wide powers, although the province council he chaired combined both legislative and executive functions.

Numeiri swiftly dissolved the native administrations before he allowed a new properly functioning, representative class of administrators to be installed as new provincial administrators. This created a space that was filled by new aspiring local politicians and bureaucrats, a tendency reinforced by the one-party authoritarian nature of the system. Native administrators in Sudan (such as tribal chiefs and sheikhs) had traditionally been responsible not only for maintaining order and punishing disobedience, but also for collecting taxes and performing other local government functions, including the administration of land rights. This fusion of judicial and administrative powers had always been controversial due to its concentration of power, as had been the direct link between administrative structures, territory, and land rights. Nonetheless, the decision of the Numeiri regime to abolish native administrations altogether in the 1970s created confusion, uncertainty, and conflict as it undermined a previously clear demarcation between native

rights and responsibilities (e.g., for land and natural resources) and central government rights and responsibilities (e.g., for public services such as education). This confusion continues to fuel conflicts in Sudan to the present day (Izabila 2013).

The Local Government Act of 1971 diminished the powers of the old province councils. Although there was a large increase in these councils—from 86 to around 500—they ceased to have independent status with their own budgets and defined powers vis-à-vis the central government. Rather, the 1971 act provided that members of province councils were to be indirectly elected from a lower tier of local councils. The province councils themselves were to act as electoral colleges for a higher tier of new district councils. In all these councils, government officials were to be well represented. Popular participation was encouraged, and about 5 600 local councils were formed in urban and rural areas (Abusin and Abbakr 2006).

The rationale behind the 1971 act was to mobilise local resources so that regions and localities could themselves cover shortfalls in fiscal transfers from the centre to regional and local authorities. But this largely failed. For example, in 1979 local councils in Sudan generated 55millionSDG in revenues, while losing 260SDG in expenditures. This was one factor that led to the abandonment of the 1971 act and the introduction in 1980 of regional rule.

The figures in Tables 2 and 3 above show how local communities relied on the centre financially, and this continued during the Numeiri regime. Partly, this could be explained by harsh economic conditions that reached their height in the 1980s, which led to a need for even more transfers from the centre to the regions to meet their expanding needs, as showed in Table 5 below.

Table 5: Central government grants and locally owned resources, 1981–1985

Source: Houmedia, 1990

Fiscal Year	Approved Grants from the Central Government(in millions SDG)	Value of Locally Owned Resources (in millions SDG)	Total Resources (grants + locally owned) (in millions SDG)	Central Government Grants as % of Total Resources
1981–82	29 369 515	6 641 400	36 010 915	81.5%
1982–83	34 000 000	7 000 298	41 000 298	82.9%
1983–84	36 000 000	15 421 300	51 421 300	69.9%
1984–85	40 000 000	21 432 150	61 432 150	65.1%

3.2.3 The actual decentralisation process: more provincial power – under central control

During Numeiri's regime, the province council was given a wide range of legislative and executive powers, fuelled by the desire of the regime to widen its regime's support base without relying on rural aristocracy. The top of the sub-national government pyramid was the Province Executive Council (PEC), which had the primary policy-making and administrative role within a province. The PEC was the sole budgetary unit of the province. Government officials had a strong block of seats in the council. The PEC might, at its discretion, delegate powers to lower tier authorities.

Thus, it is at the provincial/state level that the most important change in formal central-regional relations occurred. Even though provincial centralisation decreased the powers of local councils, decentralisation of ministerial positions enlarged the province's powers. The 1971 act put all central ministries (except defence and the judiciary) under provincial power, with field administrators in the provinces. All government officials were thus considered to be seconded to the PECs. Each PEC submitted a budget to the Council of Ministers in Khartoum that included funding not only for the local government activities occurring within their boundaries, but also for the province as a whole. Administratively this was rather radical; politically not so. The PEC was dominated by the province commissioner, who was appointed by the president, had ministerial status, and led the Sudanese Socialist Union (the sole party) in the province. Thus, the province commissioner was merely a central government representative. In practice, officers in the field regarded their loyalties to the

central government as higher than any loyalty to local communities or local representatives, particularly when issues of security and survival were at stake. Members of local councils themselves became involved in corruption and local tribalism, and were swept into ruthless national party politics, which were characterised by family, tribal, and sectarian rivalries. The delegation of power to the PECs was essentially decentralisation without relinquishment of central government power.

Still, Numeiri's policies of decentralisation included some concessions to the regions – most importantly the granting of Southern Sudan's autonomy in 1972 and the northern provinces' regional rule in 1980. Although these policy measures were undermined by Numeiri's autocratic rule, they created a degree of decentralisation within an overall centralised system of military rule (Khalid 1990). As a result, they opened the appetite of regional leaders for power. Regional leaders in South Sudan and Darfur were most vocal and forceful in their demands and set the tone for other regions to follow. In early 1980s, popular protests in Darfur to replace a non-Darfurian governor with Ahmed Ibrahim Driage and the formation of the Sudan People Liberation Movement were vivid examples demonstrating that the central government could not continue to withhold "real" transfers of power from local regions and communities.

During the periods of transitional military government from 1985 to 1986 and the third multi-party regime from 1986 to 1989, no meaningful changes were introduced to what had been laid down during the Numeiri regime: Khartoum continued to preside over the choice and selection of *wallis*. No further policy changes affecting decentralisation occurred until the Ingaz regime (see part 4 below).

4 DECENTRALISATION DURING THE INGAZ ISLAMIC REGIME, 1989–

The Islamist radical elite took power in June 1989, establishing the Ingaz regime that has ruled in Sudan ever since. One major policy shift this regime introduced was the merger of local government entities into the political organisation (Abuin and Abbakr 2006, 23).⁷ Ironically, the Ingaz regime introduced this policy at the same time it was espousing an official rhetoric that an increase in federalism would help ameliorate uneven development and diversity throughout the country.

Decentralisation under the Ingaz regime can be viewed as occurring during two periods. The first period occurred when the nation's administration first became militarised, between 1989 and 1998. During this time, the Ingaz regime made significant changes to the country's governance framework by creating several new states and other local governance units. The second broad period followed the discovery of oil reserves in 1999, the Comprehensive Peace Agreement in 2005 and the secession of South Sudan in 2011.

4.1 Militarisation of administration, 1989–1998

The Ingaz regime convened a national dialogue conference in September and October 1989 to discuss governance and the division of power between the centre and the regions. During the conference, the regime emphasised policies of decentralisation and regional rule, relying on nearly the same reasons previous regimes had cited: a weakness in communication between different parts of the country, diverse ethnic composition and cultures, and the aspirations of individuals from local populations to have a say in running their local affairs (El-Battahani 2013). Following the directives of a national peace conference, the regime made an initial division of existing regions into 26 states in 1994, 16 in the north and 10 in the south.

When federal rule was put into place in 1996, each state had three lower tiers of governance: provinces (*muhafaza*), local councils (*mahaliya*), and, at the grassroots level, popular committees (*el ligan el shabia*). Since this government framework was established, the popular committees have played a particularly important role in implementing the ruling party's policies, and containing the influence of opposition parties on the ground.⁸

Table 6: Expansion in government (regional, provincial, local) units, 1989–1995

Source: Federal Chamber (1997)

Year	States	Provinces	Localities
1989	9	18	328
1994	26	98	493
% increase from 1989 to 1996	189%	444%	50%

4.2 Oil, secession, and state patronage from 1999

The second broad period of decentralisation in Sudan is characterised by three overlapping phases: (i) a decade of oil production and exports (1999–2011), (ii) an era of peace following the Comprehensive Peace Agreement (CPA) of 2005 (2005–2011), and (iii) the period following South Sudan's secession (2011–present).⁹

In 2003, the Ingaz regime made additional changes to the governance framework by eliminating local councils, while retaining the state structures. Provinces were relabelled *mutamadiya*, and their responsibilities were expanded to include those of the former local councils (El-Battahani 2013). Within a few years, Sudan's parliament had issued laws and

⁷ The Commissioner has now both political and security functions to undertake.

⁸ They are seen as mini-governments, with functions such as distributing sugar quotas and mobilising local people for official functions and demonstrations. In addition, they recruited new clients at the local level to undermine the support base of political opponents such as the Umma Party and DUP.

⁹ The oil decade (1999–2011) coincided with a major split in the ruling party, the National Congress Party (NCP), and a violent conflict in Darfur in 2003. A breakaway party, the People Congress Party (PCP), was believed to have had links with Darfur rebels. As a result, this heightened tensions between rival Islamist ruling factions.

regulations that created a governance framework that, at least formally, had the essential features of federalism and the trappings of a modern bureaucracy.

Sudan's current vision of local governance is enshrined in the State Constitution of 1998 and in the Local Government Act of 2003. These stipulations are considered as the second legal basis after the Interim National Constitution of the Republic of Sudan of 2005 (Interim National Constitution) in terms of setting forth the role of state and local government authorities. Under the State Constitution and the Local Government Act the local government is considered the basic level of government in the state and aims at spreading services, development and care rights of citizens, by good local management. The locality is responsible to render services and the improvement of social, living and developmental conditions of its citizens. It shall be responsible for the supervision of the performance of the popular committees. Localities shall be established by warrants of establishment, to be made by the state council of ministers, upon the approval of the state legislative assembly. The state government may also—with the consent of the state legislative council—amend the warrants of the localities whenever deemed necessary. Every locality shall have a local government, to assume executive work, and be headed by a Commissioner to be appointed by the Governor of the state, and shall be responsible to him and the local legislative council. The locality shall have a council to assume the power of legislation and control in the locality, and its members shall be elected. The state shall allocate considerable financial resources to the localities.

4.2.1 Public revenues and expenditures

Public revenues

From 1999 to the present, public revenues have derived from a variety of sources. Certainly, the exploitation of oil reserves in the 1990s led to an increase in taxes and duties collected from businesses, both in Sudan and abroad.

Table 7 below provides a broad overview of the composition of Sudan's ordinary revenues during the 2001 to 2013 period. One thing that is clear from this table is that total ordinary revenues rose during this period, even following South Sudan's secession in 2011. Furthermore, up until 2009, non-tax revenues exceeded tax revenues; in some years, non-tax revenues were even doubles that of tax revenues. This is likely due to the revenues that accrued from the production and exportation of oil. Non-tax revenues have decreased since 2011, which is explained by the fact that most of the oil producing fields are in what is now independent South Sudan. Future revenues from refining and transporting what is now South Sudan's oil are unclear because Sudan and South Sudan have thus far failed to settle on an acceptable rate for these services.

Table 7 also shows that the bulk of tax revenues accrue from indirect taxes. The value added tax (VAT) has become the largest source of government revenues, approaching 50% of Sudan's total revenues. The VAT is followed by revenues from custom duties. Both increased dramatically after the secession to compensate for the loss of oil revenue. However, even those indirect taxes are easier to collect than direct taxes, they are not pro-poor. High VAT and custom duties can drive up the prices of goods and commodities and thus can negatively affect the living standards of Sudan's already burdened population. This is aggravated by the fact that most consumption goods are imported (thus subject to customs duties) or are subject to excise duties. Moreover, many influential and privileged groups and individuals manage to game the system by obtaining exemptions to customs and other indirect taxes.

Table 7: Public revenues for Sudan's central government, 2001–2013 (in millions SDG*)

Source: Bank of Sudan: Annual Report (various issues)

Year	Direct taxes						Indirect taxes										Total Ordinary Revenues (tax and non-tax)
	Income Tax	Business Profit Tax	Development Tax	SNWA	Stamps	Others	Total Direct Taxes (income, business, development, SNWA, stamps, and others)	Import Duties	Export Duties	Other External Duties	Total Custom Duties (import duties, export duties, and other external duties)	Excise Duties	VAT	Total Indirect Taxes (customs, excise, and VAT)	Total Tax Revenues (direct plus indirect taxes)	Total non-tax Revenues	
2001	47	217	16	49	56	23	408	593	3	176	772	323	377	1 472	1 880	1 772	3 652
2002	53	243	4	48	64		412	754		278	1 032	278	415	1 725	2 137	2 585	4 722
2003	76	313		50	84		523	847	3	327	1 177	411	557	2 145	2 668	4 368	7 036
2004	109	472		50	115		746	1 188	0.1	398	1 587	1 139	731	3 457	4 203	6 036	10 239
2005	147	610		46	148		951	1 531	6	703	2 240	949	867	4 056	5 007	7 177	12 184
2006	139	628		25	159		951	1 629	1	474	2 104	1 055	1 771	4 930	5 881	9 194	15 075
2007	231	686		27	153		1 097	1 744	1	444	2 189	1 162	2 082	5 433	6 530	11 411	17 941
2008	885				212	57	1 153				1 978	1 615	2 934	6 527	7 680	16 594	24 708
2009	930				196	17	1 144				2 553	1 545	3 414	7 512	8 656	10 593	20 046
2010	1 136				207	605	1 948				2 882	1 339	3 840	8 061	10 009	9 545	19 554
2011	1 062					46					3 441		6 634		11 183	10 272	21 455
2012	1 433					9					4 688		9 391		15 567	5 686	21 253
2013	1 714					58					6 825		15 518		24 134	8 145	32 279

* Until 2006, the figures were presented in the Bank of Sudan's annual reports in billions Sudanese dinar (SDD). These figures have been converted to SDG at a rate of 1 SDG to 100 SDD.

Figures in the table and empty cells are the result of changes in the tabulation of the bank. We stick to Bank of Sudan figures for consistency reasons.

SNWA stands for Sudanese nationals working abroad and stamps for stamps duties.

Compared to indirect taxes, direct taxes (such as income and business profit taxes) contribute very little to Sudan's government revenues. If these were progressive taxes, they could be important tools for income distribution adjustments and equitable redistribution among the different population groups, favouring the poor. However, the low level of revenues from direct taxation defeats this distributive objective. Moreover, this situation reflects the magnitude of economic activities that occur in the informal sector and suggests a high level of tax evasion in the country.

Direct taxes, especially income taxes, are costly to administer, in terms of calculation, collection, and monitoring. Furthermore, both direct taxes and (to a lesser extent) indirect taxes seem to have higher transaction costs relative to extracting revenue from oil production. For example, in production sharing agreements between the Sudanese government and foreign oil companies, the government generally bears minimum costs during the expensive phases of exploration and extraction, while companies shoulder all the risks. Once production starts, companies receive a portion of the oil revenues to compensate for their earlier expenditures, and the rest of the revenues are realised as profits and split between the government and the companies.

The lower the transaction costs of a revenue source and the higher the returns (to the government), the more likely a government is to rely on it. Revenue sources with these lower transaction costs usually do not include coercion expenses and other political costs (such as the risk of an uprising or instability) that are often associated with direct revenue sources.¹⁰ Accordingly, the Ingaz regime has, not surprisingly, adopted revenue extraction policies that opt for low transaction costs and higher revenues, without regard to the social needs of the majority of Sudan's population.

The main mission of the institutions responsible for collecting revenues and deciding how they should be spent should be to maintain security and safety for the population. However, they are often heavily involved in personal investments and other business-like practices and may even engage in irregular and/or illegal revenue extraction (*tachneeb*). A report from Sudan's general auditor confirms that many government units, both at central, state and local level, practice *tachneeb* (Umbadda 2014).

10 For example, a government that seeks to impose and collect higher income taxes from the wealthy risks alienating an important source of political support.

Table 8: Public Expenditure 2001–2013 (SDG Millions)*

Source: Extracted from Bank of Sudan, Annual Report (various issues).

Public expenditures

Although the data for public expenditures by the Sudanese government does not allow for a detailed analysis, a few general trends can be identified, especially starting in 2005 when the Comprehensive Peace Agreement was reached between the country's north and south. Table 8 generally categorises public expenditures from 2001 to 2013.

Year	Chapter One: Wages, salaries, and social subsidies.	Chapter Two: Centralized items and steering expenditure	Chapter three: contribution to States' Support Fund	Chapter four: Development expenditure and contribution to capital	Total	Ch.1: Wages, salaries, and benefits	Ch.2: Centralized items, operational expenses and general social subsidies	Ch.3: National development projects and contribution in capital.	Part 2: Transfers to the government of Southern Sudan	Part 3: Transfers to the northern states	Total	Part 3 Estimates	Part 3 Actuals	Actual as % of Total expenditure	Actual as % of estimate
2001	1320	1860	250	760	4190						4190	270	250	5.97	92.59
2002	1650	1790	330	1410	5180						5180	368	329	6.35	89.40
2003	1910	3210	510	1730	7360						7360	580	514	6.98	88.62
2004	2730	4360	840	3100	11040						11040	990	842	7.63	85.05
2005	3010	3790	3640	3410	13850	3010	3790	3410	3640		13850	4490	3638	26.27	81.02
2006	3960	4210	6540	3540	18250	3960	4210	3540	2950	3590	18250	4780	3590	19.67	75.10
2007	4900	4540	7740	3790	20970	4900	4540	3790	3350	4390	20970	6020	4390	20.93	72.92
2008	5970				22720				6160	5410	22720	6550	5410	23.81	82.95
2009	6550				21030				4360	4780	21030	5820	4780	22.73	82.13
2010	7516				24160				5870	5760	24160	7640	5760	23.84	75.39
2011	9764				28580				11010		28580	6120			
2012	10730				26270					5660	26270		5670	21.58	
2013	13670				36180					7440	36180		7440	20.56	

* Until 2006, the figures were presented in the Bank of Sudan's annual reports in billions Sudanese dinar (SDD). These figures have been converted to SDG at a rate of 1 SDG to 100 SDD. It should be mentioned that, at least, two presentation systems of budget had been adopted in the official statistics. Figures in the table and empty cells are the result of different tabulations adopted. We stick to Bank of Sudan figures for consistency reasons.

As Table 8 shows, total public expenditures substantially grew from 2001 to 2013. Wages, salaries, and social subsidies escalated in both absolute and relative terms. This was likely due to the tremendous increase in total expenditures by the government of Sudan, which was mainly made possible by the increase in oil revenues. At the same time, the increase in development expenditures were modest, and were not addressing the most needy parts of population in Sudan. For example, in 2012 development spending in Khartoum state, the most developed state in Sudan, comprised 51.5% of the total development expenditures in the country. Kassala state was second at 11% and the Red Sea state was third at 9.6%, followed by Gezira (7%), North Kordofan (4.9%), Sinnar (4.8%), White Nile (4.3%), Northern (3.4%), North Darfur (2.3%), and Gedarif and Blue Nile (2% each) (Jaregandi 2015).

4.2.2 Central government transfers to the states of Sudan

The allocation of central government transfers

The capacity of Sudanese states to impose and collect taxes differs considerably across states. Poorer states (with a smaller per capita tax base) raise less revenues at any given tax rate than richer states. In addition, the per-unit costs of providing public services varies across states, due to climate, geography, population density, and/or distance from urban centres. Therefore, providing a standardised level of services may require greater expenditures and higher tax rates in a high-cost state. Finally, the need for public services varies across states because of demographic factors (e.g., age) and differences in participation rates in social programs. For example, a state with a growing school-age population requires greater expenditures on education, while a state with an older population require relatively greater expenditures on healthcare and social services. Regardless of their individual circumstances, most, if not all, Sudanese states rely heavily on central government transfers to fulfil their mandates to provide public services.

The transfer of resources between different levels of government has a long history in Sudan. The principle of “equalisation” was enshrined in the 2005 constitution which attempts to streamline differences in the states’ revenue generating capabilities. One of the guiding principles in Sudan’s 2004 Wealth Sharing Protocol (WSP), one of several protocols under the Comprehensive Peace Agreement, is that the national wealth shall be shared equitably between different levels of government to allow enough resources for each level of government to exercise its constitutionally defined duties. The WSP refers to the development of comprehensive equalisation criteria to be used in allocating intergovernmental grants. It outlines how revenue generation is to be allocated between the national and state governments and outlines several factors Sudan’s central government needs to consider in providing equalisation grants.

The objective of equalisation was formally enshrined in the 2005 Interim National Constitution, article 198(2), which provides “that equalization grants from the National Revenue Fund (NRF) are promptly transferred to respective levels of government.” Although both the INC and CPA identify equalisation as an objective, uncertainty exists on the extent to which equality should be attained and whether equalisation should be based on access to services, access to funding, or some other measure. At least in theory, equalisation grants are aimed at ensuring that state governments have adequate resources to provide reasonably comparable levels of public services at reasonably comparable levels of taxation. This is not the case in Sudan.

Tables 9 and 10 show the distribution of public expenditures by Sudan’s central government. Table 8 shows the low share of expenditures states (in both the north and south) received from the central government prior to the signing of the CPA in early 2005. The share states received jumped from 7.7% in 2004 (the year before the CPA) to 26.3% in 2005. This shows that the CPA appears to have addressed the imbalanced distribution of the shares of the states vis-à-vis the federal government.

Table 9: Composition of central government public expenditures, 2001–2005 (in percentages)

Source: Calculated from Table 8 above.

Year	Wages, Salaries, and Social Subsidies	Centralised Items and Steering Expenditures	Contributes to State Support Funds	Development Expenditures and Contributions in Capital
2001	31.5	44.4	6.0	18.1
2002	31.9	34.6	6.3	27.2
2003	26.0	43.6	6.9	23.5
2004	24.7	39.5	7.7	28.1
2005	21.7	27.4	26.3	24.6

Table 9 above compares transfers to the government of Southern Sudan with those to Sudan's northern states during the period following the 2005 CPA. Total transfers to Southern Sudan up to the year of secession (2011) ranged from about 36% to about 51% of total public expenditures. In the years after secession (2012 and 2013), total transfers to states dropped to 21.5% and 20.6%, respectively. Even transfers to the northern states dropped slightly, from 23.8% in 2010 to 21.5% and 20.6% in 2012 and 2013, respectively. Nonetheless, these transfers to the northern states are still approximately three times the level of total transfers to *all* states that prevailed before the CPA (in 2003 and 2004).

Table 10: State shares of public expenditures, 2006–2013 (as a percentage of total central government expenditures)*

Source: Calculated from Table 8 above.

Year	Transfers to Government of Southern Sudan	Transfers to Northern States	Total Transfers
2006	16.2	19.7	35.9
2007	16.0	20.9	36.9
2008	27.1	23.8	50.9
2009	20.7	22.7	43.4
2010	24.3	23.8	48.1
2011	-	-	38.5*
2012	-	21.5	21.5
2013	-	20.6	20.6

* This seems to include transfers to GOSS for six months and to Northern states for the whole year. The collected data was not disaggregated. Anyway, this was not a typical year.

At present, the Ministry of Finance and National Economy (MFNE) is at loggerheads with the states over fiscal transfers. State governments have accused the MFNE of reducing their share of public expenditures. State officials complain that they were unable to meet even the basic expenditures of wages, salaries, and social subsidies. For instance, South Darfur state has not allocated any budgetary resources for development for five years (Jaregandi 2015). On the other hand, the MFNE has lashed back at the states, arguing that the states need to increase their own revenues, since the states' own resources are far less than transfers from the centre to the states (El Shibly 2013).

The aggregate amount of fiscal resources Sudan now transfers to the northern states and to the Government of Southern Sudan (GOSS) (the "vertical share") is a combination of shared revenues, grants, and other transfers. The vertical share may be determined based on a rule of aggregation (e.g., based on a share of domestic resources, typically with

a lag for budgetary purposes), as an overall envelope (e.g., based on shared revenues and grants equal a share of domestic resources), or as the sum of variety of individual flows.¹¹

Sudan's central government changed its criteria for determining vertical shares more than once, especially during 2011–2015 period (Jaregandi 2015). Often, the result of the changing criteria was that the northern states had to bear the burden of dwindling oil revenues. Some states (such as Gedarif and South Darfur) were not allocated sufficient resources to engage in spending on development projects.

Not only have there been vertical imbalances in how revenues have been allocated between the central government and the states, but there also have been variations in the modalities for allocating resources horizontally amongst states. During the 2000–2010 period, transfers per capita accrued to the top recipient state were on average six times higher than those to the bottom recipient. The Blue Nile, River Nile and Northern states were the highest recipients of federal transfers on a per capita basis, while North Kordofan, Red Sea, and South Darfur figured at the lower end of the ranking. There is also evidence that the current mechanism for allocating national resources is not transparent and leaves space for discretionary (political) allocations (El Shibly 2013).

Some literature suggests that creating economic formulas for fiscal transfers may help avoid politically motivated, arbitrary transfers of funds. Caldeira (2012, 170) refers to factors affecting such transfers that have been identified in the literature:

First, the public finance literature provides normative dictates on how intergovernmental transfers should be allocated. Second, voter-choice models in public-choice literature explain how electoral mechanisms could influence the central government's fiscal choices in distributing resources to local jurisdictions. Third, political economy arguments contribute to understand the allocation of grants by considering non-electoral arguments.

Experiences from countries, especially more developed and democratic ones, have shown that formula-based transfers are utilised to collect votes, either so those in power can preserve and protect their stronghold of supporting constituencies or so that they can attract otherwise neutral or marginal supporters. However, this does not seem to be the case in less developed, non-democratic countries, where elections (if they take place at all) are won by manipulation. Thus, in a less developed, less democratic country like Sudan, expenditures on public goods and services are not expected to expand because of the elections season (Caldeira 2012).

Empirical evidence shows that when rulers at the centre decide on fiscal allocations to regions or states, they pursue re-election or other political goals rather than normative, public interest goals. For example, Caldeira (2012), studying Senegal, concludes that fiscal allocations to local government units in Senegal are not based on normative theory and concerns of equity. Rather, poor local governments receive less funding via intergovernmental transfers. Senegal's formula based allocation system does not eliminate politically motivated transfers, but rather allows for a tactical redistribution of funds that targets swing voters and aims to pacify fractionalised areas (including areas of ethnic conflict). Caldeira's study confirms that local governments with more political power receive larger transfers. Similar factors may explain disparities and inconsistencies among transfers in Sudan, even when formulas are used.

The relationship between central government transfers and state-generated revenue

Another important aspect of the transfers to states is their volume in relation to the revenues states generate on their own. Sudan's states are financed largely through intergovernmental transfers and have only limited revenue sources. A state that has its own sources of revenues has a high degree of autonomy (including rate setting authority) compared to other states (El Shibly 2013).

11 Shared revenues are transfers returned on a derivation basis. Other types of transfers are determined based on other criteria, both formulaic and discretionary.

The gap between a state's own revenues and its own spending creates a vertical fiscal imbalance. Table 10 shows a steady decrease in the states' own revenues as a percentage of total revenues during the 2000–2010 period. This decrease depicts a growing dependency of the states on the centre: in 2000, states received (on average) 24% of their funding from the central government, but by 2010 this figure had risen to 63%. This could be attributed to expanding expenditures of the states on one hand and the states' failure to raise their own revenues to match this expansion on the other hand. This development is also in harmony with the rise of the country's revenue due to oil production.

Table 11: Actual state revenues (in millions SDG)

Source: World Bank (2013)

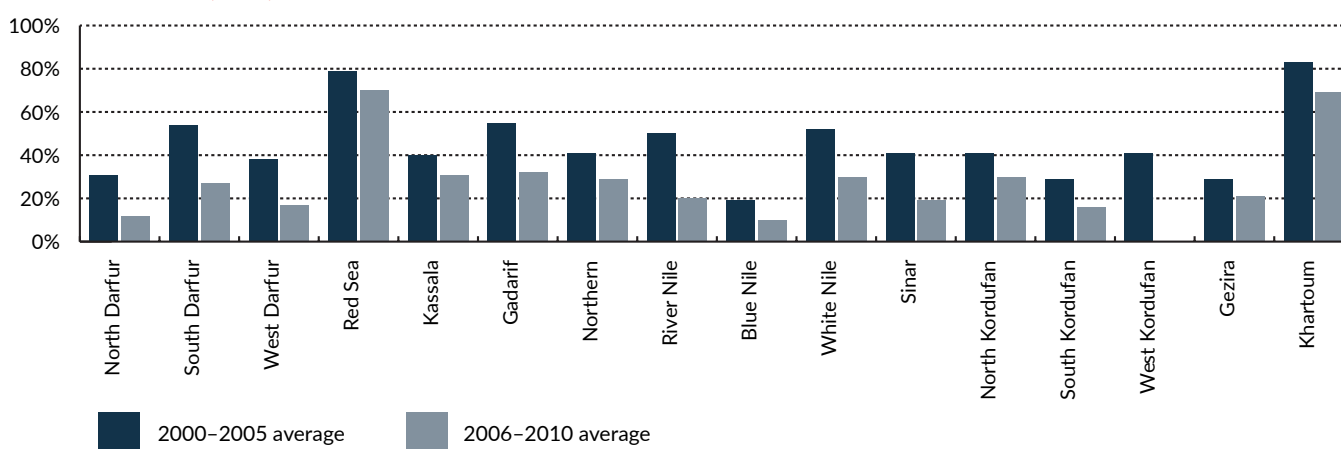
Year	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Own Revenue as % of Total	76	66	61	51	49	46	36	39	39	38	37
Transfers as % of Total	24	34	39	49	51	54	63	61	61	62	63

Table 11 breaks down the discrepancy between the northern states' revenues and central government transfers by individual state, comparing the 2000–2005 period to the 2006–2010 period (that is, before and after the CPA). Again, states became increasingly dependent on the centre over the years, although the figure also shows great disparity between the extent to which individual states relied on central government funding. Khartoum and the Red Sea states were the least dependent on the central government, generating around 80% of their own revenues prior to the CPA and approximately 70% following the CPA. This follows from the fact that they are urban areas with manufacturing and the ability to generate their own funds.¹² Prior to the CPA, the other northern states generated significantly less funding of their own in relation to their total funding, and the percentage of self-generated funding in these other states decreased even further to about 30% or less following the CPA, with North Darfur and the Blue Nile generating as little as 10% of their own funding.

Another important element that affects a state's ability to realise its own revenues is instability within the state. For example, the Blue Nile state, with its state of low intensity warfare since 2011, has not managed to conduct efficient revenue collection during the insurgency. However, this does not explain the low level of state-generated revenues in other states, such as in the stable Gezira state that has benefitted from the large-scale irrigation scheme of Gezira. During the colonial and early post-colonial years, Gezira provided most of Sudan's revenues, but since the deterioration of the scheme during the three last decades, it has become one of the most dependent on central government support.

Figure 2: State-generated revenues as a percentage of total state revenues, 2000–2010 (northern states)

Source: World Bank (2013)



¹² Importantly, the fact that central government funding comprised a lower percentage of total funding in Red Sea and Khartoum does not mean that they received lower amounts of central government funding in absolute amounts. Rather, these states have consistently received *more* funding than other states. Since they are able to generate their own income, however, these large central government grants form a smaller percentage of the funding available to them.

4.2.3 A way forward

A number of factors have contributed to the low performance of states in terms of generating their own revenues. These include instability and conflict throughout many parts of the country (especially Darfur, Blue Nile and South Kordofan) and low human resource capacity in many states. Furthermore, while the generation of oil revenues has been good for the country's centre, it has drawn resources away from traditional means of economic development, such as agriculture and manufacturing, resulting in decreased economic development in areas relying on such industries.¹³

Furthermore, two additional dynamics are at work in Sudan: (i) the impact of oil revenues, which have allowed the centre to increase its transfers to states, and (ii) the CPA, which required the government to increase its transfers to states and the region of Southern Sudan. Both of these events encouraged Sudan's states, in turn, to expand their expenditures. The increase in state expenditures without matching growth in the states' own revenues has intensified the degree of dependency of the states on the centre.

Thus, it is no surprise that a 2013 study commissioned by UNDP Sudan to assess the fiscal system in Sudan finds that (i) government finances in Sudan have remained very centralised; (ii) Sudan's tax system is fragmented, unevenly applied, and suffers from widespread exemptions; (iii) there is no systematic relationship between actual transfers to states and poverty reduction considerations; (iv) expenditures at state and local levels have increased in spite of decreased revenue generation at these levels; (v) Sudan's current system of fiscal equalisation is not fair and equitable; and, finally, (vi) there is a mismatch between expenditure responsibilities and revenue allocations (El Shibly 2013).

Nonetheless, the World Bank's analysis of Sudan's 2013 budget concludes that it promised a significant increase in federal development transfers to states—from 0.5% to 1.1% of GDP between 2012 and 2013 (Geiger, Alamir, and Nishiuchi 2013, 5). Transfers to sub-national governments were projected to increase from 2.3% to 2.6% of GDP during this same period. The budget therefore prescribed a situation where development spending would gradually shift from national to sub-national levels, and overall levels would be preserved, if not slightly increased. For this positive trend to have the desired impact, it was necessary for budget execution to follow these trends in budget planning and for the sub-national capacity to be built to take on this new responsibility.¹⁴

Accordingly, in early 2013, the World Bank organised a conference with Sudan's government to discuss fiscal decentralisation and the implementation of the 2013 budget. Approximately 400 international and national experts participated in this conference. Sudan's government agreement with these participants on the importance of successful fiscal decentralisation in accelerating progress toward poverty reduction and addressing wide regional disparities in the country. Although the preceding decade had seen rapid growth in the per capita spending of Sudanese states, including an increasing focus on development expenditures, development spending had come under pressure because of austerity measures to master Sudan's fiscal crisis. In this context, conference participants noted that the Sudanese government—at all levels—would need to learn to “do more with less” and be more efficient in public expenditures.

Nonetheless, while the theoretical basis for stronger intergovernmental fiscal relations in Sudan is sound and backed by numerous legal instruments aimed at harmonising and strengthening these relations, practical encumbrances hinder successful implementation. There continue to be glaring gaps to a sustainable fiscal decentralisation process in terms of a consistent distribution of public resources and sufficient access of state governments to financial markets.

In short, the resources transferred from the central government to the states are inadequate to allow the states to fulfil their functional responsibilities. This is accentuated by two factors. First, the central government has extended new social responsibilities to the states without providing them with a corresponding increase in funding levels. Second, the

¹³ This phenomenon is often called the “resource curse,” as the availability of extractable resources draws the economy away from traditional, more-encompassing forms of economic development.

¹⁴ No analysis of the implementation of the 2013 budget has been made available as January 2017.

ability of states themselves to generate revenue is low and horizontal inequalities make it difficult for all states to obtain a fair share of resources. This negatively impacts the ability of state and local governments to deliver public services such as education and healthcare, which further stunts growth in certain parts of the country.

Furthermore, if Sudan is to achieve its socio-economic objectives, it must clearly allocate government expenditures, both vertically between the central and state governments and horizontally amongst states. These allocations must be subject to transparent criteria that are not subject to the changing whims of those in power. In addition, the responsibilities of various levels of the government to generate revenues must be clearly defined and monitored. Currently, in the case of Sudan, the functions of generating and spending public funding are not defined in an objective, transparent way; rather, the multiple criteria for allocating grants and other funding are based on the changing political environment.

Finally, Sudan's fiscal stability has been undermined by recent budgetary shortfalls and reduced oil revenues due to the secession of South Sudan. Sudan needs to develop a plan for generating new sources of revenues to move ahead. This means assisting states to overcome their over-dependence on central government transfers to finance their state expenditures, which compromises the autonomy of individual states, creates a lack of credibility within the national budgetary framework, and embeds unsound fiscal management practices.

5 DECENTRALISATION IN PRACTICE

5.1 Challenges in implementation

Decentralisation has long been a contentious subject in Sudan. Although legal provisions for decentralisation in Sudan are generally considered adequate, the full potential for development and reconciliation through decentralisation is far from achieved. The main challenges facing the functioning of Sudan's decentralised system are the following:

- *Administration:* There continues to be limited clarity and understanding of the roles and responsibilities of government authorities at different levels of government. This is exacerbated by limited capacity in terms of personnel, technology and finances at the lowest levels of government.
- *Fiscal relations:* Sudan's states have a very limited capacity for revenue generation and tax collection and are consequently highly dependent on fiscal transfers from the central government. Yet fiscal transfers to states and local communities continue to be plagued by limited transparency and a lack of predictability. This creates a perception of patronage and a politicisation of relations between central government and states authorities.
- *Politicisation:* The creation of state boundaries and the nomination and appointment of state and local officials are characterised by fights between political forces, rather than an objective assessment of the best outcome. The central government has few real links to the people it is supposed to be serving and political interests dissuade individuals who would represent local interests from obtaining representative positions in central government agencies. Furthermore, nepotism and other forms of corruption plague the government at all levels.

The Interim National Constitution lists 45 powers that are to be reserved to state governments, including exercising state police powers, managing prisons, administering local government, managing the state judiciary, operating state media, administering social welfare, supervising state land and natural resources, organising cultural matters within the state, overseeing religious matters subject to the national constitution, providing healthcare, establishing primary and secondary schools, overseeing agriculture within the state, controlling pollution within the state, and implementing traditional and customary law. The Interim National Constitution lists another 25 responsibilities that are shared between the national and state governments, including economic and social development, tertiary education, health policy, public services, banking, electricity generation and water management, and animal and livestock control. If national and state governments dispute who has responsibility over a particular issue, the Interim National Constitution requires that they set up a committee to resolve the matter. Ultimately, the constitutional court has power to adjudicate such disputes according to established criteria (arts. 66, III schedules D–E).

Responsibilities and functions specified categorically for the federal government include Defence, security, border, state of emergency, Passport, visas, immigration; and federal and state government share trade, economic planning and development. On the other hand State and localities share a number of responsibilities such as local water resources, state irrigation, embankment; health policy, education (Education (primary, secondary, administration), agriculture (livestock, pastures, control, vet services). All levels of government share trade, economic planning and development; and administration of justice, police and prison.

A number of experts have pointed out the overlapping between different levels of governments leading to confusion and ambiguity (Jaregandi 2015). In view of the over-reaching powers of the central authorities in Khartoum the recent constitutional amendments have further reinforced the power of the Khartoum rulers of both state and local levels of government.

Sudan suffers from widespread inequalities in its service provision both vertically (by consumption) as well as horizontally (across states) and that both types act as a barrier to

economic growth (Crowther et al. 2014). Decentralisation has been often manipulated to allow the national government to use grants in authoritarian ways. According to Crowther et.al, inequalities in public services are widely institutionalised, as illustrated by the diverse range in organisational capabilities and the state level and often exacerbated by budgetary limitations.

The study by Crowther et al. highlights key horizontal inequalities: centre-periphery dynamics, the urban-rural divide, and gender. As far as vertical inequalities are concerned, income and education are key determinants. Both horizontal and vertical inequalities have links to different forms of national and ethnic identity in Sudan, with pastoralists presented as those communities most likely to have significant income levels.

Implementing decentralisation is the prime responsibility of the central government. Inadequate implementation of decentralisation provisions in the Interim National Constitution contributes to and may even trigger further conflict in states and regions already affected by war. A number of factors contribute to tension between the centre and the periphery, as well as between states, including the lack of fiscal transfers from the central government to states, a lack of transparency in how these transfers are calculated and what they are eventually used for, and a perception of favouritism towards certain states and governors. However, if implemented adequately and in line with the CPA and the Interim National Constitution, decentralisation provide an important opportunity for reconciliation, capacity development, and the improvement of social services and security, ultimately contributing to a different social contract in Sudan. For this to occur, some fundamental political hurdles have to be passed, as described below.

5.2 The politics of decentralisation and elections

Apart from the problems of administration, fiscal relations, and politicisation of decentralisation processes mentioned above, Sudan struggles with a deep-seated tension between the central government and the regions, which influences the extent to which decentralisation measures are effective. Both the CPA and the secession of South Sudan created new dynamics in Sudan's political environment, and the repercussions of these events are still unravelling. A major realignment of forces is taking place among the northern political class (Paris Declaration August 2014; Sudan Call December 2014). In addition, the ripple of a heightened contest over state power is visibly seen in factions and in-fighting within the ruling party, the National Congress Party (NCP).

The dynamics of the relationship between Sudan's centre and its periphery can help explain some of the intricacies of Sudan's stalled transition and peace processes. For example, Sudan's centre has historically used laws to generate revenue (*jibayat*) and to give priority in expenditures for activities that benefit the central ruling elite. The current Ingaz regime has taken this to the extreme by using transfers from the central government transfers to prop up a neo-patrimonial rule in which local and regional politicians are pawns for the centre's political game.

The fiscal arrangements (including the system of tax coordination) that characterise Sudan's federal system today are the consequence of a combination of factors:

1. a compromise struck between politicians at the nation's centre and aspiring and/or current regional elites,
2. ad hoc arrangements to fight rebels or in anticipation of electoral coalitions (illustrated by the high frequency of the turnover of *wallis* in some states), and
3. a growing resistance on the part of local polities to assert their decision making power in budgeting and governance.

The compromise between the centre and the state requires that local politicians either delegate financial power to the president or refrain from using the array of legal powers they have, in exchange for patronage from federal bureaucracies, attractive careers in the federal government, or active involvement of the federal government in state development.

This compromise has been facilitated through institutional rules and a very peculiar political organisation: one-party rule during military regimes and the centralisation of political parties during multi-party governments. The configuration of veto players has made this compromise self-enforcing: both local and national players are better off with the arrangement and are therefore willing to abide by it. The loser in this arrangement is the implementation of a genuine system of federalism.

Still, there is a mismatch in the ruling party's espoused interest in decentralisation. The only way for the ruling party, the NCP, to protect its power is to build a base of trustworthy *wallis* who support the current regime (for example Ahmed al-Majzoub in River Nile state, Tahir Eila in Red Sea State). By cultivating relationships with *wallis* who have a strong local support base, the NCP also protects itself in national elections. The NCP, and therefore also the federal government, has no interest in the development of meaningful federalism, which would mean genuine autonomy for the *wallis*. Powerful *wallis* might be tempted to break away from the NCP political machine if election politics so dictate, something the NCP is not willing to accept, as illustrated in the conflict between the federal government and the *walli* of Gedarf in 2010.¹⁵

Holding open elections in a decentralised system creates another challenge for the NCP's manipulation of regional and local politics. Local political forces have come to question the concentration of resources and authority at the central level. In short, political pluralism is driving the decentralisation witnessed during the past few years. The dominance or control of the political system by any single political party intrinsically contradicts fiscal decentralisation. Elections and the partisan plurality of local governments is likely to increase the demand for devolving power over resources, to the point where even known centralists may eventually advocate for decentralisation, federalism, and greater local autonomy.

5.3 Centre-state relations at a turning point: Towards a new political-constitutional dispensation?

South Sudan's self-determination in 2011 led to two one-party states: Sudan under the NCP and a new South Sudan Republic under the SPLM. South Sudan's secession effectively ended the authority of the Interim National Constitution of 2005. Both regimes now need to seek new forms of legitimacy.

Legal constitutional debates aside, in Sudan it was clear that the pressure for change boosted by the "neighbourhood effect" of the Arab Spring, coupled with dwindling oil rents, forced the NCP-led government in Khartoum to toy with (and manipulate) the discourse of change in an effort to maintain its hold on power (El-Badawi and Makdisi forthcoming). Accordingly, a distinct pattern of variation in centre-state relations can be discerned during the 2011–2015 period. Now relieved from the "burden of South Sudan," Khartoum's ruling elites turned to dealing with the rest of Sudan's states by asserting the hegemony of the oligarchic centre and imposing sharia without *dagmasa*— i.e. without fudging and compromises or move to accommodate interests of other states and regions.¹⁶ Abundant literature addresses the critical role local regions play in shaping national politics and regime change in Sudan (Sørbo and Abdel Ghaffar 2013). South Sudan's secession introduced a new phase, where the main hurdle of political class competition at the centre was replaced by the question of fixing the relationship between the centre and regions/states.¹⁷ Perhaps more than ever before, the Ingaz regime cannot survive without striking an effective alliance with "client" regional elites. Recent events have indicated that the threat to President al-Bashir and NCP's hold on power stems from rebellion in the regions/states as much as from urban uprising.

15 The *walli* of Gedarf was considered as a powerful governor, as he had a substantial political constituency in his own state. But after demanding that the transfer from the central government to the state should arrive on time, he was removed from his position by the central government.

16 "Tamkeen" refers to the "empowerment" i.e. total control of the Islamists over both hard and soft resources (El-Badawi and Makdisi 2016) whereby opponents had their wealth confiscated and excluded from political power.

17 To shore up their rule, elites at the centre have always forged deals with regional elites and rebels.

5.5 Regional elites turned clients: The centre manipulates states governments

Though it might not be replicable in other parts of the country, the example of South Sudan's secession has emboldened regional political and rebel movements in their stand vis-à-vis the autocracy of the centre. While armed rebellion may not be as effective now as it was prior to 2005, the Darfur-based Justice and Equality Movement's (JEM's) military incursion into the capital Khartoum in 2008 and Sudan Revolutionary Front's (SRF's) incursion into Kordofan in 2012 presented a reminder that the balance of power may change.

However, the Ignaz leadership has managed to manipulate the course of events by using the rhetoric of a "national dialogue" to disorganize opposition forces, buy itself time and sustain its power. More importantly, the constitutional amendments of January 2015 enhanced the power of the central government vis-à-vis the regions by allowing the president to appoint state *wallis* and giving the central government direct control of natural resources all over the country, powers that in the past had been vested in *wallis*. All things being equal, two critical factors seem to stand out as of exceptional significance in shaping centre-state relations: first, control of states over their own resources (including the rents and revenues from land, gold, oil, and other natural resources) and, second, the fair representation of states in national power structures. The constitutional amendments have targeted exactly these potential risk factors for the survival of the regime leadership. The implications of this for centre-state relations are briefly considered below.

Under the smoke screen of "reform" and effectively using the amendments, the centre has succeeded in re-shuffling *wallis* from one state to another apparently with a view of curbing steady centrifugal tendencies. But the real reason could be the interest of the centre to undermine the political capital of those *wallis* who already built solid support base among "their folks."

5.6 Constitutional amendments and their implications

While it is too early to assess the full impact of the constitutional amendments, it seems Sudan's current political leadership has succeeded in scoring more than one point against its internal rivals among the NCP and Islamist ruling elites. The amendments appear to have been used effectively as a short-term tactic to prevent local and regional leaders from building political capital and emerging as national leaders through the constitutional process.

The prospects are not that bright for rebel leaders either. The results of the 2010 elections in South Kordofan and Khartoum turning down the Nafie-Agar agreement between the government and SPLM-N in Addis Ababa in 2011 have meant that SPLM-N has lost direct engagement with its constituency in the country. Nonetheless, recent developments bringing SPLM-N together with the Umma Party may pave the way for political or electoral coalitions in future.

It is too early to conclude whether in-fighting within the NCP has had a negative effect on regional and state politicians who managed to build political capital in their states or regions.¹⁸ Transferring *wallis* from the states where they have built a support base to states with chronic problems may undermine their powers, or, if it is successful, the *wallis'* statesmanship may pave the way for them to emerge in the national leadership.¹⁹

However, there is evidence that local politics are generating dynamics that make it difficult for the NCP to force aspiring politicians to toe the line, for example, the *wallis* Karamalla in Gedarif, Abdelbagi in Managil, and Brutum in Dongola. In the April 2015 elections, some local leaders stood as independent candidates and joined parliament,

¹⁸ An important factor in the selection of a new *walli* is total support and loyalty to President al-Bashir and away from the Ali Osman Taha and Nafie Ali Nafie factions within Sudan's National Congress Party (NCP).

¹⁹ The normal process in democratic regimes is that leaders prove their skills or talents at local and state levels before they proceed to national levels.

marking some distance to the NCP, yet without breaking away from the mainstream NCP policies.

5.7 Future centre–state relations

Competing theses on the future relations between the centre and the states have ranged from direct calls for self-determination for the Darfur, Nuba Mountain, and Blue Nile regions to notions of a *tamazug* (border zone) between Sudan and South Sudan to the idea of a “Third Sudan”, including the conflict affected borderlands between the two Sudans (Sørnbø and Abdel Ghaffar Ahmed 2013). There are also some who believe the country is on the course of total disintegration. Following constitutional amendments in January 2015, popular consultation in Southern Kordofan and Blue Nile is on hold and the implementation of the 2011 Doha Agreement in Darfur is slackening, although the promised national dialogue is supposed to introduce a new political and constitutional dispensation for the country. The dynamics of the post-2015 election period is continuing to unfold. NCP is not yet ready to bear the cost that a genuine national dialogue requires, and it seems that a political settlement with the northern opposition and a degree of accommodation with armed rebel groups are rather remote possibilities for now.

6 CONCLUSION AND THE WAY AHEAD

6.1 Conclusion

The present research confirms what other studies have concluded (El Shibly 2013): that in Sudan the centre remains the ultimate arbiter when it comes to the distribution of economic and political resources between the centre and local states and regions. Economic control and fiscal transfers in Sudan remain relatively centralised. This is seen in Sudan's tax system, which is fragmented, is applied unevenly, and suffers from widespread exemptions. There is no systematic relationship between actual transfers to states and poverty reduction. Government expenditures for states (that is, the decentralisation of government expenditures) have increased at the same time that state-generated revenues have decreased, and a fair and equitable system of fiscal equalisation and gap-filling is absent. Finally, there is a disparity between expenditure responsibilities and revenue allocation.

The prevailing features of governance in Sudan do not embrace genuine political and fiscal decentralisation. There exists a mismatch between fiscal decentralisation and the political set-up. This conclusion is based on the following points:

- A small group of ruling elite control Sudan's governance structures. The ruling elite command strategic resources and preside over the state in ways that produce conflict with major societal groups. Combined economic and political failures threaten the state with dismemberment and disintegration. Furthermore, the decay and failure of state institutions and a polarised political environment threaten further territorial disintegration.
- High vertical fiscal imbalances (that is, gaps between spending and revenues at the state level) and horizontal fiscal imbalances (that is, imbalances across the states) make the allocation of transfers to states appear biased and unfair.
- Institutions at all levels have failed to tax, raise revenue, and deliver needed public goods and services, especially in marginalised regions that depend on such transfers. Without provisions for enhancing accountability, the tax burden has increasingly fallen on the poor and decreasingly fallen on the rich classes and powerful regions. The state lacks mechanisms for pro-poor, pro-peace, pro-productive, and pro-gender budgeting.
- States and localities have only limited autonomy to make fiscal decisions, and accountability is missing. Local government officials are not accountable to local taxpayers. Recent government expenditures have largely been concentrated in the urban centres, which have been captured by politically-connected elites. This continues the disenfranchisement, not only of the rural poor but also have large segments of middle class in the peripheries.

6.2 The way ahead

A federal system must be well designed to be effective. In debates on federalism in Sudan, civil society's position is that a federal system should be flexible enough to cater for the different levels of government and varying capacities of composite states (Salih 2014). Furthermore, states constituting the federation must be defined as a result of comprehensive studies that prove their viability. For example, the Alayam Center for Cultural Studies and Development advocates that a federation should have fewer states, with clearly defined criteria and adequate resources to meet its obligations. This allows them to become viable entities, both economically and socially (Salih 2014). A different system for resource collection, allocation, and sharing is needed to reverse the existing inequalities, lack of transparency, and tensions between states.

Sudan's civil society and opposition political parties have requested a consultative process to develop and finalise Sudan's new constitution, hoping to leverage the process as a reconciliation vehicle. However, Sudan's current government favours drafting by experts with limited participation and consultation. The lack of progress in the constitutional process seems to be hampering the overall national dialogue.

Shortcomings in the legal framework for decentralisation in Sudan reveal confusion at the state level about the role of local government. This is further seen in the inconsistencies between the provisions of state constitutions and the Interim National Constitution of 2005. These inconsistencies mainly concern the election of local council members and matters pertaining to financial resource management (Ali 2008, 12–14).

Decentralisation will not work as a policy approach in Sudan unless laws and constitutional provisions mandating it are backed by other supporting measures in the fields of economics and politics. These include the reform of structures that allow contestation of government representatives at all levels of government. Creating such electoral competition can induce responsiveness to the electorate, and elections themselves can create incentives for politicians to emphasise the provision of public goods, the restraint of a predatory central government, and maintaining a fiscal balance. Politicians' strategic choices toward policy are dictated by the demands placed on them by their constituents and the nature of the constituency coalition necessary to win election. The latter is determined by the institutional rules governing the selection of officials and the number of groups seeking office. If electoral competition is limited, local governments' officials will be more likely be inclined to join the clientelist network of the national party machinery, rather than forming their own opposition parties.

A general consensus has emerged that competitive local elections induce local governments to behave “responsively” to local populations. This is then usually linked to increased efficiency in the allocation of resources, lower levels of fiscal mismanagement and waste, and increased investment in public goods. However, governments operating in a moderately fragmented political environment are less likely to emphasise public goods and exercise fiscal restraint. The impact of fiscal and political decentralisation on the provision of public policy and on fiscal management is thus contingent upon the type of local party system that develops following decentralisation.

A genuinely decentralised system may also enhance a democratic and efficient system of governance. Decentralised policy provision and self-generated local revenues create incentives for governments to compete with other localities for investment, thus rewarding responsiveness and policy innovation and creating a “race to the top.” Decentralised policymaking allows localities to receive the mix of goods they most desire instead of a uniform policy slate across the country, resulting in a better match between the policies demanded and those supplied. By moving government closer to the citizens, decentralisation potentially enhances government transparency. Political and economic decentralisation have also been advocated as ways of enhancing democracy by providing avenues to power for new political actors, increasing the influence and organisational capacity of civil society, and expanding trust in government.

Finally, by locating policy planning in local agencies, decentralisation allows policymakers to better incorporate locally-generated expertise into the policy design process and to enhance citizen ownership of the resulting policies. As a result, international financial institutions and other donors are increasingly advocating the devolution of policy to sub-national units.

Nonetheless, fiscal transfers to local governments in Sudan have increased markedly in the last decade, while revenues generated by these same local governments have been declining. These fiscal transfers should be streamlined, Sudan's central government should create simpler and more transparent allocation criteria, and the government should step up efforts to provide incentives and assistance to state and local governments to bolster their own revenue generation. In this way, state and local governments across the entire country can develop the resources they need to engage in a true decentralisation process.

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ANNEX 1: REGIONS AND STATES IN THE REPUBLIC OF SUDAN

Blue Nile region

- Gezira (*Al Jazira*) (9)
- Blue Nile (*An Nil al Azraq*) (5)
- Sennar (14)
- White Nile (*An Nil al Abyad*) (10)

Darfur²⁰

- Central Darfur (*Zalingei*) (16)
- East Darfur (*Sharq Darfur*) (17)
- North Darfur (*Shamal Darfur*) (6)
- South Darfur (*Janub Darfur*) (7)
- West Darfur (*Gharb Darfur*) (15)

Kassala region²¹

- Kassala (*Ash Sharqiyah*) (4)
- Gedarif (13)
- Red Sea (*Al Bahr al Ahmar*) (12)

Khartoum

- Khartoum (*Al Khartum*) (1)

Kordofan

- North Kordofan (*ShamalKurdufan*) (2)
- South Kordofan (*JanubKurdufan*) (8)
- West Kordofan (18) (re-established in 2013)

Northern region

- Northern (*Ash Shamaliyah*) (3)
- River Nile (*Nahr an Nil*) (11)

20 A Darfur regional authority serves as a regional governing body for these states.

21 The Eastern Sudan States Coordinating Council serves as a regional governing body for these states.

ANNEX 2: A CHRONOLOGY OF DECENTRALISATION IN SUDAN, 1937-2015

- 1919 Town and rural councils (local councils) are established following the recommendations of Lord Millner, creating a system of indirect rule based on native administration.
- 1937 Towns and Rural Councils were established following the recommendations of Lord Millner in 1919. It was a system of indirect rule based on native administration
- 1951 Following the British Colonial Marshall Report, the Local Government Act is passed, defining the authority and membership of local councils.
- 1954 The Ministry of Local Government is established, which issues warrants for 86 local councils.
- 1956 Sudan inherits local government and popular administration from colonial rule; this lasts until 1971.
- 1960 The Provinces' Administration Act is passed as the first piece of legislation under Sudanese national rule. An important feature of the act is the creation of local executive councils with mixed membership based on both election and appointment. The act mandates that executive councils shall issue orders and submit budget proposals, but their orders can be repealed by central ministries.
- 1971 The Peoples' Local Government Act is passed, specifying four levels of government: provincial executive councils, area councils, local councils, and village councils. All these councils are to act on behalf of Sudan's central ministries.
- 1980 The Regional Government Act is introduced under the auspices of the 1972 Addis Ababa Accord. This act re-divides the North in 1981 and the South in 1983.
- 1980 Numeiri's regime attempts to deal with the above diversity by extending regional governments(as practised in the South) to the North. The North is divided into six regions.
- 1981 The People's Local Government Act passes the power of issuing orders to local councils, subject to the consent of the district commissioner.
- 1989 The federal system is adopted as a form of government in accordance with recommendations of the national conference for peace dialogue.
- 1991 Under the fourth constitutional decree, the political system is officially transformed into a federal system.
- 1994 Sudan's constituent units are split from 9 into 26 states via the 10th constitutional decree.
- 1994 The 11th decree provides for the formation of state councils.
- 1995 Under the 12th constitutional decree, power and resources are distributed between the centre and the state and local levels.
- 1995 The 13th constitutional decree specifies the formal procedures of electing the president, the national assembly members, and governors.
- 1998 The national assembly issues the Sudan Constitution of 1998, which is considered as a formal declaration of the federal constitution.

- 1998 The Local Government Act is passed.
- 2003 The Local Government Act of 2003 separates each localities executive organ from its legislative organ, establishes an elected legislative council, defines the local council competencies, and specifies local financial resources.
- 2005 The Comprehensive Peace Agreement, signed by the government of Sudan and the Sudan People's Liberation Movement, ends a long-standing conflict between the North and the South.²² Based on this agreement, an Interim National Constitution is enacted and enters into force in December 2005.
- 2010 Wallis are elected in all states of Sudan.
- 2011 Secession of South Sudan
- 2014 President al-Bashir presents "The Leap," a document calling for a new national dialogue.
- 2015 Constitutional amendments consolidate the power of the president, giving him the authority to appoint wallis and to have direct control over resources throughout the country.
- 2015 In April elections, President al-Bashir wins a fifth term in office amidst rejection from the opposition and a lack of recognition from the international community.

²² The January 9 CPA is not a single agreement, but a group of separate protocols on different issues signed on different dates (seven protocols and agreements were reached between July 2002 and December 2004).

This report analyses the implementation and impact of decentralisation in Sudan: To what extent has the efforts to implement decentralisation policies actually devolved power and fiscal resources to sub-national levels, for the benefit of the local populations? The present research confirms what other studies have concluded: that in Sudan the centre remains the ultimate arbiter when it comes to the distribution of economic and political resources between the centre and local states and regions. Economic control and fiscal transfers in Sudan remain relatively centralised. There is no systematic relationship between actual transfers to states and poverty reduction. Government expenditures for states have increased at the same time that state-generated revenues have decreased, and a fair and equitable system of fiscal equalisation and gap-filling is absent. Finally, there exists a mismatch between fiscal decentralisation and the political set-up. The prevailing features of governance in Sudan do therefore not embrace genuine political and fiscal decentralisation.

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