

PPIAF Assistance in Sudan

Technical Assistance for an Assessment of Private Participation in Infrastructure

PPIAF's assistance to the Republic of Sudan began in June 2005 with a request from the Ministry of Finance and National Economy to provide technical assistance to review the country's institutional capacity to facilitate private participation in post-conflict reconstruction and development. The Minister recognized that in both the north and south of the country, the priority was to build on the outcomes of the Comprehensive Peace Agreement signed in January 2005 between the government of Sudan and the Sudanese People's Liberation Movement, following twenty years of civil war, and ensure that its benefits accrued to all of the population throughout the country.

PPIAF support was requested to develop a clear **strategy to engage the private sector** as early as possible in **post-conflict reconstruction programs**. **Infrastructure was recognized as an important element in the process of rebuilding the country because it promotes economic growth, welfare improvement, and poverty reduction, which are three key elements to improve the prospect for sustainable peace in the north and the south of the country.**

The PPIAF-funded study was completed in November 2006 and contained specific recommendations on a number of infrastructure sectors, both for North and South Sudan, as follows:

Recommendations to facilitate public-private partnerships (PPPs). The study recommended (a) the establishment of a PPP unit in the Government of South Sudan and in the Government of National Unity to develop and implement government risk management policies and to monitor contractual obligations; (b) to undertake a review of infrastructure reform in all sectors to ensure private sector participation (PSP) in infrastructure through PPPs is maximized; and (c) initiatives to build Sudanese private sector capacity for PPP involvement.

Recommendations for South Sudan. Since the war almost completely devastated South Sudan's infrastructure and there was very little institutional or private sector capability on the ground, the study recommended that the PPPs focus on areas with a high, quick, and lasting impact on growth prospects, which would be reinforced by efforts to develop the capability of the private sector. In particular, the PPIAF-funded study recommended:

- That **rehabilitating the road network** should be the most urgent priority. PPP options to be considered were: build-own-operate contracts for the two arterial roads leading to Kenya and Uganda, making them private toll roads with subsidies in the early stages; and build-maintain contracts for interior roads. An improved road network would create new markets where farmers would be able to sell surpluses.
- To set up an independent road commission to supervise building and road maintenance.
- To encourage investments in **mobile telephony**, not creating barriers to enter the market other than service standard levels and interconnection rules.
- To create a network of **local Water and Irrigation Cooperatives**, formed by farmers, to facilitate water provision and improve agricultural productivity. Also, to create a fund to provide credit to the cooperatives through financial intermediaries.
- To develop more **advanced infrastructure facilities** with energy companies around the oil producing regions.

Acknowledging that it was important to jump-start the reconstruction process, the study recommended to keep regulation to a minimum, and to use contracts to implement service standards and a PPP unit to monitor performance.

Recommendations for North Sudan. Unlike the south, the issues for the north arose from the legacy of inefficient service provision and below-cost tariffs, which discouraged investment in infrastructure. The study recommended that North Sudan establish structural **reform processes** required to turn around sectors dominated by under-performing, government-owned monopolies, including **establishing a legal framework attractive to private investors**, as well as create the conditions necessary for effective

involvement of the private sector in infrastructure rebuilding and expansion. In particular, the PPIAF-funded study recommended:

- To establish a **transparent regulatory and monitoring system of PPPs** and private sector concessions, to give certainty to the private sector. The study included the principles for establishing the regulatory system.
- To establish a clear structure and regulatory framework for the **electricity and water** sectors. The study indicated the principles for this purpose and the process to be followed: undertake a comprehensive review of the sectors, and then decide which components would be sold to or managed by the private sector (or cooperatives for the water sector) and which would remain in government or state ownership.
- To begin a policy development process and establish a regulator for the **telecommunications** sector, to ensure that anti-competitive behavior and ownership concentration did not undo the existing environment, which encouraged PSP and competition, for the benefit of consumers.
- To award contracts for the management of **toll roads**, including maintenance, using bidding processes, and to develop toll road concessions with the private sector.
- To complete the framework for the **rail** sector.
- To privatize **Sudan Airways**, to contract-out air traffic control services, and to develop concession models for all airport terminal management where financially feasible.

To implement the recommendations for facilitating and promoting PPPs, the report included five policy action programs to be used by decision makers in government, by the Sudanese private sector, and by the donor community. We are following up to assess whether these recommendations were implemented.

The recommendations of the PPIAF-funded study are consistent with the following development strategies, which have been successful in expanding infrastructure services in other fragile states:

- Creating enabling environments to attract PSP by developing policy, regulatory, and legal reforms and improving government capacity
- Activities in telecommunications
- Working with local communities to promote small-scale provision of basic infrastructure services that the national government does not have the capacity to fund, in order to boost living standards and foster economic growth

Results of PPIAF's Activities in Sudan in Support of Private Participation in Infrastructure

Category	Outputs
Enabling environment reform	
<i>Plans/strategies prepared</i>	<ul style="list-style-type: none"> • Review of Policy and Institutional Capacity to Facilitate Private Participation in Infrastructure, November 2006
Capacity and awareness building	
<i>Workshops/seminars</i>	<ul style="list-style-type: none"> • Private Participation in Infrastructure Seminars held in Khartoum and Juba, 2006

Technical Assistance for Sudan's Telecommunications Sector

The Comprehensive Peace Agreement allocated roles and responsibilities for both governments of North and South Sudan in many infrastructure sectors, except for the management of the telecommunications sector. This resulted in confusion for operators and both governments as to which institutions were responsible for which areas of the country.

In March 2007 the Minister of Information and Telecommunication of the Republic of Sudan requested PPIAF assistance to provide capacity building for the National Telecommunications Corporation (NTC), the regulatory authority of the telecommunications sector in the north, including assistance to prepare a strategy and recommendations for the regulation of the interconnection and radio spectrum. At the time there were four national operators rendering services throughout the country, with licenses issued by the

Government of National Unity, and two operators with networks in parts of South Sudan, with limited network coverage.

In August 2009 the PPIAF-funded Medium-Term Strategy for the Telecommunications Sector in Sudan was finalized. The strategy included targets and recommendations to attract investments to the network and to improve the prices, variety, and quality of services on the following areas: (a) legal and institutional framework; (b) administrative processes; (c) licensing policy; (d) fees and charges; (e) competition; (f) interconnection; and (g) universal service. Supporting the strategy was a comprehensive diagnostic of the information and communications technology (ICT) sector in Sudan comparing performance against international benchmarks. We are following up as to whether the strategies were ever adopted.

PPIAF also funded a program of capacity building for 19 members of the Ministry of Telecommunications and Postal services of South Sudan to help build up capacity to govern and regulate the sector in the south of the country. The training took place in August 2008 at the African Advanced Level Telecommunications Institute in Kenya.

Results of PPIAF's Activities in Sudan's Telecommunications Sector

Category	Outputs
Enabling environment reform	
<i>Analyses/assessments prepared</i>	<ul style="list-style-type: none"> International Benchmarking of ICT sector in Sudan, August 12, 2009
<i>Plans/strategies prepared</i>	<ul style="list-style-type: none"> Regulatory and Telecommunications Sector Strategy, August 2009 Medium-Term Strategy for the Telecommunications Sector in Sudan, August 12, 2009
Capacity and awareness building	
<i>Workshops/seminars</i>	<ul style="list-style-type: none"> Telecommunications training for staff of the Government of South Sudan at the African Advanced Level Telecommunications Institute in Kenya, August 2008

Category	Outcomes
Capacity and awareness building	
<i>Technical capacity enhanced</i>	<ul style="list-style-type: none"> Capacity to govern and regulate telecommunications sector enhanced of staff of the Government of South Sudan during training at the African Advanced Level Telecommunications Institute in Kenya, August 2008

Technical Assistance for Sudan's Transport Sector

In June 2008 PPIAF assistance, with co-financing from the National Emergency Transport Rehabilitation multi-donor trust fund managed by the World Bank, was again requested to help develop and implement a roadmap for enhancing PSP in the provision of rail services in Sudan. The country's rail system is managed by government-owned Sudan Railway Corporation (SRC). SRC introduced PSP in passenger and freight services in 1998 by charging fees to access the rail infrastructure and rolling stock. To further enhance PSP in rail services, the government wished to undertake significant improvements in institutional, legal, and regulatory arrangements to improve efficiency and reduce over-reliance on government support in the sector.

The PPIAF activity was undertaken in two phases:

- Diagnostic review to identify issues relating to existing arrangements for PSP in the delivery of rail services in Sudan, identifying strengths and weaknesses, and developing detailed and specific options for building on the strengths and mitigating identified weaknesses
- Development of immediate and short-term actions for implementation by relevant parties (SRC, government, and PSP service providers) to improve and further deepen PSP in the provision of rail services in Sudan

The study indicated that there is further scope for PSP in the sector. It recommended extending PSP throughout the operational side of the railway—particularly in the maintenance of rail infrastructure and the rest of the rolling stock fleet. It also recommended the separation of track management and operation and the creation of an independent regulatory body to ensure the efficient use of the assets and sustainable up-keep of Sudan’s rail network.

A final stakeholder workshop was held in Khartoum, Sudan on August 12, 2009 where the study’s findings and recommendations were presented. It was well attended by SRC, with senior representatives from the private sector and the Ministry of Transport, Roads, and Bridges. At the end of the workshop, the stakeholders agreed to address the fundamental issues impeding effective PSP in railways: liberalization of tariff rates; network improvements to increase line speed and reliability; resolution of SRC’s role as both railway manager and operator; and an update of legislation affecting competition between rail and road transport.

To date, these recommendations have yet to be implemented. PSP is not being used in SRC for activities such as maintenance, and new rail construction or rehabilitation is being undertaken in-house.

Results of PPIAF’s Activities in Sudan’s Transport Sector

Category	Outputs
Enabling environment reform	
<i>Analyses/assessments prepared</i>	<ul style="list-style-type: none"> • Options for enhancing PSP in the provision of rail operations in Sudan, 2009
<i>Plans/strategies prepared</i>	<ul style="list-style-type: none"> • Briefing note outlining issues and action plan to enhance PSP in rail sector in Sudan, 2009
Capacity and awareness building	
<i>Workshops/seminars</i>	<ul style="list-style-type: none"> • Final stakeholder workshop held in Khartoum, Sudan on August 12, 2009