

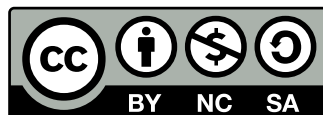


DIALOGUE ON FEDERALISM, MANAGING DIVERSITY AND THE PRACTICE OF FISCAL FEDERALISM IN SUDAN



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DIALOGUE ON FEDERALISM, MANAGING DIVERSITY AND THE PRACTICE OF FISCAL FEDERALISM IN SUDAN

A workshop organized by International IDEA and the Peace Research Institute at the University of Khartoum, Sudan, 24–28 January 2023, Nairobi, Kenya

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Contents

Acknowledgements	iv
Executive summary	3
Chapter 1	
Background: Federalism	6
Chapter 2	
About the workshop	9
Chapter 3	
Dealing with governance systems in Sudan during the transition	11
Chapter 4	
Moving forward: Fiscal federalism and institution building	14
Chapter 5	
Managing diversity in plural societies and the development consequences of federalism	19
Chapter 6	
Lessons learned and recommendations	23
Annex A. Agenda	26
About the author	28
About the partners	29
International IDEA	29
Khartoum University Peace Research Institute	29

EXECUTIVE SUMMARY

Careful analysis of the determinants of civil wars and fragile democracy in Sudan points to a more complex picture in the country than may first appear. Deep political and economic development failures—not tribalism, ethnic hatred or ethnic diversity in itself—are behind the recent rise in armed conflict impacting Sudan and they represent the root causes of Sudan's problems. Positively, the implication is that political and economic development can be effective in reducing or eradicating political violence in Sudan.

Second, Sudan's ethnic diversity, which currently manifests in polarizations, could well become an asset for preserving peace if experienced under better levels of political freedom, much higher standards of living and a diversified economy. Third, to achieve economic development and hence contribute to prevention of future wars, both appropriate political governance (i.e. functioning democracy) and high-quality institutions for economic management would be required for mitigating the disruptive potential (economically risk-prone nature) of social diversity. Such institutions can enhance the sustainability of the bargaining process by reducing economic dysfunction.

However, a meaningful conflict prevention strategy should also attempt to address the question whether such institution-building under conditions of Sudan's social diversity is more compatible with federalism versus centralized government. This is a critical institutional design choice in view of the fact that civil wars are the extreme case of non-cooperation among social groups.

The appropriate political framework would be one capable of enabling participation, inclusion and consensus-building among social and especially ethnic groups. Moreover, effective institutions of economic management would require a more focused but active role for the state. Not least because the literature suggests that quality of service delivery by the state in ethnically divided societies is likely to be low. Under such circumstances, hiring in the

Excerpt from the discussion

Diversity of Sudanese in culture, lifestyle, livelihood and ancestry makes the country difficult to govern.

Sudan's cycle of conflict, military coups and revolutions has gripped the country for the past six decades.

Serial internal conflicts have empowered successive governments to weaken institutions and dismantle the apparatus of the state and all pillars of civil society.

In this context, it is unsurprising that the modern history of Sudan is tightly intertwined with calls for federalism.

The Dialogue aimed to examine the opportunities and challenges for a potential federal system and for managing diversity in Sudan; and the role of civil society and academia, government institutions, and international partners in this endeavour.

public sector is at least partially influenced by patronage along lines of ethnic affiliation and political interests.

It is against this backdrop that the four-day Dialogue in Nairobi, supported by International IDEA in partnership with the Peace Research Institute at the University of Khartoum (PRI) was organized. Held in Kenya from 24 to 28 January 2023, the event brought together over 25 participants. International IDEA's capacity-building programme in Sudan promotes and encourages development policy dialogue through sustained inquiry into the nature of Sudan's economy with the aim of building a smooth transition to democracy in the long run.

Key messages

- Drawing from international and regional best practices and taking into consideration the specific features of pluralist societies, level of development, human needs, cultural and other societal characteristics, federalism is seen as the key guarantor of national unity and prosperity.
- A working fiscal federation is needed in Sudan and should be defined through a participatory, consensual constitution-making process.
- There is need for legal, institutional and governance reforms and for accountability, fiscal responsibility and transparency. Functions and responsibilities should be balanced between the central and sub-levels of governance.
- The regions need to have legal instruments to anchor decentralization and to avoid potential encroachment by the central government on powers of states and regions.
- Equal representation and participation of women at all levels of government need to be guaranteed by mainstreaming gender equality in all federal processes.

Excerpt from the discussion

Sudan has historical challenges due to the marginalization of some regions in the country and the dispersal of central funds remain as a challenge. The Legislative Act formally defines the federal arrangements at central level—but without any form of autonomy at the subnational levels. Expenditure and revenue

responsibilities have been devolved to states, but the fiscal imbalances at the central level have resulted in lower transfers to subnational governments in recent years (Logan et al. 2021)*, resulting poor local service provision, high poverty levels, and systemic inequality.

Source: Logan, S., Nyembo, A., Owen, B., Saab, M. and Sacchetto, C., 'Fiscal Federalism in Sudan', Working Paper, International Growth Centre, May 2021, <https://www.theigc.org/sites/default/files/2021/09/EN_Fiscal-federalism-in-Sudan_IGC.pdf>, accessed 7 April 2023.

- A national conference on culture and cohesion, and development of drama, books and other cultural/learning resources can be part of building and supporting the necessary cohesion and appreciation of diversity.
- There is a need to promote diversity and local cultures through the establishment of cultural centres in the regions and by engaging Sudanese academicians and diaspora for related research.

Excerpt from the discussion

Constitution-making in Sudan needs to remain inclusive. Sudanese institutions have suffered from lack of implementation as well as structural challenges of fiscal federalism.

Strong national ownership and leadership

Experiences from other African countries show that it is critical to build strong national ownership and consensus around the intertwined issues of federalism and managing diversity.

Despite the challenges of fiscal federalism, policymakers should be able to lay the foundations of expenditure frameworks that are linked to development mechanisms, reduce poverty and narrow the disparities among regions of Sudan. These should be formed on the basis of inclusive and comprehensive coverage of and participation in the federal system.

Linking federalism to development goals

Federalism processes should not just be seen as a means of meeting constitution requirements for participation and devolution of power, but more importantly as an instrument for addressing key development goals, such as reducing poverty and inequality and enabling socio-economic transformation. When countries face technical, political and other challenges that hinder them from conducting broad-based federalism, as in Sudan, it is nevertheless important to start a credible process to address the development challenges through wider participation of the citizens.

Chapter 1

BACKGROUND: FEDERALISM

Excerpt from the discussion

Decentralized systems, if applied well, can accommodate and cater adequately to specific needs in a diverse society. As a form of decentralization, meaningful federalism—if applied well—can lead to genuine democratic transformation in Sudan.

Decentralization has been increasingly seen and adopted worldwide as a balance against arbitrary use of power by central elites, as well as a way to enhance the efficiency of social service provision and to allow for a closer match between public policies and the desires and needs of local constituencies.

A federal form of government promotes decentralized decision-making and therefore is generally conducive to greater freedom of choice/diversity in public services, political participation, innovation and accountability.¹ It is also better adapted to handle regional conflicts. Such a system, however, is open to a great deal of duplication and confusion in areas of shared jurisdiction and requires special institutional arrangements to secure national unity, ensure regional equity and preserve an internal common market.

Federal countries broadly conform to one of two models—‘dual’ or ‘cooperative’ federalism. Under dual federalism, the responsibilities of federal and state governments are separate and distinct. Under cooperative federalism, responsibilities of various orders (levels) of government are mostly interlinked.

¹ See: Shah, A., ‘A Practitioner’s Guide to Intergovernmental Fiscal Transfers’ in R. Boadway and A. Shah (eds), *Intergovernmental Fiscal Transfers* (Washington, DC: World Bank, 2007).

Excerpt from the discussion

Issues of governance and armed groups in Darfur after the peace agreement have to date proven difficult to negotiate and resolve. Where political power sits and the accountability of elites are major challenges to efficient federalism and progress on inclusive economic development for all in Sudan. The question of political parties and peace agreements invites political divisions

and competition that supersede interest in re-engineering systems of democratic governance.

The central government in Sudan is a challenge to effective federalism. We need to rethink whether there really is a trade-off between growth or redistribution of wealth.

Under both of these models, fiscal tiers are organized so that national and state governments have independent authority in their areas of responsibility and, in theory, act as equal partners. In practice, national and state governments often assume competitive, non-cooperative roles under such an arrangement.

Dual federalism takes either the 'layer cake' or 'coordinate authority' approach. Under the layer-cake model, practised in Malaysia, Mexico and Russia, there is a hierarchical (unitary) type relationship among the various orders of government. Central government is at the apex with the option to deal with local governments through state governments or more directly. Local governments do not have any constitutional status and are simply extensions of state governments, deriving their authority from the latter. In the coordinate authority model of dual federalism, states enjoy significant autonomy from the federal government; local governments are simply extensions of the states and have little or no direct relationship with the federal government. The workings of dual federalism in Australia, Canada, India, Pakistan and the United States resemble the coordinate authority model.

Federal countries therefore vary in how, and how far, subnational levels influence national policies. In some countries, there is a clear separation of national and subnational institutions ('executive' or 'inter-state' federalism) and the two levels interact through meetings of officials and ministers, as in Australia and Canada. In Germany and South Africa, state/provincial governments have a direct voice in national institutions ('inter-state' federalism).

Recent years have seen an increased focus on understanding the political processes driving the development of institutions, which is essential for those striving to improve institutional structures², as well as the costs of implementing development. Multi-level governance relationships (national, state and locality level) are critical to how services are delivered, and how effectively.

² Tungodden, B., Kolstad, I. and Stern, N., 'Toward pro-poor policies: An overview', in B. Tungodden, N. Stern and I. Kolstad (eds), *Toward Pro-Poor Policies: Aid, Institutions, and Globalization* (Washington, DC: World Bank/Oxford University Press 2003, <<https://openknowledge.worldbank.org/server/api/core/bitstreams/780f8709-1dfd-5062-a2a9-9855d2c4ff00/content>>, accessed 7 April 2023.

While thinking of federalism and how it can make a difference in state performance, it is important to recall the goals of development: which are to improve people's lives. Since finance is the lifeblood of any decentralization policies, then the structure of intergovernmental fiscal relations, the formula, institutional setting and legal framework, are considered as crucial elements in any federal system. The record of federal transfers over the last 10 years in Sudan is one of decentralized spending leading to more spending—yet without satisfying minimum standards of service delivery and development at large.



Image credit: International IDEA, photo by: Events Comm Empire.



Image credit: International IDEA, photo by: Events Comm Empire.

Chapter 2

ABOUT THE WORKSHOP

The Forum was a platform for exchange of knowledge, experiences and information—on federalism, fiscal federalism and managing diversity—among Sudanese intellectuals in the diaspora, with the intention of enhancing dialogue and informing relevant policies. The various speakers and facilitators provided experiences and challenges as well as outlining their implications for Sudan during the transition. The four-day Forum culminated with a capture of lessons learned and key recommendations for finding a way forward.

The timing of the Forum coincided with the ongoing workshops in Khartoum assessing transitional justice, constitution-making and reviewing the Juba Peace Agreement (JPA). The aim of the Forum was thus to contribute to the transition planning process in Sudan over the immediate, short and medium term.

The overarching theme for the workshop was ‘Towards Federalism, Fiscal and Intergovernmental Relations and Equitable Resource Sharing versus Centralization in Sudan’, with the following sub-themes:

Key questions addressed by the workshop

- Do we need to study the way and the structures of how services should be delivered in a fiscally decentralized system?
- Can local governments work better than the central government in service delivery?
- Can the present federal system make a difference and work for poor people?
- Is decentralization key to governance that focuses on the needs of poor people particularly in the post-conflict era?
- What promise is held by the proposal of an Independent Service Authority (ISA) in terms of popular welfare and service delivery?

- overview of federalism including big development agenda incorporating institutional and legal issues;
- deeper examination of specific technical issues related to fiscal federalism; and
- the context of state fragility, focusing on specific challenges for managing diversity and lessons learned following the secession of South Sudan.

Methodology

The Forum employed several methodologies as avenues for best gaining insights from the sessions: structured expert speaker presentations, panel discussions, plenary discussions and commentaries, as well as use of group activities. Within the thematic areas outlined above, the different topics focused on were as follows: regional good practices of federalism and fiscal federalism and lessons learned, history of federalism in Sudan, its challenges, impact and implications for future models and diversity management; the role of secularism in diversity management; and centralizing economic and welfare-centred approaches in political agendas. Based on the discussions the workshop participants drafted recommendations for the way forward.

The papers and discussions from the Forum will be synthesized into a Policy Note, in English and Arabic. In this Report, the sections that follow (3–5) are structured around the expert presentations.



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Chapter 3

DEALING WITH GOVERNANCE SYSTEMS IN SUDAN DURING THE TRANSITION

Summary of the presentation

The presentations on day one highlighted key issues. First, the meaning of federal governance was analysed and also how state power and central government have shifted over time since the time of the coup d'état in Sudan. Second, questions of participatory constitution-making during the transition in Sudan were recommended as critical and urgent. Building strong political parties, supporting decentralized governance systems, and enhancing electoral processes to include women, youth and ethnic minorities were identified as important to Sudan's transition. Third, learning from different models of federalism in other countries (such as Belgium, Canada, Kenya and the USA) was highlighted as the best way to facilitate fiscal decentralization in Sudan (see also Boxes 1 and 2).

Two countervailing perspectives dominate the debate over constitutional design and conflict management in divided societies:

Excerpt from the discussion

African states have responded differently to federalism, especially when dealing with matters around diversity and inclusion. Key questions at the Forum included:

What institutions do federal systems provide to promote participation and to promote checks and balances?

What are the challenges, opportunities, best practices and lessons learned from previous experiences in Sudan?

How can we have a federal system that averts secessionist postures?

Constitutionalism as a process is key to anchoring different levels of governance. For transformation to be entrenched in Sudan, a democratic framework is needed.

- integration seeks 'a single public identity coterminous with the state's territory'; and
- accommodation encourages 'dual or multiple public identities' as well as 'equality with institutional respect for differences'.

Both accommodation and integration see merit in federalism: as a democratic mechanism for managing diversity. But they recommend different institutional configurations.

Accommodative federations design sub-units in a way to secure self-rule for minority groups in their own units while maintaining shared rule between groups at the centre (Bosnia and Herzegovina, Belgium, and Canada). Integrative federations consist of heterogeneous units that cut across group lines where possible (United States and Nigeria).

It was noted that building democracy in Sudan is needed for sustaining long-term peace. Acknowledging the diversity of Sudan's regions was noted as a key element in sustaining decentralized systems of governance for democratic transition in the country. Lastly, there was consensus on the need to understand the meaning of 'constitutionalism and rule of law' in anchoring a Sudanese federalist framework. On this point, many agreed that federal governance structures promote inclusive institutions (legal and other) and economic development, in turn fostering political harmony, stability and conflict transformation.

Discussion

Federal governance was noted to have major implications for the presidential systems of governance in Sudan, thus making decentralization a difficult task. There was agreement that a federal governance system requires deeper and wider reflections by all stakeholders in Sudan. On this same note, questions were raised concerning the need for finding strategies to address governance issues and armed groups in areas such as Darfur. It was noted that even after the peace agreement it has to date remained difficult to negotiate or resolve conflict there.

Questions of where political power sits and the accountability of elites were cited as a major challenge to efficient federalism in Sudan. Managing ethnic diversity and natural resources remains at the heart of any discussion on federalism in Sudan, as does integration of traditional governance systems into decentralized structures. Ethnic identity politics and inclusion challenges make it difficult to develop all-inclusive governance structures in the country.

This underlines the urgent need to create an all-inclusive constitution-making process in the country. The type of justice system(s) to adopt during the transition period remains a challenge (whether to use transitional, criminal or transformative justice mechanisms).

The question of how to build strong institutions (including political parties) to support peace agreements has remained divisive. Political divisions and competition have superseded national interest in rethinking the systems of democratic governance. This question links into the larger role of the military in the governance system, a scenario which has negatively impeded efforts to create systems, institutions and structures of accountability that ensure checks and balances.

In addition, separation of state from religion has become a key question while seeking to understand federal governance in Sudan. For example, South Kordofan has become a region fraught with such conflicts. Trust-building mechanisms among Sudan's diverse populations would allay fears that embracing federalism might exacerbate deep (societal, intercommunal) divisions.



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Image credit: International IDEA, photo by: Events Comm Empire.

Chapter 4

MOVING FORWARD: FISCAL FEDERALISM AND INSTITUTION BUILDING

Excerpt from the discussion

On fiscal federalism, participants pointed out that some regions in Sudan are developed while others are less developed, and recommended carrying out cross-studies to look at key indicators that support fiscal federalism. The central government's control of regional states' resources

was a point of grievance. The questions posed included: Do we have national projects in those regions?; and What are the criteria for identifying projects to benefit the people in such regions? The participants recommended that laws are needed in the Constitution that control management of such resources.

Summary of the presentation

The sessions on this topic examined the potential scope and limits of wealth/resource sharing within a federal democratic and Sudanese context. Key deliberations focused on how Sudanese institutions have suffered from implementation and structural challenges (fiscal decentralization in practice, to date).

The presentation emphasized that Sudanese citizens need to adopt a dual lens in seeing how the native administration and democratic state institutions complement each other in discussing the issues of fiscal decentralization. There is a link between participatory constitution-making, development, and the future of Sudanese fiscal federalism. There is a need to rethink strategies to depoliticize ethnicity in the fiscal decentralization debate, as well as rethinking questions around ethnicity, population, region and resource distribution. It is necessary to find a formula for sharing tax revenue and proceeds from natural resources such as oil and minerals, not least because allocating resources to federal unit functions is key for service delivery to the citizens (see also Box 1). Political decentralization must align with fiscal federalism, including a distribution of power that is mutually supportive of fiscal decision-making and, by extension, reviewing and restructuring of states

Box 1. Kenya's experiences with devolution

Kenya has 47 counties that form county governments led by elected governors. A golden rule of decentralization is 'funding follows function', which is why the function assignment process is so important.

1. The rationale for conditional transfers:

- supporting national priorities at the local level;
- filling gaps in the transition;
- stimulating performance at the local level.

2. The scale, scope and complexity of Kenya's devolution—key questions

- how the public sector functions today, and where it has failed;
- how the public sector will function after devolution;
- implications of the transformation for public administration and service delivery;
- implications for governance and the role of Parliament.

3. Determining how much counties need

- designing a framework for function assignment across levels of government;
- clarifying function assignments;
- guiding the function assignment process successfully;
- refining function assignment;
- determining county needs;
- simulating aggregate county expenditure needs;
- converting the simulation into a real estimate of aggregate county needs;
- finding the fiscal space to move beyond historical spending;
- implications for design of intergovernmental financing arrangements.

4. Devolution presents massive challenges for political and administrative restructuring

Kenya's new Constitution marks a critical juncture in the nation's history. It is widely perceived by Kenyans from all walks of life as a new beginning. Indeed, many feel that post-independence Kenya has been characterized by centralization of political and economic power in the hands of a few, resulting in a spatially uneven and unfair distribution of resources and corresponding inequities in access to social services: the opposite of an inclusive state.

5. Devolution is at the heart of the new Constitution and a key vehicle for addressing spatial inequities.

A more decentralized government makes eminent sense given Kenya's diversity and past experience with political use of central power. Devolved government presents an opportunity to address the diversity of local needs, choices and constraints in Kenya.

Source: Workshop presentation.

in Sudan is necessary. Localities must receive mandates for implementing expenditures being transferred to them from the decentralized units.

The political transition process in Sudan—which started in late 2022 but was interrupted by the outbreak of armed conflict between the Sudanese Armed Forces and the Rapid Support Forces—could have played an important role in anchoring a working fiscal federal system as a longstanding political question is important for finding a working system for Sudan (see Box 2 and Box 3).

Box 2. Dealing with governance systems in Sudan during the transition—peacebuilding, democracy and development

Experiences from other African countries have also demonstrated the crucial role that key political leadership can play in making federalism a success. Continuous and structured dialogue is needed to institutionalize federalism and regionalism with strong supporting policy processes. Two strands were debated, namely: going back to regionalism; and provinces versus the current system of 18 states.

Why regions?

Grievances are articulated through the lens of regions (Darfur, East); regions are socially diverse but not polarized; they promote inter-ethnic cooperation within regions; relatively large economic base.

Why not states?

Highly polarized (designed by the Ingaz regime to provide a tribal power base); promote intercommunal conflicts; relatively small economic base.

Why localities?

Relatively socially homogeneous—better aligned with local preferences; more efficient service delivery; bottom-up approach to development—development corridor around productive cities.

Sudan's twin challenges—the lack of a shared national identity and persistent and substantial inequities across states—are common among its neighbours. Tanzania's experience on this front may prove helpful. Nyerere's project to unify the country succeeded arguably because of its sequencing. The lesson for Sudan is that it might do well to prioritize political socialization and equity before then expanding regional powers.

Land ownership challenges need to be addressed under fiscal federalism to address historical issues in places such as Western Sudan and Darfur. In balancing politics and the management of ethnic relations in these regions, the formula for federal division and transfer of revenue should be proportionate to the population. Dealing with the issue of refugees and other vulnerable groups that may not pay taxes but whose basic needs require budgetary support is another important aspect in devising such a formula.

Discussion

The discussion emphasized that in allocating revenues to decentralized units, these must not exceed the expenditures of the units. There should be no taxation without representation, and there is a need to put in place a tax use evaluation system to rationalize revenue allocations over time, including to the benefit of the less developed regions in Sudan.

The question was raised how localities generate their own revenue and how to encourage entrepreneurship to reduce dependence on the central government for revenue transfers. Strong concerns were raised that allocating funds to autonomous (federal) states, regions and localities would have major political effects, reducing the voice of the central governments and to the point of encouraging secession.

Box 3. Fiscal federalism as a pillar of state-building in Sudan

Successful fiscal federalism will only be achieved if there is strong political leadership and goodwill during its formulation and implementation.

The Forum was timely and provided an opportunity for participants to appreciate the immensity of the challenges.

Capacity development: There is a need to ensure that the government mobilizes all existing capacities to take ownership and leadership of the fiscal relations agenda. The lessons and experiences shared demonstrate that authorities of the Government of Sudan have to brace to take leadership in the design of a credible 'homegrown' action plan during the transition. To this end, strengthening the technical competence and capacities of relevant government departments, especially the Public Financial Management (PFM) unit, requires urgent support.

The success of Sudan's federal governance model hinges on institutionalization of fiscal federalism that ensures full legislative and political autonomy of subnational governments as well as programmatic and fiscal autonomy and puts an end to control by central government. The building of federal structures and institutions must be guided by country context with broad consensus and participation.

Capacity building is important for strengthening institutions, practice and outcomes of fiscal federalism over time.

Vertical fiscal gaps (i.e. mismatch in revenue means and expenditure needs) and revenue autonomy at subnational levels remain an area of concern in those federal countries where the centralization of taxing powers is greater than necessary to meet federal expenditures; this results in undue influence on subnational policies to meet national objectives through the use of fiscal transfers. The reform of conditional transfers is of concern to subnational governments in most federal countries due to their ad hoc nature and in view of their distortionary impacts on subnational priorities and policies. Equalization of transfers also invites controversy due to the complexity of the formulas and/or lack of consensus on the standard of equalization.

Defining relations between the international, national and local levels of government in Sudan is key to receiving external financial assistance. Defining a bill of rights in the constitution-making process is the best way to guarantee citizens' rights as taxpayers in Sudan. Formally, there are federal arrangements in existence in Sudan, in the form of legislative acts at central level—but without any form of autonomy at the subnational levels. Revenue should also align with expenditure responsibilities at local levels. Finally, there should be a well-defined natural resource (oil, gas and minerals) revenue-sharing arrangement in Sudan, as seen in countries such as Brazil and Nigeria. In Sudan, revenue management is highly centralized.

Excerpt from the discussion

How culture, social change, and diversity affect federalism in Sudan was addressed, with deep reflection on the dualism of modernization versus the traditional system. The country has

toyed with a 'federal' system which is in fact centralized and authoritarian, rather than authentically decentralized or democratic. Diversity has not thrived in the current federal system.



Image credit: International IDEA, photo by: Events Comm Empire.

Chapter 5

MANAGING DIVERSITY IN PLURAL SOCIETIES AND THE DEVELOPMENT CONSEQUENCES OF FEDERALISM

Summary of the presentation

During this session speakers focused on managing diversity in plural societies and the development consequences of federalism, while seeking to learn lessons and understand what prospects await Sudan. The objectives were: (a) to visualize the needs, opportunities and challenges of implementing federalism within the contexts of the social, cultural and political structure; (b) to facilitate interaction with and between stakeholders including implementing partners; and (c) to understand best practices in diversity management in a transitional state.

To better understand diversity management, there is a need to appreciate and understand the governance history of Sudan to date (see Box 4), including how the different levels of government in Sudan work for its citizens at the moment. Engaging the elites dominating the political and economic sphere remains critical in realizing decentralization goals in Sudan.

Poverty levels directly affect economic inclusion strategies at federal levels and accentuate ethnic and regional marginalization. The dropout rates of children from school, for example, remain high in marginalized areas. There is a need to devise federal policies that address structural inequalities in all key service sectors at different levels of government, such as healthcare and education.

The question of what role federalism can play in building national unity (both social and political integration) was seen as important. The answer to this question is centred on how to design a multi-ethnic state responsive to the diversity of the Sudanese nation (see Box 4). On this point, there was an agreement that rigorous ethnic studies should be drawn upon. This could be accomplished by looking at social and cultural contexts through social integration theory to understand diversity and class divisions in the absence of multi-ethnic or multicultural federations in Sudan.

For diversity management to thrive, there has to be citizen participation and a robust management system. A question as to whether to create separate states, unitary states or a federation and the challenges of creating multi-national federalism versus ethnic federalism were raised during the presentation. There is a need to consider the impacts of historical exclusion, lack of institutions and limited formal representation for ethnic groups in Sudan currently. On this, it was noted that the approach of adopting assimilation rather than integration in Sudan has posed a challenge for genuine diversity. Federalism as 'unity in diversity' is important in Sudan to avoid reinforcing ethnic divisions.

Electoral and other political representation, territorial autonomy, ethnic balancing, recognition of minority languages, and strengthening sanctions against incitement to ethnic hatred and violence are all factors to consider. To promote social inclusion means the promotion of ethnic visibility, consideration, access to social interaction, rights and the resources necessary to fully participate in society. There is a need to learn from best practices including looking at multi-national federalism as multiculturalism. Sudan must use democratic institutions to construct a sense of national identity and recognition for citizens, define the meaning of self-rule as shared rule, and write a constitution that takes into account issues of diversity management.

Discussion

To rethink how to manage Sudanese diversity, there is a need to inform federalism from the point of view of ethnic, historical and local realities. Ethnic or religious domination has led to 'othering' and in the end religion has been linked to ethnic discrimination.

Ethnic diversity is difficult to achieve in smaller enclaves in Sudan. For example, in Darfur, some regions are dominated by larger ethnic groups. There was a recommendation to trial new ways of managing diversity in this region by drawing from the example of Nigerian federalism.

Discussions among the Sudanese people about cultural diversity have diminished since the separation of the North and the South in July 2011. The failure of several groups on both sides to manage diversity properly is now a proven fact, and dialogue on issues like unity within diversity, what it means to be Sudanese and the comprehensive identity, have largely come to a halt.

The importance of gender equality was raised as women represent 51 per cent of the population yet remain underrepresented in Sudanese public and political life. Most local governments do not include women, let alone have quotas reserved for women, meanwhile political parties do not nominate women to positions of power. The British colonizers used similar tactics in the past, establishing local governments without inclusion of women. Constitution-making processes must reflect gender and religious diversity in Sudan. Women should lead and be included in peacebuilding and political processes. Change of culture is critical for building due respect for diversity in Sudan among all stakeholders and for improving the diversity of institutions.

Box 4. Managing diversity: Is democratic decentralized federalism possible in Sudan?

Sudan's experiences under the two dominant regime types show at least five similarities in respect of diversity: Inequality and uneven development, and the associated grievances, have been a constant whether under the Westminster-style democratic governments or the three military authoritarian regimes.

- So has been the use of violence (war) and coercion, including as instruments for managing grievances emanating from unequal development, leading to the destruction of the meagre factors of social development.
- In turn this has exacerbated the negative consequence of other forms of diversity in the peripheral regions, particularly poor and unequal access to employment, education, healthcare and infrastructure.
- The first military regime (1958–1969) and two multiparty democracy governments (1956–1958 and 1964–1969) had a better record in managing (or not mismanaging) gender diversity than the closing days of the 1985–1989 multiparty democracy.
- Attempts at imposing one-nation, one-religion policies, backed by violence and coercion are mostly associated with political regimes since 1985, both civilian and military.

Despite its deficiencies in practice to date, the current federal system might have some positive potential:

A relatively centralized federal system does not in principle preclude subsidiarity: whereby the lowest appropriate tiers of subnational administration can deliberate on issues with direct relevance to their well-being.

- It is a lesson, though a hard one, in sensitizing citizens and political elites to the possibility that they could govern their local affairs without political parties originating (and candidates imposed) from the centre.
- Regional political executives, legislatures and judiciary have gained considerable experience in governing the three layers of Sudan's federal system (regional, local government and political committees). If democratized and capacitated, the federal system could become a force for good. Over time it could be transformed into a more authentic, decentralized and democratic system of government.
- There is now at least greater awareness about the dangers of authoritarian management of ethnic, religious, linguistic, gender and other diversities: its negative consequences in tearing the social fabric, and endangering national unity and cohesion.

The intricacies of different social groups such as refugees, IDPs (internally displaced persons) and residents of border regions still plague the country's efforts to create inclusive regions that meet local people's needs. Raising local awareness about cultural diversity is vital for CSOs (civil society organizations) to embrace the vision for a united nation. Local government must extend their reach to the villages in Sudan as part of this.

In the West, the separation of religion from the state came from the history of separating Church and State. In Sudan, the separation of State from religion is a subject of discussion and arguably a referendum is needed on this topic. To differentiate between state and religion is challenging in Sudan; both institutional systems are open to manipulation by powerful actors and at this point become instruments of division. Minority groups must not feel undermined in the process of constitution-making in Sudan.

Similarly, in the current political stalemate which has stymied democratic decentralization, the traditional and modern systems of governance are difficult to delineate clearly. The best pathway is integration of the two to create vibrant systems of participation. The traditional systems work effectively at the appropriate level.



Image credit: International IDEA, photo by: Events Comm Empire.

Chapter 6

LESSONS LEARNED AND RECOMMENDATIONS

At the end of the Forum, participants discussed and listed key lessons learned, recommendations and ways forward on the topics of federal governance, fiscal federalism and diversity management as follows:

Federalism

1. It was clear that most institutions under national or federal systems in Sudan have failed, hence the need for their review and rethinking.
2. In Sudan, taxation affects development and there is no coordination of tax at the national or regional government levels.
3. Drawing from international and regional best practices and taking into consideration the specific features of diverse societies, level of development, human needs, cultural and other societal characteristics, federalism is seen as the key guarantor of national unity and prosperity.
4. There is a need for reforms including legal, institutional, governance, accountability, fiduciary and transparency systems. Functions and responsibilities should be balanced between the central and subnational levels of governance.

Making federalism and fiscal decentralization work

1. A working fiscal federation should be defined through a participatory, consensual constitution-making process, taking into account geographical factors.
2. The capacity of national and regional units of governance should be built to create a system to monitor tax generation with clear laws on the fiscal framework.
3. The fiscal federation needs to comprise a complete system of administration with clear mechanisms on how to generate revenue,

enhance supervision and enhance monitoring through a judicial system on decentralization through regional representation.

4. Dialogue on the federal system is needed to depoliticize the issues on ethnicity and on reform of the native systems of governance in Sudan.
5. The regions need to have legal instruments to anchor decentralization and to avoid potential encroachment by the central government on powers of states and regions subsequently, hampering meaningful decentralization.
6. The resource allocations need to be rethought to reform the current expensive system of federalism in Sudan and to establish transparency and accountability in sharing revenue.
7. The distribution of resources between states needs to be proportional and aim to bridge differences in development.
8. There is a need to make a direct connection between federalism and the development agenda in Sudan.
9. The federal system must be inclusive and participatory and protect the rights of minorities and vulnerable groups.
10. There should be easy access to local authorities, communities and federal institutions.
11. Equal representation and participation of women at all levels of government need to be guaranteed by mainstreaming gender equality in all federal processes.
12. Media should be engaged in the dialogue on the federal model to achieve a genuine federation.
13. There is a need for making clear institutional and legislation policies at all levels of federalism.

Promoting diversity

1. Clear and understandable language and terminology should be used in explaining federalism to the wider public and the media should be engaged in promoting diversity to stop sectarian or regional discrimination.
2. Legislation should be drafted to promote cultures across states and regions and resources allocated for cultural programmes in remote regions.
3. Youth should be involved in the diversity and cultural promotion programmes and relevant state institutions, such as the Ministry of Youth and Sports, and engaged in the efforts.

4. National centres should be established to support cohesion and diversity in the states, a national conference on culture and cohesion should be held and books, drama and cultural activities should be utilized to promote diversity.
5. Research on diversity and local cultures should be supported by engaging Sudanese academia and the diaspora.



Participants of the International IDEA Dialogue on 'Federalism, Managing Diversity and the Practice of Fiscal Federalism in Sudan' in Nairobi, Kenya, January 2023.



Annex A. Agenda

Agenda

Time	Theme	Chair, speaker and lead commentator
Day One, 24 January 2023: Federal governance system		
08:30–10:00	Opening remarks from International IDEA and PRI Introduction About the Federalism Dialogue	
10:00–11:30	Session One: Dealing with Governance System in Sudan During the Transition: Explaining the Global Development Agenda for Sudan within the Regional and Federation Approach	Speaker: Ebrahim El Badawi Lead Commentator: Abdelwahab Elsinnary Chair: Omer Egaimy
Coffee and tea break		
12:00–13:30	Session Two: Dealing with Governance System in Sudan During the Transition: How Legal Institutions Matter for Federalism in Sudan	Speaker: Mutasim Ali Commentator: Massad M. Ali Chair: Asha Hamad
Lunch break		
14:30–15:30	Session Three: (Open Session) – Key to success and take away	
Day Two, 25 January 2023: Fiscal federalism		
08:30–09:00	Organization: Administrative – Logistics	
09:00–10:30	Session One: Fiscal Federalism and Institution Building Key to Success: What does it mean to have Fiscal Federal System in Sudan in a political transitional condition?	Speaker: Hamid El Tejani Lead Commentator: Siddig Elghali Chair: Rasha El Mahadi
Tea break		
12:00–13:30	Session Two: Toward Intergovernmental Fiscal Relations, Development Impasse and Delivering Results	Speaker: Adam Elhiraka Lead Commentator: Ahmed Gezo Chair: Sabir Abu Sadia
Lunch break		
14:30–15:30	Session Three (Open Session) – Key take away on fiscal federalism	
Day Three, 26 January 2023: Diversity management		
08:30–09:00	Organization: Administrative – Logistics	
09:00–10:30	Session One: Managing Diversity in Plural Societies and the Development Consequences of Federalism: Lessons and Prospects for Sudan	Speaker: Abdelraheem Abu Elbashar Lead Commentator: Musa Abdelgalil Chair: Hamoda Hamadani

Agenda (cont.)

Time	Theme	Chair, speaker and lead commentator
Tea break		
12:00–13:30	Session Two: Managing Diversity, Federalism and Development Path in Sudan: Challenges and Opportunities A Reflection on the Transitional Government Dr Ibrahim Elbadawi	Speaker: Mohamed Saleh Kadugli Lead Commentator: Munzoul Assal Chair: Ahmed Abdelrhman Saeed
Lunch break		
14:30–15:30	Session Three: Sudan Independent in Managing Diversity? – Key take aways on Diversity, Federalism and Development Path in Sudan	Open session
Day Four, 27 January 2023: Recommendations and the way forward		
08:30–09:00	Organization: Administrative – Logistics	
09:00–10:30	Session One: Recommendations and the Way Forward To provide scientific recommendations to the concerned policymakers in the transitional government in Sudan	Chair: Hanadi Alnour Adlan and three moderators
Tea break		
12:00–13:00	Session One: Presentations by moderators of the three groups	Chair: Hanadi Alnour Adlan and three moderators
13:00–13:30	Closing remarks	International IDEA and PRI
1330	Lunch and departure	

About the author

Saif El Din Daoud Abd El Rhman (PhD) is a Sudanese national based in Nairobi, Kenya. He is a former Assistant Professor of Development Economics at the University of Kassala, Sudan, and a professional development economist with diverse and extensive (over 20 years) consultancy and research experiences in the African continent.

About the partners

INTERNATIONAL IDEA

The International Institute for Democracy and Electoral Assistance (International IDEA) is an intergovernmental organization with the mission to advance democracy worldwide, as a universal human aspiration and enabler of sustainable development. We do this by supporting the building, strengthening and safeguarding of democratic political institutions and processes at all levels. Our vision is a world in which democratic processes, actors and institutions are inclusive and accountable and deliver sustainable development to all.

What we do

In our work we focus on three main impact areas: electoral processes; constitution-building processes; and political participation and representation. The themes of gender and inclusion, conflict sensitivity and sustainable development are mainstreamed across all our areas of work. International IDEA provides analyses of global and regional democratic trends; produces comparative knowledge on democratic practices; offers technical assistance and capacity building on reform to actors engaged in democratic processes; and convenes dialogue on issues relevant to the public debate on democracy and democracy building.

Where we work

Our headquarters is located in Stockholm, and we have regional and country offices in Africa, Asia and the Pacific, Europe, and Latin America and the Caribbean. International IDEA is a Permanent Observer to the United Nations and is accredited to European Union institutions.

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Khartoum University Peace Research Institute (PRI) is an academic research institute that focuses on issues of governance, the rule of law, human rights and peacebuilding.

Established in 1986, PRI aims to promote initiative, leadership and cooperation in the fields of social scientific research that contribute to the advancement of peace and human rights in Sudan. Through it, the University of Khartoum seeks to deepen the understanding of the causes of conflict, while simultaneously providing frameworks for their resolution. PRI also works as a national platform for dialogue and policymaking.



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The Dialogue on Federalism, Managing Diversity, and the Practice of Fiscal Federalism in Sudan was held in Nairobi, Kenya in January 2023 by International IDEA and the Peace Research Institute of the University of Khartoum. It explored opportunities and challenges and provided recommendations for the potential future federal system in Sudan. Participants' discussions on this theme responded to six analytical papers presented at the workshop, covering also the roles of civil society, academia, government institutions and international partners in supporting appropriate forms of decentralization.

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