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SUDAN ECONOMY RESEARCH GROUP
DISCUSSIONS PAPERS

Alternative Economic Strategies for the Sudan

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Discussion Paper No. 26
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Bremen, December 1992

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1 Sudan's Crisis

Sudan is in a deep economic, social, political and ecological crisis. More so, it is in a human condition crisis when observing the large-scale human rights violations, the mass displacement of people and the increasing poverty and starvation in the country.

The economic crisis of Sudan escalated at the end of the 1970s when the country abandoned its Six Year Plan and negotiated a stabilization programme with the IMF (International Monetary Fund). However, the crisis emerged earlier and has to do with the development path chosen since independence. Since the end of the 1970s one observes a decline of the industrial output and of industrial capacity use, a deterioration of overall growth performance and productivity, a high instability of agricultural output, a decreasing saving capacity and declining investment rates, an increase of regional economic imbalances within the country, a worsening of income and wealth distribution especially in the rural areas, a fast decline of real wages and a high informal sector growth in the urban areas, a sharp decline of payments and of productivity in the public sector and the civil service, and a weakening of the overall capacity of the government to manage the economic crises. One can also observe a decline of the international competitiveness even of traditional export crops (like cotton, sesame, gum arabic and groundnuts), and a reduction of aid commitments from the side of the donors. Even commodity aid is not forthcoming at sufficient levels. Many other negative socioeconomic trend figures may be mentioned but the main issue is that all these tendencies are reinforcing each other, thereby leading to shrinking market levels and productivity growth rates, declining saving and investment rates, a deteriorating performance at the world market, and increasing imbalances with regard to income, wealth and the regions.

The economic record of the new regime (in power since June 1989) is so far extremely poor (see Table 1). The figures do not give any indication of change to the better.

Table 1: Sudan's Economic Decline

Forecast Summary	1989	1990	1991[a]	1992[b]
Real GDP growth (%)	7.4	-6.0	-12.0	-5.0
Consumer price inflation (%)	64	80	150	175
Exports fob ($ mn)	545	555	425	500
Imports fob ($ mn)	1,051	1,216	1,325	1,450
Current A/c balance ($ mn)	-152	-390	-500	-475
Total external debt ($ bn)	13.0	13.2	13.4	13.6

a = Estimates, b = forecasts

Source: Sudan Studies, January 1992, p. 6

The negative growth rates over years mean that less and less product is available for the subsistence needs of the growing population base. The inflation is escalating and is thereby impoverishing the people, especially the poorest segments of the population. The trade deficit is still increasing and the imports are now three times the level of the export values. The current account deficit including also services and remittances is deteriorating as well because of the declining willingness of the SNWA (Sudanese Nationals Working Abroad) to remit income earned in foreign countries, and because of too late and uncoordinated devaluation, import control and debt policies. Agricultural policies of the new regime are highly politicised and activities are concentrated on irrigated agriculture first and on mechanized farming second (with preference for wheat cultivation in irrigated areas at the expense of cotton). The agricultural policies have a bias against the traditional agricultural subsector and the small farmers. The loss of traditional export markets, the high import dependence with regard to so many investment and consumer goods as well as intermediate goods and the increasing reluctance of the donors to commit and supply commodity aid culminate in unsustainable balance of payments positions.

These figures give only an impression of the tensions and the climate surrounding the Sudanese economy now. Alternative economic scenarios give even a much worse picture of the situation (Sudan Studies 1992, pp. 4-6). Over the longer run (for the years 1976-1989) the Sudanese economy has experienced a decrease of income (Gross National Product) on a per capita basis of 18 per cent; the exports showed a negative trend rate of -0.3 per cent annually. Much higher negative rates in income and in exports were recorded for the 1980s (see World Bank 19872, 1990). Sudan's world share of merchandise exports fell by 46 per cent in this period and this reveals the tremendous decline of international competitiveness. Therefore one observes an acceleration of the negative trend since the 1970s with an escalation in the 1980s and in the early 1990s.

The human costs of this crisis are extremely high. According to World Bank estimates in some areas of Northern Sudan around 50 per cent of the population live under conditions of chronic or transitory food insecurity or are threatened by food insecurity (World Bank 1990, p. ii.). The decrease of the access to and of the quality of eduation, health, water and sanitation systems as well as of the overall physical infrastructure since the 1970s is well evidenced (ILO 1987; World Bank 1988).

Parallel to this escalating economic crisis the political crisis started to gain momentum in 1983 when the Addis Ababa Agreement was abondoned by President Numeiri. An annual burden of up to 1 billion dollars for meeting the direct costs of the war in the South has since impeded any attempt to consolidate the reform and stabilization efforts of the country. The lost economic chances of oil exploration/production and of the Jonglei Canal have to be added to these war-related direct costs. Region-wide destruction, proliferation of tribal militia, increasing tensions between Arab and Non-Arab Muslims, between the North and the South, between Southern tribes, between Western tribes, the unprecedented misuse of ethnicity for political reasons and the extent of displacements throughout the country have disrupted the social fabric and have destroyed the basis for maintaining human rights in the country.

Large-scale displacements of people (4 to 6 million people) led to the crowding of suburban regions of Khartoum and of other towns; meanwhile the pressure has increased for forced return to the origin areas (up to 1 million people are affected so far). The policy of forced return in an environment of political and food insecurity implies that problems are transferred to the relocation areas. The policies leading to displacement and forced relocation have an impact on the sending and on the receiving areas. Affected are the state of the environment and the quality of the natural resources. The breakdown of basic infrastructure, of the governmental control of economic avtivities, of tax, basic support and survival systems has intensified the ecological destruction.

The evidence on the extent of the human rights violations (see the Africa Watch and Amnesty International special reports) refers to the political use of ethnicity, the policies of forced relocation, the human costs of the continuation of the civil war, the human costs of the complete loss of the rule of law in the country, and the widespread practise of torture of prisoners. The human costs of the lack of constitutionalism, political stability and rule of the law are extremely high especially for women and minority populations. However, it is obvious that any solution to the political and the human rights crisis has to consider the structural impediments to democratic experiments in Sudan (see Abdalla 1991). This seems to be relevant now for the ongoing discussions among the National Democratic Alliance (NDA) about new political and economic foundations for the country (see Sudan Democratic Gazette and Sudan Update since 1989).

The ecological crisis of Sudan is not independent from these economic and political crises as the people have to adjust to these harsh conditions in order to survive in periods of war, destruction, drought and economic recession. The ecological crisis is also a result of the political destructions and the large-scale displacements. A new wave of rural to rural and rural to urban migration has set in in the 1980s and has led to a new population pressure in various regions so that the already weak administrative and infrastructural base has further deteriorated. The loss of governmental control over the ecological situation and the natural resource base implies that even the rudimentary environmental policy guidelines established since Sudan's independence lost its real importance for environmental protection of sectoral activities as agriculture, livestock-raising, forestry, transport and industry.

The deterioration of the environment is the more a problem as there is virtually no disaster management in Sudan as experiences have shown during the floods in 1988 (see Parker 1991 on the lack of crisis management during flooding). It can be concluded from the analysis of the causes and the impact of flooding in 1988 that the ongoing degradation of the environment in Sudan and the lack of any crisis management may lead to even worse impacts of flooding in the future (Parker 1991, p. 18). The lesson to be learned from the 1988 floods and the Emergency Flood Reconstruction Programme is that long-term planning is required to mitigate the expectation of even worse impacts of future floods, caused by rising levels of silt on the river bottoms (Parker 1991, p. 18). Similar observations can be made with regard to drought because of the lack of early warning and crisis management systems in taking care of the long-term situation of the regions affected.

The ecological situation has changed dramatically in the 1980s because of the extent of urbanization in the country so that the resource use systems had to adapt fundamentally (see Abu Sin 1991). The combination of natural disasters, civil war, economic recession and urban population concentration left their mark on the environmental situation; it is a necessity to control the effects of the large-scale damage to the environment on the basis of a new long-term oriented management strategy. Regrettably, no such policy approach is visible now or has a chance to develop in the present environment.

Structural adjustment policies since the 1970s also have affected the state of the environment in Sudan. Critics of the IMF and

World Bank policies (Wohlmuth/Hansohm 1984; Wohlmuth/Hansohm 1987; Hansohm 1989; Prendergast 1989) have since years warned about the negative effects of typical structural adjustment programmes on the environment, especially with regard to the impact of new agricultural policies and the lack of accompanying poverty alleviation policies. Specifically it was argued that the Agricultural Rehabilitation Programmes of the World Bank for Sudan which have focussed mainly on irrigated agriculture have been a further cause of environmental degradation (Prendergast 1989, pp. 44-46). This has mainly to do with the extremely poor ecological management of these programmes but also with the lack of clear environmental objectives in structural adjustment programmes (see Wohlmuth 1992). These deficits of the first generation of structural adjustment programmes have even contributed to problems in countries with a more favourable position with regard to economic, political and external factors.

Large-scale population movements and the economic recession have affected the social networks especially in rural areas and have thereby destroyed the existing ecological balance. With regard to Eastern Sudan it can be shown that established and successful ecological adjustments between farming and pastoral societies have changed dramatically because of the aggravating economic and social situation (Sorbo 1991). The more recent government policies since 1989 may have deteriorated further the situation by specific government interventions on behalf of vested commercial interest groups (middle- and large-scale mechanized farmers). Thereby the formerly sucessful systems of ecological adaptation have broken up. Governmental interventions at all levels with regard to land allocation, credit allocation and price control are important when designing new policies which aim at preserving or regaining ecological balance (Sorbo 1991). Land rights policies and land allocation policies are especially important to this argument; one can observe that the new regime uses these instruments for political reasons to sustain the regime, disregarding completely the social and ecological balance. The policy to expand further the areas for mechanized farming and the allocation of credit to middle-scale and large-scale farmers are elements of this policy. However, land degradation and ecological imbalance are not inescapable tendencies as Sorbo (1991) and many other observers have demonstrated.

Sudan's crisis is also a social crisis and a crisis of the social production relations. One could observe in Sudan a steep increase of rural-urban migration despite of declining real incomes in urban areas over now two decades, an impoverishment of large segments of social groups as workers in industry and officials in the civil service, an increasing pressure on scarce land and credit resources in the rural areas, growing social costs of large-scale dislocation and relocation, a worsening of income and wealth distribution especially in rural areas, and an increasing awareness that the limits of the informal sector to absorb labour are already reached so that the employment crisis in the country is further aggravating. All these tendencies imply higher levels of open unemployment in the towns, increasing levels of poverty and food insecurity in the rural areas, and a sharp decline or even virtual breakdown of social and physical infrastructural services, thereby affecting mostly the poorest people in society. The breakdown of the basic physical infrastructure (transport, energy supply, water, housing, telecommunication) places an additional burden on the people in their fight for survival, but also leads to an erosion of the future capacity and viability of Sudan's capital stock (see on transport the study by Bush 1991 and on energy Wohlmuth 1993). The material as well as the immaterial capital stock of Sudan is deteriorating very fast. Low and declining investment rates and decreasing per capita expenditures on education and health are affecting the overall viability and productivity of the capital stock. Neither public nor private investment is forthcoming at minimum sustainable levels so as to bring the process of destruction to a halt.

The interaction of these crises (economic, political, environmental and social) is responsible for the extent of stagnation and recession and for the degradation of the resources base. Any alternative economic development programme has to start with an explanation of the real causes of the economic crisis of Sudan.

2 Explaining Sudan's Economic Crisis

2.1 The real causes of Sudan's economic crisis

What are the causes of Sudan's economic decline since the 1970s? One view, mainly held in IMF/World Bank circles, looks at the economic crisis from the viewpoint of distorted economic incentives for productive activities. The economic crisis is related to misplaced interventions from the side of the government. Poor economic policies in Sudan are considered as the prime cause besides natural disasters and the civil war (World Bank 1990, p. ii and iii). Indeed, there is some validity in this type of reasoning. The war issue is very much related to the cause of poor economic policies as extra-budgetary expenditures disrupted over the years the system of budget planning and the central bank monetary policies of Sudan. The overall economy suffered from these uncontrolled expenditures by the respective transmission channels of deficit financing, inflation and crowding out the private sector from credit allocation. Another transmission channel but related to deficit financing and inflation is the impact on the international value of the currency. Sudan became caught in a permanent state of overvaluation of the currency whatever the government has done in terms of devaluation measures. The international competitiveness declined as complementary policies were not pursued to support the devaluations and to compensate the export sector for the overvaluation of the Sudanese Pound (LS). Even the natural disasters in Sudan (the drought of the period 1982 to 1985 and the floods of 1988) may be related to policy failures as there was no anticipatory policy approach to cope with the disasters. Government policy did not prepare for the state of emergencies; it failed to react to the crises by adequate intruments to secure food supplies and to prevent the breakdown of infrastructure and of public services.

As for Sudan, another explanation of the crisis - external shocks and terms of trade deterioration - may be ruled out as a valid interpretation at least for the period under consideration (1976-1989). This is convincingly documented by the World Bank with regard to the terms of trade data (World Bank 1990, p. iii).

The IMF/World Bank view relates the extent of Sudan's economic crisis to the inappropriate economic policies over a long time, to the constancy of policy failure (World Bank 1990, iii). However, it is not sufficiently explained why there is a 'constancy of policy failure' in Sudan. The explanation of the 'why' is not very deep in its analytical content. According to the IMF and the World Bank the government of Sudan has mistrusted the private sector so that a web of regulations was built around the economy and all its sectors. Another aspect related to this is the urban bias of the government policies, protecting the urban people from the mechanics of the price mechanism by subsidizing consumer goods and giving generously and far below cost public services and other privileges to them. This may be considered as another element of a government policy mistrusting the private sector and the market. These beliefs have so led to an overemphasis of public sector activities and public sector companies. Disincentives for private businesses were then the result of the incentives for the public sector and the public companies. From this point of view, 'Sudan's economic history presents an archetypical case of distortionary government policies, ...'(World Bank 1990, p. iii).

More concretely, a dilemma resulted from this policy approach: the price controls applied by the government were effective at the producer level only (because of the small number of firms involved) and ineffective at the wholesale/retail level (because of the great number of traders and consumers involved). This dilemma of price controls never could be solved, thereby taxing the producers first of all with the consequence of cumulative disincentives for them.

New investment was discouraged by these anti-private sector policies/anti-market economy policies/anti-small business policies. The whole system of regulations by licences, price controls, credit allocation and taxation procedures was then responsible for the negative effect on new investment and the whole production system. Also exports became negatively affected by this type of policies as overregulation, inappropriate prices for exporters, inappropriate exchange rate policies and even export bans reduced incentives to export (World Bank 1990, p. iv). The crucial role of exchange rates as a price signal and as a tool for inducing development and structural change was never recognised by Sudanese governments.

Related to these overregulation and price control policies is the anti-developmental character of the tax system and the structure of expenditures leading to an increasing fiscal gap. The fiscal gap led to a siphonning off of credit to the central government and the public corporations at the expense of private businesses and companies and the regions and provinces (as these entities were not financially autonomous). The perverse result was a share of the public sector in credit allocation of more than 80 per cent so that not much more than 10 per cent were left for the private sector (World Bank 1990, iv).

According to this view a circle of inappropriate policies led to the long-term stagnation of the Sudanese economy. In this situation the governments had two ways to respond: firstly, by introducing even more regulation and foreign exchange controls so that the private sector was even more harshly controlled than before, or secondly, by liberalizing the whole economic systems completely. No government of Sudan has really made a clear decision between the two options but changed from one position to the other. This is true also for the years of the new regime. The lack of policy consistency affected the private sector development, first of all because of the lack of clear and unambigous decisions. Table 1 reveals the extent of imbalances after a period of harsh controls since June 1989 and later a period of a proclaimed liberalization policy since 1991/92.

Since 1977 the IMF and the World Bank have negotiated various funding agreements with the Government of Sudan covering the macroeconomy and some economic sectors, especially agriculture and industry. Various policy prescriptions from the side of the IMF (see IMF 1986) and from the World Bank (1986, 19871,2,3, 1988, 1990) laid the foundations for the envisaged policy reforms to be implemented from the side of the Government of Sudan. The recommended policies of price decontrol, elimination of overregulation, revision of the tax structure, and reform of the parastatals were emphasized all over the years from the side of the international organizations. However, critical evaluations of the policies reveal that neither design nor implementation were appropriate and successful (see Wohlmuth/Hansohm 1987; Hansohm 1989; Prendergast 1989; Awad 1986 and Abdel Gadir Ali 1985). Some of the critics emphasize the inappropriate design of the IMF/World Bank model, others more the implementation problems or the issue of the adequate time horizon for intended policy reforms. All of the critics argue that the agenda and the conditionality of the IMF and the World Bank are insufficient for countries like Sudan, that the implementation of reforms is expected in a too short period, that the issues of structural malformation and of vested interests are not covered, and that the social aspects of adjustment were not considered or too late (as revealed by the fact that a programme to mitigate the social costs of adjustment had to wait for not less than 10 years since the first adjustment programmes for Sudan; see World Bank 1988).

However, the alternatives presented by the critics are not at all conclusive, convincing and operational (see Part 4 of this paper). Also this factor explains why Sudan remained caught in a situation of increasingly complex and inappropriate conditionalities, applied from the involved international organizations over years without having any significant effect on the macroeconomic and sectoral situation. The inappropriateness of the IMF and World Bank policies and the lack of any consistent alternative from the side of the government and/or other social/political groups in Sudan are important factors for explaining the rapidity and the character of Sudan's economic decline and the extent of its economic crisis.

An alternative explanation of the economic crisis is presented by those authors who look at the crisis from a historical and structural perspective (Wohlmuth/Hansohm 1984, 1987; Hansohm 1989; Prendergast 1989; Wohlmuth 1989, 1991; and also ILO 1986[1], 1987) rather than from an economic management and price-theoretic ("getting the prices right") point of view. These authors have in common that they refer first of all to the causes of the declining performance of the productive sectors (agriculture and industry) relative to the situation of other sectors (trade, services, civil service) when explaining the serious state of the macroeconomy. Table 2 (based on Wohlmuth 1989 and 1991) summarizes for the various periods of Sudanese economic development the structural impediments and the central issues for structural adjustment policies at the sectoral level. Another explanation of Sudan's economic crisis emerges from this periodization and the related analysis of Sudan's structural contraints. It is obvious that the governments and the vested interest groups in Sudan are responsible for the imbalance between agricultural sub-sectors and between industrial subsectors, the lack of integration and linkages between sectors, the imbalances between private and public, small and large industries, the outgrowth of the civil service and other structural impediments which have built up in Sudan since independence (see ILO 1987).

Even more important, the development of the two productive sectors never was synchronized in the planning process what has led to such perverse results as raw materials shortages in industry in an agriculture-based country like Sudan, a lack of growth of markets despite of huge potential markets in rural and urban areas, a lack of linkages between agriculture and industry despite of the high potential forward, backward and final demand linkages in a country as Sudan, and an overdependence of both sectors via exports and imports from the world market despite of a significant internal production and processing potential. An important implication of this type of planning was that the growth, productivity and employment potential of neither sector could be exploited and that the balance of payments position has continuously worsened. Therefore, the 'constancy of policy failure' argument has to be replaced by the 'constancy of structural malformation' argument.

Consequences of this type of development were increasing poverty in rural areas, increasing unemployment in the urban areas, limited employment prospects in industry, even in informal activities, and also in rural areas with regard to off-farm activities, a low capacity utilization in industry, a deterioration of the

Table 2: The Decline of the Productive Economic Sectors in Sudan

	The Case of Agriculture	The Case of Industry
1.	Pre-independence period: Development of export crops, but very limited agricultural development (colonial agricultural policy).	1. Pre-independence period: Destruction of cottage industries; colonial type processing of exported primary products.
2.	Period 1956-1969: Continuation of colonial-type agricultural policy, neglecting traditional rainfed agriculture; development of mechanized farming; monetization of the livestock economy; parallel emphasis on large-scale irrigated agriculture and (largely uncontrolled) expansion of mechanized farming.	2. Period 1956-1960: Indirect public intervention towards industry by the Investment Act of 1956 and start of modern manufacturing; the state became active in large-scale agricultural and infrastructural projects, and the private sector in light industries; the regional concentration of industry was already pronounced; small industries were neglected. 3. Period 1960-1969: Direct public intervention in industry, especially in agro-industries, and parallel to this governmental support of private industrial investments; state is active in large-scale and raw materials-based industries, and the private sector is more and more active in the production of non-essential goods; no interest in small industries promotion.

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The Case of Agriculture	The Case of Industry
3. Period 1969-1977/78: Continuation of the colonial bias against traditional rainfed agriculture; unplanned expansion of mechanized agriculture is continued; productivity decline by nationalization of private pump schemes; strategy of import substitution in food by horizontal agricultural expansion and the promotion of agro-industries ('Breadbasket Strategy'); parallel development of modern and traditional subsectors was recommended by ILO and became part of the Six Year Plan, but the recommendations were never followed up, and the Six Year Plan was abandoned after one year.	4. Period 1969-1973: Nationalization and confiscation of private industries in 1970, but soon (1971) a policy reversal took place, but unsuccessful because of lack of domestic and foreign investors' interest; no policy focus on small industries. 5. Period 1973-1977/78: Huge agro-industrial investments (sugar, textile, meat etc.) were started by the public sector; some Arab support was granted under the label of 'Sudan: the Breadbasket of Arab countries'; external and internal factors led already 1977/78 to an abrupt end of this offensive (expansionist) attempt at structural adjustment; no policy focus on small industries.
4. Period 1977/78 until now: Negative effects of stabilization policies on agroindustrial expansion programme. Export Action and Agricultural Rehabilitation Programmes are basically oriented towards irrigated agriculture; neglect of traditional rainfed agriculture; no control of mechanized farming; elaboration of a detailed 'Strategy for the Development of Rainfed Agriculture' but rejected at the political level; lack of political interest of foreign exchange and domestic finance; the effects of drought cycles and the civil war lea to a renewed interest in 'safe' irrigated agriculture; since the National Sal-	6. Period 1977/78 until now: Decline of public industries because of lack of inputs, markets and management; continued disinterest at the policy levels in small and informal industries (of traditional as well as modern small industries); industry sector rehabilitation strategy for sugar and textile factories with meagre results, so that the long overdue self-sufficiency even in sugar is out of reach; incredibly low capacity utilization in industry; since National Salvation Revolution (NSR) chaotic privatization policies

vation Revolution (NSR) slogans of food security and self-reliance ('we eat what we produce'); lack of integrated and coherent strategy to bring forth the intended 'agricultural revolution'; lack of a coherent export promotion policy.	and new Investment Act of 1990, unsupported by other policies, no consistent export promotion policy with regard to manufactures.

Source: Wohlmuth 1989, 1991

production base of rural and urban small industries, a lack of domestic and foreign investment, the non-development of input and intermediate goods industries, and, most destructive, a decline of the productive potential of traditional rainfed agriculture with repercussions on food security and the export potential of Sudan (see Wohlmuth 1991). All this took place under the umbrella of a growing public sector and civil service and the funding of a huge machinery for national planning and aid administration.

Structural malformation and dislinked development over all relevant periods of Sudan's economic development are important elements for the explanation of the depth of the crisis in Sudan; ways out of the crisis can be found on the basis of this explanation.

A most serious consequence of the lack of market development and the lack of political and economic stability was the decline of the investment rates since the 1970s parallel to the inappropriate structure of investment within and between subsectors (see Wohlmuth/Hansohm 1984, 1987; Wohlmuth 1989, 1991). Investment in neither sector took place at a sufficient level and in an adequate structure. The decline of private investment never was compensated for by higher public investments. Incredible and rapidly changing macro-economic policies did its part to impede investment activity all over the years. The steep decline and the low level of investment especially since 1983 (see World Bank 1990, p. 8) imply a drastic and dramatic deterioration of the capital stock and cause - if not corrected soon - a further weakening of the international competitiveness of Sudan. The new Investment Act of 1990 (to substitute the one of 1980) can not itself compensate for the lack of credible macroeconomic and sectoral policies.

There is a lack of integrated sectoral policies since independence. Integrated sectoral policies comprise not only incentives policies (e.g. prices, exchange rates, tariffs, charges, duties), but also institutional reforms (of extension services, investment and export promotion agencies and financial institutions), policies on innovations (reform of research and development centres, improved transfer of technologies to agriculture and industry), policies on input supplies (with regard to raw materials, fuels, skills, foreign exchange, intermediate goods and spare parts), policies on information and coordination (by a better cooperation of public and private actors, administrative and commercial institutions, at horizontal and vertical levels), and infrastructural policies (with regard to physical and social infrastructure). Integrated programmes in Sudan were limited to some few integrated rural development programmes which could not be sustained because of lacking national support and non-synchronized sectoral planning in Sudan (see ILO 1987; Wohlmuth 1991).

It can therefore be argued that the structural adjustment and stabilization policies since 1977/78 have not addressed the fundamental problems of the productive sectors, neither at the intra-sectoral level nor at the inter-sectoral level. The message ist that there is much more than mistrust of the private business from the side of the government what led to the current state of economic disaster. An alternative development path has to encounter the deeply rooted structural impediments in Sudan; especially it has to be made clear that the development path chosen since independence was accepting a very high degree of capital- and import-intensity in its projects and programmes.

2.2 Implications for Southern Sudan

The structural malformation in Northern Sudan had serious implications for the development of Southern Sudan (see Yongo-Bure 1989; Bwolo 1991). What happened in the economy of Southern Sudan during the crucial periods of its development? Four periods have to be distinguished in order to understand the current situation:

First, during the pre-independence period (up to 1956) there was only a very limited interest in socioeconomic development of Southern Sudan. The beginning of some interest is marked by the proposed Ten Year Plan of Development presented in 1938. The proposal for the Zande Area Development Programme in 1943 and the inclusion of the proposal in 1945 as a part of a package of projects and programmes including also the Equatoria Agricultural

Projects Board encouraged some producers to grow cotton, other cash and food crops, and led also to some fisheries development. Nevertheless, the impact of these first programmes related to the development of productive sectors was rather limited.

In the political field, the Juba Conference of 1947 was very important as it ended with an agreement on future federalism in Sudan (although the open confrontation since 1954/1955 and the formal abandonment of the conference results in 1958 led to the civil war which then ended in 1972).

Crucial were the years 1953 to 1956 from the economic point of view. A study of 1955 on 'National Resources and Development Potential in the Southern Provinces of Sudan' highlighted already the role of Sudan as a supplier of various goods (sugar, coffee, tea, meat and fish) to Northern Sudan, thereby prescribing for Southern Sudan the role to substitute imports of the North from third countries by deliveries from the South. However, the political conflicts since 1954/55 surrounding the earlier commitment to federalism in independent Sudan overshadowed more and more the positive impulses to exploit the chances and opportunities of economic development in Southern Sudan.

Second, the period after independence of Sudan until the Addis Ababa agreement (1956 to 1972) has shown some Northern Sudanese interest in the development of Southern Sudan's agriculture, but the interest of civilian or military governments in promoting development projects in Southern Sudan was rather limited; there was even a transfer of development projects as envisaged for the South to the Northern Sudan (see Yongo-Bure 1989, pp. 8-9). The projects identified for Southern Sudan in the 1955 Study never were implemented.

In the political field, the period saw the emergence of the Anyanya National Armed Forces (ANAF) in 1963, and another opportunity and failure to resolve the conflict between Northern and Southern Sudan was then the Roundtable Conference and the 12 Men-Committee resolutions of 1965/66 (see Bwolo 1991, pp. 41-42). The May 25, 1969 event then brought a turning point leading directly to the Addis Ababa agreement of 1972 by granting regional autonomy to the South. Since then, some economic instruments were used to integrate the Southern Sudan into the planning and development process of Sudan.

Between 1969 and 1972 annual Special Development Budgets were designed for the South. Also a Regional Coordination Council and a Regional Planning Council were set up in 1970 to integrate a development plan for the South into the then relevant Five Year Plan for Sudan (1970/71 to 1974/75). However, it was too late from an operational point of view to include the Southern parts of the plan document into the Plan for Sudan so that only some projects could be included between March and May 1970 in the overall Plan document (in the form of priority projects, resettlement projects, and some development projects). The idea of incorporating a plan for the South into the National Plan was then abandoned and preference was given to annual Special Development Budgets on grounds of flexibility (Yongo-Bure 1989, p. 11).

Third, the period in which the Addis Ababa agreement was working (March 1972 to June 1983) saw first of all some repatriation, resettlement and rehabilitation programmes for the Sudan. Development objectives for Southern Sudan's reconstruction and development were the provision of support for food and cash crop production, integrated rural development and human resources development. The periods since 1972/73 saw annual Special Development Budgets, but soon it became obvious that there was a continuous decline of actual spending relative to scheduled spending (from 40 per cent in 1972/73 to 20 per cent in the fifth annual budget in 1976/77). This tendency of a deteriorating ratio of actual to scheduled expenditures (see Yongo-Bure 1989, p. 13) led soon to discussions about the contraints to absorption of funds for projects and development in Southern Sudan. Various constraints were cited in this context: finance problems, shortage of skills, scarcity of materials, fuels and inputs, transport problems, but the overriding factors seemed to be finance and foreign exchange.

The vagueness and arbitrariness of central government finance commitments and allocations to the South, the high degree of variability of Southern access to Sudan's external assistance, and the variability and uncertainty about the level of regional taxes led to growing problems with regard to timely availability of funds for projects and programmes, and reduced the potential for detailed planning on the basis of expected revenues. All three sources of Southern finance (direct transfers from the central government; shares of Sudan's external assistance; and regional taxes) showed some arbitrariness, uncertainty and variability. These factors hampered first of all the execution of development projects and of long-term planning for Southern Sudan. But other factors were also important: lack of public accountability for funds, excessive public sector growth in the South, lack of coordination of projects and finance, and the lack of any integration of projects and programmes into long-term planning. The last point is important when discussing the causes why it was not possible to overcome the contraints to development in the South.

Then, in July 1977, the Regional Plan for the South was finally integrated into the new plan, the Six Year Plan of 1977/78 to 1982/83. However, this inclusion never became operational as the Plan was discontinued in 1978/79 and was replaced by three years public investment programmes until 1984/85, and then by one year development expenditure budgets and three or four year development programmes. All these planning exercises were more or less confined to central government budgets, not including regional and provincial budgets. Long-term planning was abandoned and also the inclusion of the South and of other regions into development budgeting.

For the period of the Six Year Plan one can observe that the actual investments in the South relative to the envisaged investments reached only 25 per cent (and only 45 per cent if the much lower revised figures of the later three years programmes after the abandonment of the Six Year Plan are taken as the basis). The problems of the lack of integration of the South into overall planning in Sudan and of the reduction of the financial base for Southern Sudan were compounded by a further diversion of public funds which occured because of excessive growth of expenditures for government administration. All this affected the execution of larger development projects which never became finalized (this was especially so for the sugar industry projects). It can be concluded that the most important projects identified for the Southern Sudan already before independence were abandoned prior to or during implementation; because of the abrogation of the Addis Ababa agreement in 1983 also the new large-scale projects (Jonglei Canal and Benti oil field exploration) were stopped.

Fourth, in the period from June 1983 onwards until now, the virtual abrogation of the Addis Ababa agreement had disastrous effects for the Southern economy and for the economy of Sudan altogether. However, there was another attempt to resolve the conflict between Northern and Southern Sudan in March 1986 (Kokadam Declaration), and the conflict was as close to a resolution as at times of the 12 Men-Committee in 1965/66 (Bwolo 1991, p. 41).

Consequences of the ongoing conflict were the halt of agricultural and industrial development in the South, the losses from the suspension of oil prospection (estimated at US dollar 3 billion) and of the Jonglei canal construction after having completed more than half of the canal and after having invested already more than 300 million dollars up to February 1983 for digging. However, most disruptive for the whole economy of Sudan was the daily cost of the war since then of estimated 11 million British Pounds (see Bwolo 1991, p. 40).

In this period the growing fiscal crisis, the economic recession, the failure of structural adjustment policies, and the lack of any long-term planning perspective for Sudan made completely dysfunctional the system of financing Southern development by direct transfers and/or shares of external assistance (the regional tax revenues became meanwhile irrelevant as a source of finance). Therefore, also the few ongoing development projects collapsed.

It is obvious that the structural malformation in Sudan was reinforced by the North-South conflict, by the failures to negotiate a resolution to the conflict, and also by the lack of any integration by planning and budgeting of Southern Sudan's economic potential into the Sudanese national economy. Economic and political crises in the Northern and in the Southern Sudan therefore reenforced each other. In all four periods of Southern economic and political development the huge potential for the development of the productive sectors was neither fully identified nor utilized, but continuously neglected and devastated. The economic foundation for a political unity of Sudan was never laid. A functioning mechanism for financing an autonomous Southern Sudan was never constructed since 1972, although there were from time to time proposals to solve the financial issues by appropriate revenue and burden - sharing formulaes to be applied between the regions and the central government and between the regions and the provinces (see especially Due 1984). Elements of a new strategy for Southern Sudan to lay the foundations for economic and political unity of the whole Sudan had been proposed more recently (see Yongo-Bure 1989, 1990, 1991); new economic policies, financial autonomy and agriculture-based small industrial development are some of the guiding principles.

Altogether, we find the explanation of Sudan's economic crisis on the basis of the argument of a constancy of structural malformation more convincing than the argument of a constancy of policy failures. The non-resolution of the North-South conflict and the non-integration of the Southern economy into planning and budgeting for Sudan since independence were additional factors reenforcing the overall decline. The development of productive sectors in Northern and Southern Sudan was seriously affected by this combination of adverse factors; this was the case in all periods of development identified for Northern and for Southern Sudan.

3. The economic policies of the new regime and the impact on the productive sectors

3.1 The Political and Economic Doctrines of the New Regime

The new regime in Sudan has since the coup d'état of 30 June 1989 argued in favour of a radically different economic philosophy (see the Statement 1989 on the National Conference for Economic Savation). The economic philosophy should be based on the cultural values of the country and should be focussed on environmental, materialistic and spiritual dimensions and aspirations of the Sudanese citizens. As socio-economic objectives the following were mentioned: first, maintaining individual and national dignity; second, realizing regionally integrated development; third, promoting material and human resources development; fourth, preserving the environment; fifth, fair distribution of wealth; and sixth, handling properly the production and infrastructural deterioration of the country (Statement 1989).

It was repeatedly argued by the proponents of the new regime that the main cause of Sudan's political and economic decline and its instability is the absence of an authentic political and socio-economic philosophy. Such a new economic philosophy has to guide all economic policies and programmes as outlined in the programme of the National Conference for Economic Salvation of 1989 (see United Nations 1990, pp. 22-27).

The following economic guidelines were mentioned as well: organizing for a mobilization of the productive sectors of the economy; concentration on production and investment; improvement of the role of the banking and finance system; and adoption of planning at all levels under the consideration of the principle of self-reliance. The National Conference for Economic Salvation called also for integrated economic policies; overall administrative reforms and a reform of public institutions; a greater emphasis on direct taxes and on combatting tax evasion; and measures to consolidate the fiscal situation and to reach monetary and exchange rate stability (see United Nations 1990, p. 23). Regarding foreign trade, some issues mentioned were: finding ways of combatting smuggling activities, organizing border trade, rationalization of importation by more selective import policies, and diversification of exports. Credit policy was also considered as an important issue, and a better mobilization of savings for productive sectors was envisaged. Food security/self-sufficiency policies and related infrastructural policies were also recommended; they should be based on a more balanced agricultural policy and a better alloction of public investment funds. The small farmers should benefit from such policies first. Administrative reform, public accountability and increasing the performance of the public sector were mentioned as other important areas of concern. On the whole, no important area of economic policy reform is left out of the agenda.

All these policy measures should be guided by ten principles (or doctrines).

First, overriding objective is self-reliance/self-sufficiency/self-dependence/real independence and complete liberation from Western economic, political and cultural domination; self-reliance is considered as a strategy to be applied nation-wide, sector-wide and region-wide, especially with regard to regional fiscal autonomy and regional food self-sufficiency.

Second, related to this principle is the doctrine of independent decision-making in all international affairs and also at the regional African level, implying a specific attitude towards international organizations like IMF and World Bank; this implies a complete rejection of all conditionalities as applied from the side of donor organizations.

Third, another principle refers to an economy based on a new system of democracy, federalism and popular participation, involving 'masses', 'forces' and sectoral interests (as trade unions and employers' organizations being in one group bundled together so as to channel interest groups' activities in the national interest).

Fourth, an important element of the economic doctrine refers to macroeconomic and exchange rate stability, having in mind a strict control of monetary circulation (enforced by a currency reform), of exchange rate changes and credit allocations.

Fifth, crucial is the sectoral complementarity between agriculture and industry, with agriculture as the backbone of the economy, as the leading sector of the economy; the slogan 'we eat what we produce' is related to all spheres of production and to all regions; implied is a call for an 'agricultural revolution' and the support of agro-based industries, especially of small and rural industries; to some extent the idea of Sudan as a breakbasket of the region and of the Arab world is brought up again.

Sixth, it is referred to the mobilization and use of local resources, especially of local savings, and to the production of goods for the local demand; all this implies an educational, manpower and human resources development revolution in the country, as well as a broad-based cultural revolution (based on Arabicisation, Islamization and Sudan's 'folk values'); higher education therefore has to be adapted to the local needs/resources/advantages.

Seventh, a new social security contract is propagated based on Islamic and governmental Social Security Funds and a strict control of foreign NGOs/GROs/VDOs which have activities in social and humanitarian areas; the new social contract should allow for a fair distribution of goods as long as scarcity of goods exists and a gradual replacement of relief support by production - related support, especially for the displaced and the refugees.

Eighth, a further principle refers to the prudent use of public money and the restoration of public accountability at all levels of administration and public corporations; this involves a complete administrative and civil service reform.

Ninth, later (since 1990/91) the principle of liberalization, deregulation and privatization gained importance, and is replacing more and more other principles so far upheld in crucial policy areas.

Tenth, rehabilitation of the Southern Sudan is mentioned as another principle (but obviously understood as a reconstruction based on a new system of values (Islamization and Arabicisation).

These 10 principles alltogether would involve a complete reversal of society and economy if applied, and they are meant to guide all programmes of reform. However, there is no clear and unambiguous definition and interpretation of any of these principles, so that the policymakers are free to decide and to adapt according to political tactics and political pressures. It is clear since the proclamation of these principles that the meaning of these principles will remain vague and that there are contradictions and tradeoffs between them, especially now between principle 1 (self-reliance) and principle 9 (liberalization, deregulation, privatization).

However, much more important are the contradictions between the principles and the real policies of the regime. Table 3 gives an impression of what these guiding principles of the new regime imply for the macroeconomic policies, the sectoral development policies, the international economic relations and the organization of the developmental state in Sudan.

A look at the more recent macroeconomic developments (see Table 1) does not give the impression that any of these 10 principles is taken seriously in day to day politics, if we look at the increasing import dependence, the lack of monetary control, the lack of exchange rate stability and the absence of sectoral complementarity. Self-reliance, mobilization of domestic resources, prudent use of public funds and other principles do not seem to have any real meaning with regard to practical politics. It is therefore necessary to look first of all at the specific policies pursued by the NSR government sector by sector of the economy and area by area of macroeconomic policies. This will help to assess the policies with regard to the characteristics of Sudan's economic crisis.

3.2 The Real Politics and Economics of the New Regime

3.2.1 Agriculture

What is the specific concept of the NSR government for the development of the productive sectors, especially agriculture? The new government claims to revive agriculture, first of all the traditional rainfed subsector, and to improve the production conditions of the small farmers and especially the agricultural credit system so as to support them more directly. In reality however the policy of the new government did not follow at all this course. Land was allocated toward wheat production at the expense of cotton in ir-

Table 3: Views of the new regime on Sudan's economic development

1. Stimulating Productive Sectors
   - 1.1. Reorientation of economic policies towards the mobilization of productive sectors (new credit and fiscal policies);
   - 1.2. Agricultural Revolution, import substitution of strategic crops like wheat; Small Farmers Programme; promotion of agricultural finance on the basis of Islamic principles;
   - 1.3. Food Security Programmes based on self-reliance/self-sufficiency principles (strategic stocks of grain);
   - 1.4. Mobilization of resources in the region (regional self-reliance);
   - 1.5. Revitalization of large-scale industries; small industry development; implementation of the new Investment Act of 1990;
   - 1.6. Educational and cultural revolution to support productive development (revolution of higher education); Islamization and Arabicisation;
   - 1.7. Development of appropriate technologies and control of imported technology.

2. Macroeconomic Stabilization and Market Reform
   - 2.1. Fiscal consolidation by production-orientation; public accountability and prudence with regard to the use of public funds; higher direct taxation and avoidance of tax evasion;
   - 2.2. Stabilizing monetary circulation and currency reform;
   - 2.3. Orientation of credit allocation towards productive enterprises; reorientation of the finance system on the basis of Islamic finance principles;
   - 2.4. Privatization/deregulation/liberalization of the economy to create favourable and competitive market conditions;
   - 2.5. Reorientation of public and Islamic social security funds from relief towards support of production;
   - 2.6. Regional financial autonomy and fiscal self-reliance;
   - 2.7. Creation of an appropriate legal framework for macroeconomic stabilization.

3. <u>New Foundations for International Economic Relations</u>
   3.1. New commercial policies to support the productive sectors; organization and control of border trade;
   3.2. New bilateralism in trade and payments relation;
   3.3. Stabilizing the exchange rate; generation of remittances from SNWA;
   3.4. Stimulation of South-South trade and of cooperation/integration agreements on a bilateral, regional and multilateral basis;
   3.5. Rejecting any conditionality from multilateral/bilateral donors;
   3.6. Control of foreign NGOs;
   3.7. Diversification of exports and rationalization of imports.

4. <u>Revitalizing the Developmental State</u>
   4.1. New foundations for democratic development;
   4.2. New modalities of federalism;
   4.3. Controlled participation of sectoral interest groups in the political process, especially of employers organizations and of trade unions;
   4.4. Strict control of basic organizations (mass organization) and of foreign interests;
   4.5. Laying the foundations for a new political and economic philosophy;
   4.6. Reform of administration and of national planning;
   4.7. Reestablishing long-term planning.

Sources: United Nations 1990; Sudanow, various issues; Sudan Democratic Gazette, various issues; Sudan Update, various issues; other sources.

rigated agriculture, and toward sorghum production in mechanized farming; there is a clear bias towards middle-scale farmers rather than small farmers; the same is true with regard to credit allocation. The traditional rainfed agricultural subsector and the small farmers were not targetted by sectoral policy measures.

The self-sufficiency strategy in wheat (see on this story the various issues of Sudanow since 1989/90) at the expense of cotton is propagated and implemented without any consideration of cost and environmental considerations. Wheat is considered by the new regime as a strategic crop for urban people and so all relevant production and distribution issues are handled by a National Committee for Wheat. Although this committee has the task to formulate an integrated policy, neither a strategy nor a tactics are observable so far. Also the special High Committee for the Harvest lacks any clear and coherent strategy for food self-sufficiency and food security issues. Typical for the approach of the government ist the campaign style of actions, so as to mobilize scarce means of transport and other resources for harvest, and also labour. The economic mechanism of production, marketing and distribution does not matter, despite of the often repeated references to liberalized and deregulated markets. The necessary services related to agricultural production (seeds provision, transport, extension services and research) are still extremely unreliable and deficient. Private investors are reluctant to invest in these areas as the public services are so insufficient.

There seems to be a fundamental contradiction between the proclaimed support for traditional agriculture and the small farmers by the expressed strategy of promoting local cereals and other crops and the practice of following an urban-biased import substitution policy with regard to such strategic crops as rice, wheat, lentils and maize. As it is the case with all classical-type import-substitution policies, cost and comparative advantage do not matter.

It is not observable that the new regime has a consistent policy with regard to production, provision of services, investment promotion, natural resources conservation, storage systems, and research and extension services. The credit policy, especially of the Agricultural Bank of Sudan, does not differ from the policy of former years in its bias against small farmers. But even the declared policy of priority for wheat is not conclusive as there are not adequate price incentives in place for the producers, first of all because of very low procurement prices. High cost production makes the production of wheat a rather unattractive production option. It can be concluded that the wheat import substitution policy is more motivated by the interest of the new regime to stabilize its political base by observing the interest of urban elites; equity and self-reliance considerations do not seem to matter at all.

The so-called Small Farmers Programme of the government seems to be oriented explicitly towards middle-scale farmers if one observes the extent of importation and sale of tractors and the pattern of allocation of credit. The programme is much more related to mechanized farming than to traditional rainfed agriculture. Up to now it is not clear whether the Islamic banking principles had any beneficial effects on the small farmers with regard to agricultural credit and the finance of seeds and services. There have been so many initiatives and experiments in Sudan to build up institutions for the agricultural sectors based on Islamic finance principles, but there is no evidence on the impact so far. Still the access of small farmers to credit is a major problem (see Sudanow since 1989/90, various issues).

The policies followed so far by the new regime do not give the impression that the intentions of the Strategy for the Development of Rainfed Agriculture in Sudan (see Wohlmuth 1991) and of other plans and recommendations for the development of traditional rainfed agriculture are really taken up seriously. The increasing rural-urban and rural-rural migration in recent years despite of the vanishing rural-urban (average) income gap points to the fact that the regime's pro-agricultural sector policy remained biased against and ineffective with regard to traditional agriculture. A new role for the Agricultural Bank of Sudan was envisaged by focussing on higher productivity, food self-sufficiency and export promotion, but its bias against the small farmer in the traditional rainfed subsector still prevails.

The situation is even becoming more serious in some regions, especially in Kordofan and Darfur. One can not expect there to meet subsistence needs from the output of rainfed crops, despite of a higher harvest in 1991/92 than in the year before. Cereal stocks are insufficient although strategic stocks of grain were an integral part of the new agricultural policy. Liberalization, privatization and deregulation policies seem to be in conflict now with the doctrine of holding strategic grain reserves. It is now argued by the government that such strategic stocks may lead to undue intervention into the market of grain. On the other hand, despite of increasing grain shortages barter deals of sorghum against fuel from Libya are regularly undertaken. To a large extent, however, the proclaimed privatization, deregulation and privatization polices in agriculture remained symbolic so far. The Public Agricultural Corporations do not seem to be affected so far.

There are some efforts to improve the situation of the livestock subsector by new institutions - the Bank for Animal Production and the Sudanese Animal Wealth Company, but besides of activities in the field of institution-building deliberate policies to exploit the potential of this sector for foreign exchange generation, basic needs provision and a balancing of agricultural development are not observable. However, the serious decline of nutritional levels in Sudan requires that urgently a programme is set in place for this subsector. To this end, all the relevant services (health, research, and extension) have to be streamlined and the public investments in the sector must be increased considerably.

Forestry development is also considered as an important activity, and a new National Forest Company was established under the 1989 Forestry Act to consider simultaneously the issues of environmental control, fuel wood supply and satisfying agricultural and industrial demands, but again besides of activities in institution-building not much happened in terms of investment and public control; the lack of finance remains a decisive constraint. The regional coverage of the forestry programme is still extremely limited. A Sudan Forestry Conservation Programme aims at integrating all relevant institutions and services in the subsector, but neither a coordination with the Ministries of Finance and Planning and Agriculture nor with the National Energy Administration has taken place so far.

Taken together, there is some institution-building going on in the country but neither a coherent programme emerges nor are investments undertaken at sufficient levels in the various subsectors.

3.2.2 Industry

The new regime's policy on industry centers first of all on privatization policies and secondly on the implementation of the New Investment Act of 1990.

The privatization policies can be considered as highly chaotic and spontaneous in Sudan as there is no clear-cut procedure or guidance to the process. Privatization is based on ad hoc measures but not on objectives and targets as efficiency, equity, employment creation and foreign exchange generation. Privatization policies obviously are not guided by the proclaimed doctrines of the new regime (like self-reliance, mobilization of local resources, independent decision-making or prudent use of public funds). Neither is the privatization policy based on a coherent strategy to mobilize foreign exchange, employment, savings and investment. Even the efficiency criterion is not met as there is no guarantee involved in the process so that privatization will enhance efficiency in the companies. As analysed elsewhere, inefficiences in public and private industries in Sudan have often similar causes (see Wohlmuth 1989).

The new Investment Act of 1990 can therefore only be effective if it is based on coherent trade, foreign investment, tax, competition, banking and finance, land allocation and infrastructure policies, and if there is a supportive macroeconomic environment based on effective stabilization policies and an appropriate legal framework. However, the new Investment Act does not give encouragement to the small and informal ventures; they are excluded from benefits, guarantees and privileges as it was the case with the Investment Act of 1980. The Small Industries Programme proposed by the government is not yet elaborated but only discussed, so that the new Investment Act is only beneficial to a small number of already privatized companies.

The extremely low level of investment in industry can only be redressed on the basic of comprehensive and credible structural adjustment policies (see Rodrik 1990, Wohlmuth 1992). When looking at Table 1, it is observable that private investments can not be forthcoming in such an environment, the least foreign investments.

The New Investment Act is a cornerstone of the regeneration/rehabilitation/economic salvation strategy of the new regime, but investments depend on markets, credible policies, stable political conditions and an adequate financing mechanism. All these preconditions are not met in the case of Sudan. However, an innovation of the new Act is the possibility to include also investments that envisage rehabilitation, modernization and extension of existing ventures.

The greatest weakness of the Act is its limited relevance; the new Act is relevant only for a few large companies, but not for the great number of smaller ventures. This implies that the Act has no impact on the most important segment of industry as the smaller industrial ventures produce more than 50 per cent of the industrial value added in Sudan (see ILO 1987; Wohlmuth 1989; and Hansohm 1992). Another fundamental weakness of the new Act is the fact that too many development objectives are mentioned so as to qualify for the benefits, exemptions, guarantees and privileges: regional dispersion, self-sufficiency in food, export promotion, integrated rural development, equitable income distribution, employment creation and import substitution of basic goods. A third issue regarding weaknesses of the Act, there is a protection clause in the new Act to protect the domestic production of goods from foreign competition; this implies that there are limits to the proclaimed policy of an open, liberalized and competitive environment. There is no reference whatsoever to a policy of only temporary or infant industry protection. A fourth weakness has to be added; the Act is not embedded into an industrial policy framework, covering trade, competition, tax and financing issues.

A new Public Investment Corporation is in charge of creating a more favourable environment for investors by encouraging investments more directly under the umbrella of the new Investment Act. The new institution is now aside of other institutions having similar objectives, as for example the Sudan Development Corporation or the Industrial Bank of Sudan. New institutions are entrusted with the task of revitalizing the investment activity in the country without analysing the reasons why existing institutions have failed so far (as the Sudan Development Corporation and the Industrial Bank of Sudan). One can also observe that the proclaimed policies of liberalization, deregulation and privatization are not taken that serious by these corporations and banks in the industrial sector, and by the new governmental committees and councils in place now (Ministerial Committee and Ministerial Investment Council). All these corporations and committees are heavily involved in activities of price regulation, credit rationing, foreign exchange regulation, amd raw materials, fuel and land allocation. In this regard the overall picture remains one of over-regulation, arbitrariness of decisions, and insecurity and timelags in the administrative process affecting the potential investor who is dependent on so many licences for action.

Still completely untouched by politics is the area of necessary support for informal, traditional and modern small industries and off-farm activities in the rural areas. These actors are neither covered by the Investment Act nor by elaborated Small Industries Programmes or by appropriate industrial policies. Regional institutions for investment identification, selection and promotion and similar channels at the provincial level are necessary but are not in place.

There is some activity going on with regard to the development of cooperatives and family-based production activities, and there is some emphasis on self-help organizations, but neither the regulatory nor the finance and supply problems had been solved. Recent evidence reveals how deeply rooted the anti-small industry lobby in Sudan still is (see especially Hansohm 1992).

Foreign investments and bilateral inter-Arab investments are also targetted at by the government but the overvaluation of the currency despite of so many devaluations and the lack of a supportive policy environment make it unprofitable even for the Sudanese Nationals Working Abroad (SNWA) to invest in Sudan (although from time to time some special incentives are granted to them). Most problematic is the fact that the actual remittances from the SNWA are lower than ever so that a huge potential of foreign exchange earnings (there are estimates of up to 40 billion dollars held by SNWA) can not be exploited for Sudan's development. All attempts to mobilize the funds have failed (approaches relying on force as well as more liberal approaches). The deadlock in the negotiations with the IMF because of the inability to pay arrears and to meet obligations from rescheduling agreements also inhibits foreign investment (despite of some symbolic actions from the side of the government to act in conformity with IMF policies). Even divestments now take place as one can observe in the case of the oil refinery in Port Sudan.

There is always some talk about new Arab investments in Sudan's economy but at the moment only the Sudan-Libyan integration programme seems to be active; however this agreement is not much more than a bilateral trade agreement.

The self-sufficiency rhetoric comprises also sectors like textiles, sugar, shoes, soap, chemicals and pharmaceutical products. However, the situation of the textile industry is still disastrous with a capacity utilization of not more than 15 per cent of the factories' capacity working. The self-reliance slogan has no real meaning with regard to this sector as well as other sectors because in the absence of new investments alternative technological choices (with lower capital- and import-content) can not be incorporated in the capital stock. The textile industry in Sudan remains even after some funding for rehabilitation a typical example for an unbalanced industrial development as production is not synchronized with raw material supplies from agriculture and the location of markets for end products. The sector is still working in the context of inappropriate incentives structures (prices, taxes, protection rates) and is affected by the lack of integrated trade, production, competition, tax and investment policies. There are talks about future export markets in the African region (as in the countries of the Preferential Trade Area - PTA) and about international assistance in privatization of the textile industry, but there is no real evidence about any progress in the sector. Sudan still expects something from the PTA zone and from bilaterial trading agreements. In fact, the experiences with bilateral trading in post-independence history were not unfavourable for Sudan (see Hansohm/Wohlmuth 1989).

The situation of the sugar industry is not much better. Even the most modern and large-scale Kenana sugar plant has problems because of the lack of foreign currency to maintain the capital stock and because of increasing problems to get sufficient inputs and even raw materials (sugar cane). The employment performance is low as are the regional dispersion effects and the impact on the generation of government revenues. The sugar price paid by the government is too low to maintain production standards. The supply of cane has become a major bottleneck and this is caused by factors related to the scarcity of land, environmental problems, problems with supplies of inputs for cane production, but also labour shortages. Land scarcity has led over the years to an exhaustion of the natural resources and to decreasing yields per feddan; and the lack of fertilizers has led to a non-optimal agricultural cycle for cane growth.

Although Sudan has made very high investments in the sugar industry since the 1970s it is still struggling for self-reliance with regard to this strategic commodity. Up to 1990 con derable sugar imports were necessary; the situation now does not seem to be that different. Nevertheless officially the idea is upheld to make Sudan a supplier of two or three strategic commodities to the Arab region and to the world market (of grain, sugar and in the future also petroleum), although the prospects for the realization of this perspective look not better now than in the 1970s when the

Sudan intended to become the 'breadbasket' of the Arab World (see on this period Oesterdiekhoff/Wohlmuth 1983).

Even the food, the leather and the soap industries have enormous problems now, especially with regard to raw materials supply. The declared strategy 'we eat what we produce', 'we wear what we produce' and 'we use what we produce' is more and more becoming an irrelevant slogan. These industries are further examples of sectors with a still high level of regulation, inputs and output rationing, import protection and administrative control by so many governmental authorities and institutions besides the Ministry of Industry. Concerning the raw materials and the input supplies, these industries depend heavily on barter deals. The 'new bilateralism' in trade relations is a result of the debt dilemma of Sudan and its unviable balance of payments position; the Sudan is caught in this dilemma because neither regulation nor liberalization of the economy seem to show a way out of the foreign exchange scarcity.

Another tendency to be observed now is the propagation of large-scale infrastructural, mining and energy projects despite of the savings and foreign exchange gaps. This reminds one of another policy attitude in Sudan: to start with new large-scale projects instead of maintaining existing ones by appropriate investment and incentives policies.

3.2.3. Linkages between productive sectors and rural-urban interactions

The stimulation of the productive sectors depends on appropriate mechanisms to develop agro-industrial and rural-urban linkages, and on policies that create the required physical and social infrastructure to foster such linkages. The most serious failure of Sudanese development since independence has been the neglect of laying the foundations for such linkages between agriculture and industry and the neglect of creating dynamic rural-urban interactions that lead to a regional equalization of development levels. The potential backward, forward and final demand linkages of agricultural development in Africa and in Sudan are important but were not exploited (see Adelman/Vogel 1992); this policy failure had severe repercussions. The processing of local agricultural raw materials and the use of local industrial inputs and of intermediate goods in agricultural production remained insignificant (see Wohlmuth 1989, 1991); the market potential of rural development was neither exploited for industrial development nor for the stimulation of rural off-farm activities.

The economic interaction between regions was confined largely to migration of labour in various forms. All this is the result of a systematic neglect of traditional agriculture for decades (see Wohlmuth 1991), and of an industrial development path confined mostly to the needs of urban consumers (Wohlmuth 1989). Results of this stagnation in rural market development had been the emergence of gaps in investments and in employment, and an increasing trend of migration to the towns despite of the decreasing rural-urban (average) income gap (as observed during the 1980s). In addition to the huge number of people displaced by civil war, drought and floods (4-6 millions), the number of migrants of a more permanent type was increasing sharply over the 1980s. The increase of poverty and the worsening of the income distribution in rural areas are push factors explaining this new type of migration (see Jamal 1992 on this Africa-wide phenomenen).

It is however obvious that the impoverishment of the people in Sudan started long before the drought cycles and the civil war.

There is evidence that the poorest 40 per cent of the population earned 16 per cent of total income in 1967/68 and only 12 percent in 1978/79 (World Bank 1990, p. 10). As the poorest people in Sudan had to bear a much higher fall of their real income in the 1976-1989 period than the average income earner whose relative income position declined by 18 per cent, it is not unreasonable to assume a further real income decline of the poorest by 40 to 50 per cent since 1978/79. In this context it is also necessary to consider the dramatic decline of the per capita social expenditures in Sudan. Government expenditures on health fell in the 1980s in nominal terms by 60 per cent, and in real terms much more (World Bank 1990, p. 10). Nine million people in the Northern Sudan suffer from chronic hunger or food insecurity, from transitory food insecurity at any time or are threatened of falling into transitory food insecurity (World Bank 1990, p. 11).

It is therefore very necessary to differentiate carefully between causes and forms of displacement and migration and to consider specifically the various forms of migration (according to motivations, duration and regions affected). Therefore, the problem of the people displaced should not be intermingled with the more lasting problems of poverty and food insecurity as these are the result of unsound macroeconomic, social, sectoral and regional policies. Migration has first of all to do with the extreme decline of the real incomes of the people poorest in rural Sudan, and only this extreme decline makes it understandable that people migrate to Khartoum and to other towns where real income declines were accelerating sharply since the 1970s (see on urban poverty in Khartoum World Bank 1988). Although some return migration (either forced or voluntarily) also takes place, the fact of continuing large-scale net migration to the towns is undisputed.

How has the new regime reacted to these developments?
Instead of building new foundations for the economic sectors and the whole economy in order to address these problems, only some relief and self-help initiatives were supported. A new Islamic social welfare system (based on Islamic funding principles) was propagated and some self-help and relief institutions were supported, but coverage and impact are insignificant. The new regime also ar-

gues for a national population policy and a return migration/relocation policy so as to balance in a better way the distribution of the population over the regions. However, the main causes of the maldistribution of the population are not attacked thereby.

There are some discussions going on about a new production strategy (based on smaller projects) and a new environmental protection policy (to cope in future better with impacts of natural disasters and drought cycles), but a coherent programme has not emerged so far for immediate action. Solutions for these problems are envisaged in the context of a new federal structure of Sudan, especially by referring to the necessity of regional food self-sufficiency programmes and local relief and production initiatives.

The new wave of migration to the towns implies also that open unemployment is increasing sharply as the informal sector has already reached its limits to absorb labour (while modern sector employment is even shrinking). This dilemma of unfavourable urban employment prospects can only be solved in the context of a new strategy directed to the productive sectors (promotion of small industries, services and of exports), but the new regime has not so far given such policy directions. The new regime argues more in favour of a new population policy. However, such a new population policy makes sense only as a complementary policy because of the millions of migrants and the 4-6 million displaced people in the country. Therefore, any population policy has to be related to production increases.

The new regime favours in principle the strategy to substitute relief measures by production-oriented measures, but this policy orientation has to be planned carefully in order to avoid new damage to people and to nature in the areas where the displaced/the migrants are to be relocated. The relocation policy can only make sense in the context of long-term sectoral and regional plans and policies. It can be doubted that the government's Relief and Rehabilitation Commission is really equipped to implement such a long-term and production-oriented population redistribution strategy.

Also the Commission for the Displaced which is operating since 1988 is too weak an institution to work out such a long-term programme of relocation. Especially the financial means for the promotion of productive employment schemes and relocation schemes are scarce, and foreign aid components for such programmes are rather negligible. Only test integration schemes and small scale relocation programmes are under implementation so far.

The governments of Sudan so far have not distinguished in their policies the various causes and forms of population movements in the country, neither with regard to migration (temporary, permanent, return migration, seasonal and non-seasonal migration, rural-rural migration and rural-urban migration), nor with regard to the displaced and the refugees. Such a distinction is necessary so as to develop a long-term and production-centered strategy which is adapted to the local resources and is ecologically viable.

Coordination of all measures is so necessary because the causes of displacement and of migration overlap and the impacts are cumulating. According to one source 63 per cent of the displaced are in this situation because of political instability and a further 23 per cent because of food insecurity. Food insecurity and poverty are also reasons for the new type of rural-to-urban migration. A coordination between labour sending and labour receiving areas never took place in Sudan. This created additional pressure on basic needs provision and affected access to infrastructural services, land, credit and the quality of the natural resources. In an economy which is rationing basic goods since many years, this situation is disrupting not only production and the environment but also the distribution of scarce basic goods.

Coordination is also necessary with regard to international donors. The government's Relief and Rehabilitation Commission is guiding local and also foreign NGOs on the basis of the Foreign Voluntary Activities Act; this guidance refers in principle to projects of productive employment creation, rehabilitation programmes in origin areas, permament settlement schemes, and the provision of basic goods for the displaced. However, in reality the work is biased by the political interest of the new regime to consolidate its power base by avoiding uncontrolleable population movements and is inhibited by the fiscal situation of the country. International support for such programmes is therefore limited.

A comprehensive strategy would require that the programmes for the productive sectors and the development of regions are coherent and integrated, that public investments for such programmes are forthcoming, that self-help initiatives, cooperatives and small industry programmes are better coordinated and continuously supported, that income generation and public works programmes are initiated on a larger scale and that better equipped early warning systems help in assessing the food and water situation in remote areas. Poverty alleviation programmes and policies to protect the social expenditures from a further decline have to complement these measures. National planning has to take up the issues of population distribution and redistribution, of migration and large-scale displacement, of urban population growth and rapid labour market change.

It can only be hoped that the population census of 1990 may lay some statistical foundations for such a new policy. The Population Policy Statement of 1990 addresses only some issues: the necessity to redress policies at the village level, especially to initiate basic and social services, and to stimulate growth-related programmes as well as women initiatives to enhance their position in production and in households. However, so far concrete policies and programmes did not follow from this Policy Statement.

The problem is that neither the government nor the National Democatic Alliance (NDA) as the opposition movement have coherent and detailed programmes to cope with these problems. The ideas of the NDA (see Sudan Democratic Gazette, February and March 1992) center on the revitalization of the rural economy, but the economic programme remains vague. There is no discussion in the opposition movement what should be done when, how, by whom and for whom.

4. Alternative Economic Strategies for Sudan

4.1. Approaches in the Formulation of Alternative Economic strategies

Many suggestions and proposals have been made for reforming economic policies in Sudan. However, no concept emerged from these ideas and proposals and no action was taken on behalf of the successive governments of Sudan (see on some causes for inaction Mustafa 1985). These proposals relate to four areas:

1. Stimulating productive economic sectors;
2. Macroeconomic Stabilization and Market Reform;
3. New Foundations for International Economic Relations; and
4. Revitalizing the Developmental State.

Concerning area 1, there have been proposals to lay the foundations for new agricultural and industrial policies and to link effectively the two sectors. The report by the ILO (ILO 1976) has emphasized a strategy of parallel development of modern and traditional agricultural subsectors, whereas the second ILO report (1987) emphasized as well a new industrial policy and a strategy to link the agricultural and industrial subsectors in a more productive way. Kursany (1983) has argued in favour of a strategy to overcome the underdevelopment of 'precapitalist parts' of agriculture; contributions in a study edited by Awad (1983) refer to institutional constraints of modernization in agriculture and how to overcome them. A long-term strategy for the agricultural sector is presented by Eltom (1986).

Wohlmuth (1991) has emphasized the necessity of a new development model for Sudan by referring to an industrialization strategy based on agricultural development (as proposed under the label ADLI-Agricultural Demand Led Industrialization - by Adelman 1984; see also Adelman/Vogel 1992). Hansohm/Wohlmuth (1987, 1990) and Hansohm (1992) have considered various strategic elements of small industry development with regard to structural adjustment and development. Yongo-Bure (1989, 1981) has emphasized the role of small industry development for Southern Sudan as related to new agricultural policies. Sudanese economists (ILO 1986[1]; Abdel Gadir

Ali 1985) have emphasized a 'real economy approach' of stabilization for Sudan rather than following IMF policies.

IMF/World Bank prescriptions for Sudan implicitly have argued since 1977/78 for radically reforming the functioning of productive sectors by changing the incentives structure, by pursuing effective stabilization policies and by reforming the parastatals. Programmes for industrial sector reform (World Bank 1987[3]) as well as programmes for export promotion were also presented by the World Bank.

The governments of Sudan have however not made clear in their documents on development planning and development budgeting what their orientation is and whose advice is accepted.

Concerning area 2, macroeconomic policy reforms and market reforms have been the central issues of all relevant World Bank economic memoranda for Sudan (World Bank 1987[1], 1987[2], 1990). Sudanese economists from the Ministry of Finance and Economic Planning have developed a programme for the restoration of credible macroeconomic policies based on a revenue-led fiscal strategy and a new policy for credit allocation to productive sectors (Attaelmannan Taha et al. 1990). Wohlmuth/Hansohm (1984, 1987) and the World Bank (1987[1]) have presented action plans for structural adjustment policies including a sequencing and timing for the most important areas for action. Whereas the World Bank developed its action programme on the basis of its specific agenda (eliminating the public sector bias, reducing the rural-urban income gap and correcting for the distorted price and allocation systems), the proposals by Wohlmuth/Hansohm refer also to historical and structural factors and impediments as well as to the vested interests having an impact on development in Sudan.

Sudanese economists (see Abdel Gadir Ali 1985; ILO 19861) have presented alternative views on the exchange rate, fiscal, banking and monetary policies when arguing for a stricter control of the banking system and a more effective taxation system. Crucial in their alternative macroeconomic package is the control of the foreign exchange market, as Sudan is considered as structurally too weak for implementing liberal economic policies. Awad (1986) has proposed a more expansionist approach to structural adjustment policies ("reflation" of the Sudanese economy), as the production capacity of the country is to a large extent unused.

It is not clear to what extent governments of Sudan have taken up such proposals at all.

Concerning area 3, various proposals relate to the issues of exchange rate reform and the stimulation of the export sector. Authors being critical on the extent and form of liberalization and the opening of the Sudanese economy to the world market raised again and again the question if the Sudan economy is not structurally too weak and too disintegrated to pursue open door policies (Abdel Gadir Ali 1985; ILO 1986[1]). They ask to what extent comparative costs and world market prices are in reality a guide to trade, foreign exchange and finance policies.

The discussion about the required/necessary/feasible degree of opening the Sudanese economy and about the timing and sequencing of this process is still going on. Most of the concrete proposals for reform came from the World Bank by emphasizing more uniform and lower levels of protection, an elimination of disincentives to agriculture by a more balanced trade protection policy and by eliminating quantitative restrictions so as to make the price system (and especially the adjustments to world market prices) more effective.

Much less proposals were made with regard to export promotion (although export action programmes were propagated by the Government in the early 1980s at the advice of the World Bank). Policies to improve the export marketing system and policies for appropriate export pricing never were coordinated. However, various programmes had been submitted to emphasize Sudan's role as a supplier of agricultural goods to the Arab region (see Oesterdiekhoff/Wohlmuth 1983) and to consolidate bilateral trading and payments arrangements (see Hansohm/Wohlmuth 1989).

However, the governments of Sudan never have initiated coherent reforms in this area of policies.

Concerning area 4, various proposals have been made to lay the foundations for a new social contract between the social partners (see Mustafa et al. 1988; ILO 1987, Chapter 7.4), to lay the foundations for financing a new federal structure of Sudan (see Due 1986), and to revitalize long-term planning (Wohlmuth/Hansohm 1984, 1987).

According to Aguda (1973) a great problem in Sudan's development since independence has been the indecisiveness of the governments with regard to the role of the state in the economy. It was never made clear if there should be limits to the role of the state in the economy; this has affected negatively the private sector development since independence. Kursany (1986) and others however argue that a much stronger and deeper involvement of the state would have been necessary to overcome the obstacles of underdevelopment.

Although the new regime has brought up some ideas about popular participation, new democracy, new federalism and a revival of long-term national planning, the programmes submitted so far are neither consistent nor implementable. The same can be said about the programmatic ideas submitted by the NDA opposition; the implications for finance and implementation remain unclear.

Alternative strategies for Sudan have to integrate programmes and plans for these four areas simultaneously in order to be relevant. Priority areas and guidelines for reform have to be integrated and interlinked (see the synopsis in Table 4) so as to give the basis for a consistent and coherent strategy. Such a strategy for Sudan has to be sustained in the implementation process on the basis of political commitment for a long period of time. It is necessary to show the interrelation of these four areas by referring to objectives, constraints and policy measures.

Table 4: Priority Areas and Guidelines for Alternative Economic Strategies

1. Stimulating Productive Economic Sectors
   1.1. Subsectoral balance between irrigated, mechanized and traditional rainfed agricultural subsectors is important, as costs and benefits of subsectors to the whole economy/society have changed drastically since independence;
   2.2. Subsectoral balance between large/small,private/public, modern/traditional, small traditional/small modern, and formal/informal industries is necessary as the concentration on large public industries has become increasingly inappropriate with regard to relevant developmental objectives;
   1.3. Exploiting the linkages between the rural and the urban economies and between agriculture and industry is crucial, especially because of the increasing interrelation of rural and urban labour markets and the huge economic potential of exploiting linkages;
   1.4. Developing the social and physical infrastructure and the systems of environmental protection are urgent tasks as the degradation of infrastructure and of environmental resources endangers the survival and the productivity of all actors in the productive economic sectors.

2. Macroeconomic Stabilization and Market Reform
   2.1. Reforming the Fiscal System and the Administrative System is important because the structure of public revenues and expenditures is inappropriate and the ways of financing the deficit are disrupting the economic process;
   2.2. Implementing effective monetary and credit policies is necessary because neither the control of liquidity nor the efficient allocation of credit required by the productive sectors are possible in the currently practised system;
   2.3. More balance between private and public sectors is required, especiallywith regard to private and public investments; neither the investments of the 'public sector' nor of the 'private sector' are at a minimum level to prevent a further erosion of Sudan's capital stock;
   2.4. More balance between productive and social expenditures is required as well as a cut of unproductive expenditures; resource mobilization and additional international finance are required as sustainable structural adjustments necessitate productive investments but also social programmes to mitigate the costs of adjustment and structural change.

3. New Foundations for International Economic Relations
   3.1. New Policies for Export Promotion, Export Diversification and Import Rationalization are required as the international competitiveness of traditional exports is still declining and essential imports are more difficult to procure than ever in Sudan's history;

3.2. Sustainable exchange rate policies are crucial for revitalizing Sudan's economy what requires a support by credible fiscal, monetary, credit and supply-side policies to enhance the productive capacity;

3.3. New integration and cooperation policies have to be based on long-run assessments of the comparative advantage of Sudan's export products; the new bilaterialism can not be a substitute for an open international trade policy;

3.4. New approaches towards the Brettonwoods institutions (IMF, World Bank) are necessary as the long term costs of a break with these institutions may be extremely high; access to international credit is necessary for revitalizing trade and new investment;

4. Revitalizing the Developmental State

4.1. Moves towards effective popular participation are important as the lack of participation at all levels (horizontally as well as vertically) has led to a fast decline of motivation, mobilization, accountablity, information, awareness and responsibility;

4.2. Approaching a new federal structure for Sudan requires not only that a system of real power sharing is established; a sharing of national financial resources, commitments and debts is necessary at the horizontal and vertical levels; control and accountability at all levels are important elements for successful governance in such a system;

4.3. A strengthened system of labour administration and a Social Contract could support more equtable structural adjustment policies; the social effects of liberalization policies can be mitigated only if trade unions, employers' organizations and the labour administration take on the new tasks evolving from liberalized/deregulated markets;

4.4. Revival of long-term planning is important as ad hoc decisions and short-term planning have replaced strategic planning and budgeting; this has led to unrealistic demands of vested interest groups, to corruption and to short-sightedness in politics.

4.2. Implications of a Broader Package of Alternative Economic Policies

4.2.1. Stimulating Productive Economic Sectors

Sudan has since independence promoted the productive economic sectors on the basis of long-term planning (the Ten Year Plan, the Five Year Plan and the (then abandoned) Six Year Plan, and has given emphasis on irrigated and mechanized agriculture only. An imbalance emerged between the three agricultural subsectors (irrigated, mechanized and traditional), and the serious neglect of the traditional subsector became already in the 1970s the focus of the ILO report submitted to the Government of Sudan (ILO 1976) and in the 1980s of the Strategy for the Development of Rainfed Agriculture (see Wohlmuth 1991). However, none of these strategy documents for revitalizing traditional agriculture were taken up seriously by successive governments of Sudan. The traditional sector (especially also the livestock sector) was the looser in development policy since independence, with little access to credit, basic services, public investment, government protection, foreign exchange and subsidies. The second ILO Report to the Government of Sudan (ILO 1987) then stressed the necessity of a policy reversal again and argued that irrigated agriculture is no longer an important net foreign exchange earner to the country relative to rainfed agriculture. However, also this report had no real policy impact. A related imbalance - between agriculture and the livestock economy - gained momentum over the years with repercussions on the environmental resources of Sudan.

Another source of imbalance has been the neglect of rural and urban small industries and of traditional industries (based on simple technologies) relative to the highly protected and subsidized public and private large-scale industries as they were built up after independence with an ever-increasing scale of public intervention (see Table 2). All policy instruments for industrial development, as the successive Investment Acts, have benefitted only some few large-scale and capital-intensive public, private and foreign ventures. All relevant economic policies had an implicit bias against smaller industries which have however distinctive advantages (e.g. in terms of sectoral complementarities, employment generation, saving capital and foreign exchange and supplying goods to local markets at reasonable prices). Even the new Investment Act of 1990 does not bring a fundamental change to this situation. A new policy for small industries is therefore required and can complement a new agricultural policy which is supporting a more balanced development of agricultural subsectors.

The insufficient linkages between agriculture and industry are caused by the neglect of traditional agriculture and of small industries, but also by the extent of unequal trade protection granted to industry relative to agriculture, thereby discriminating agriculture. The claim of the NSR government to pursue a pro-agricultural policy has to be subtantiated by policy reforms on this basis. This requires more balance between subsectors, a credible stabilization programme, a programme of public investments oriented towards agriculture, a small industry development programme, a new orientation of foreign trade and exchange rate policies, and genuine programmes for the support of small agriculturalists and industrialists.

Neither a small farmers programme nor a programme for the support of rural industrialists exist at the moment in Sudan. Credible rural development policies imply action in the areas of agricultural institutions, inputs, infrastructure, prices and other incentives, research and extension; all these policy components are in design and implementation much more long-term and complex than envisaged by past and present governments. Integrated rural development schemes in Sudan so far have not fulfilled their promises. However, relocation programmes for the displaced people as planned now can only be executed on the basis of integrated rural development programmes.

Most important for productive sector development is that infrastructure development plans are designed as soon as possible, for social as well as for physical infrastructure; this has also to include an environment protection plan. Productive sector development is possible only if further destruction of infrastructure is ended and if new investments take place. The serious degradation of physical infrastructure (especially of transport, telecommunication, water development) and of social infrastructure (especially of education and health) can only be stopped by government commitments to long-term infrastructure development plans. However, Sudan now has neither an education development plan nor a health sector plan, nor are there plans and programmes for the rebuilding of its physical infrastructure. There is no coordination with budget planning so as to ensure the provision of minimum levels of development expenditures and social expenditures for such purposes. Core budgeting is required to formulate minimalist programmes as soon as possible. However, the complete loss of control of government's expenditures (because of the increasing relience on extra-budgetary finance and the extent of use of deficit financing) leaves no room now for such core budgets and minimum commitments for infrastructural development.

A National Infrastructure Plan is therefore urgently required to end the erosion of the capital stock. This policy is consistent with new financing strategies based on cost recovery and taxing the wealthier segments of the society on equity grounds, but inconsistent with current deficit financing practices.

4.2.2. Macroeconomic Stabilization and Market Reform

Central to stabilization policies in Sudan is a fundamental fiscal reform. Neither the structure of revenues, nor the structure of expenditures or the structure of financing the fiscal deficit are sustainable (see Attaelmannan Taha et al. 1990). The structure of expenditures (mainly consisting of direct transfers to the regions, salaries and security-related expenditures) leaves less and less scope for productive sector-related development expenditures. The misuse of funds and the lack of accountability with regard to the ever-increasing extra-budgetary expenditures are elements of those policies that lead to a complete loss of macroeconomic control. The revenue structure (mainly based on indirect taxes, a low share and a declining contribution of direct taxes, and a serious lack of non-tax incomes) is also unsustainable, so that a revenue - led strategy has to be followed, based on the revival of productive sectors (see Attaelmannan Taha et al. 1990). Such a strategy for fiscal consolidation has to rely much more on direct taxes, real estate and land taxes. The structure of financing the deficits (relying on central bank credit for deficit financing and also on counterpart funds of commodity aid) is disrupting the financial and monetary systems. No currency reform (as undertaken recently by the new regime) can have lasting effects unless the government itself is willing to control its fiscal deficit and to restructure revenues and expenditures.

It is obvious that all this can only be achieved in conditions where a minimum level of autonomy of the Bank of Sudan (BOS) relative to the government can be taken for granted. The BOS has become more and more a vehicle to finance extra-budgetary expenditures and ever-increasing fiscal deficits. In such a situation neither fiscal nor monetary or credit policies can work; savings and investments will not come forth and remittances by SNWA will not add to the local savings. The savings can only be stimulated by a consistent policy of stabilization and a policy of financial deepening and widening, including also the Islamic banks and finance institutions in the country (as they work up to now more or less uncontrolled). An extension of the coverage of credit institutions to all regions and a reorientation towards more productive and long-term lending are necessary steps. Credit allocation on an administrative basis according to BOS rules and procedures was so far neither effective nor developmental. Credit was not allocated for long-term and productive projects but for short-term and speculative purposes. The government itself was not following the BOS credit allocation policy. A new and more flexible credit allocation policy is an important complement of a fiscal consolidation policy (see Attaelmannan Taha et al. 1990; Wohlmuth/Hansohm 1987).

The fiscal implications of a new federal structure for Sudan have yet to be elaborated. Up to now principles and formulaes for sharing public revenues between the federation, the states (regions) and the provinces were not outlined. Revenue-sharing formulaes, debt and credit guarantees, commitments for minimum revenues and expenditures for all levels of the federation, and appropriate control procedures are extremely important for any revival of federalism in Sudan. The idea of a system of regional self-reliance is up to now not more than a slogan; the fiscal implications of new taxes and duties for the regions and the provinces should therefore be considered carefully (as well as potentially detrimental effects of local and regional taxes, e.g. on the environment).

The imbalance between private and public sector development has urgently to be redressed. Privatization policy is on the agenda of the new regime. However, privatization in an economically meaningful way requires a coordination with competition policy, market deregulation policy, exchange rate policy, industry and trade policy, and capital markets promotion policy. Otherwise, a spontaneous and even chaotic type of privatization emerges, leading to windfall gains for some businessmen without beneficial impacts on the productive system. Such a type of privatization could even disrupt further the industries remaining in the public sector. Up to now such a deliberate privatization strategy has not been followed in Sudan.

Privatization also implies that the value of company shares has to be assessed by finance and capital market institutions. However, the finance institutions and the capital market can not develop in a situation of unsustainable macroeconomic policies and inconsistent microeconomic interventions from the side of the government. Privatization makes sense only in a situation where access to foreign exchange, credit and inputs can be taken for granted so that private ownership leads immediately to new investments. All these conditions do not exist in Sudan now.

Privatization can never be a substitute for fiscal consolidation as it seems to be the case now in Sudan, by the way of generating non-tax revenues through large-scale sales of companies and company shares. Privatization is therefore meaningful and useful only in the context of sustainable fiscal reforms. In the case of Sudan, commercialization and consolidation of public sector companies should therefore be the first priority; commercialization means first of all restoration of a functional autonomy of the company so that responsible decision-making and public accountability can be established. Clear rules and procudures for the guidance of public enterprises are important, as are new investments in the companies remaining in the public sector. However, selection and evaluation procedures for public sector investments have also to be improved in Sudan.

Mitigation of the social costs of stabilization and structural adjustment policies is another important area of policies to accompany macroeconomic and market reforms. Privatization implies retrenchment of employees; liberalization and deregulation of markets have social effects because of price adjustments; budget consolidation has social implications because of the necessity to reduce budget deficits what may imply also a further cut of subsidies and of social expenditures and the use of cost recovery measures. The employment effects can be mitigated partially by Employment and Training Funds and by Vocational Training and Guidance Funds; other effects can be mitigated by Social Development Funds. The price effects can be mitigated by selective and targeted subsidies; the effects on the social expenditures can be mitigated by core expenditure programmes which have to be related to comprehensive poverty alleviation strategies. All this requires that Social Development Funds and Social Welfare Funds are coordinated and executed by effective social welfare institutions. Such programmes have been discussed for Sudan since the late 1980s (see World Bank 1988), but no action has followed. Such programmes to mitigate the effects of structural adjustment can and should be integrated with food security policies (e.g. strategic stocks), commodity aid programmes, public and specific employment programmes and other measures that have an impact on poverty and social welfare.

4.2.3. New Foundations for International Economic Relations

New foundations for Sudan's international economic relations are extremely important as resuming growth depends also on successes in this area. Many crucial issues in this area were ignored by the successive Sudanese governments. A new trade policy should improve the international competitiveness of exports and should enable the country to produce efficient substitutes for imported goods and services.

The loss of international competitiveness of traditional export crops and the inability to produce efficient import substitutes are factors that create tensions in the foreign exchange market, limit the access of productive sectors to foreign exchange and retard development by lack of imported inputs. The non-exploitation of Sudan's huge agricultural export potential (as calculated again by the authors of the Strategy for the Development of Rainfed Agriculture) is an important aspect; however, the non-exploitation of the export potential in areas as crafts, manufacturing and tourism is also an issue to be discussed in the context of suitable policies to improve the export supply capacity.

Sudan never has developed an export promotion policy (comprising export marketing, pricing, financing, market awareness and product development policies), and never has succeeded in implementing an export supply management strategy (by providing appropriate infrastructure, inputs supply, and a sound regulatory framework). More than this, the failure to use actively foreign exchange rate policies as a developmental tool has to be added to this long list of shortcomings. Export promotion has to envisage a comprehensive long-term strategy, comprising also international marketing support, selective subsidization of export production, and granting some special incentives to companies that have a good record as exporters. On the contrary, the Sudan has consistently taxed the export sector directly (by export taxes and duties) and indirectly (by import protection affecting the producers of exportable goods).

Sudan never has followed a consistent export supply management policy. Periods of export bans, neglect of traditional export crops, deterioration of infrastructure (irrigation, livestock amenities, transport facilities, health systems, research and extension services), inappropriate mechanisms and policies on export pricing, distribution and marketing, and on exchange rates and export taxes have virtually destroyed the export capacity of the country. Often changing taxes, tariffs and pricing formulaes, an overall lack or weakness of export sector institutions (especially in the fields of quality controls and health standards), and widerspread infrastructural and administrative deficiencies prevented the use of the (abundant) resources for export.

Most serious in its consequences was the neglect of the role of foreign exchange rate policies for development purposes. Sudan experienced so many devaluations since 1978 but no devaluation so far was really supported by consistent monetary, fiscal and supply-side policies so as to stabilize the exchange rate whenever an 'equilibrium rate' was reached. The 'battles' among Sudanese economists around the devaluation policy (see especially Abdel Gadir Ali 1985) were too often ignoring the main issue: that only a stable real exchange rate (reflecting the domestic inflation rate relative to inflation rates of trading partners) can be a sound basis for decisions of producers, exporters, capital owners and of SNWA.

The core elements of profitable international economic relations (export promotion, export supply management and stabilization of the real exchange rate) were not considered at all (see on relevant export marketing issues Oesterdiekhoff 1991).

In reality, Sudan is now moving towards a new era of bilateral trade and payments agreements. This is a consequence of the deterioration of the balance of payments and of the debt situation. Extreme scarcities (e.g. of fuel, food, and pharmacy products) lead to these new (old) arrangements. The experiences with former bilateral agreements should be carefully studied in this context. Bilateral transactions can only be useful temporarily and sectorwise; they cannot be a substitute for a sound trade and payments policy on a multilateral basis. Bilateral trade transactions imply low prices for exported goods, a non-exploitation of domestic capabilities, a loss of cost and price consciousness, a politization of trade and an erosion of commercial trade relations (as based on economic incentives).

Some new bilateral trade/payments/integration/cooperation agreements (as with Libya, other Arab countries, Asian Islamic countries, India and China) are very limited in scope.These agreements lead to bilateral trade and payments but are rarely extended to the establishment of joint ventures, to production cooperation and to private investment activity; the potential for expansion is therefore limited. Such agreements should be used mainly for short-term actions to procure scarce goods and inputs so as to rehabilitate important sectors and strategic industries (e.g. sugar, textile industries), and in cases of extreme scarcities of basic goods (fuel, pharmacy, food). Even in these cases these deals should be arranged in a dynamic and developmental form (with regard to prices, volumes and partners).

In the longer run, these approaches can not be a substitute for a realistic evaluation of international trade options based on comparative advantage as calculated for Sudan since the 1980s (see on the methodology Nashashibi 1980). Such comparative cost calculations had been undertaken as the basis for Sudan's Export Action Programmes in the early 1980s. However, the implications in terms of export promotion policies never were taken up seriously.

New policies on international economic relations therefore imply that the state involves itself in a more rational way in export promotion, exchange rate policies, industry and trade policies, public and private investment policies, and that, first of all, a stable and credible macroeconomic environment is established. This also requires that a new working relation with the IMF is established as access to new international credit is otherwise extremely difficult and costly. Tactical measures and symbolic actions (devaluations, moves of liberalization, deregulation and privatization, or even currency reforms) as practised by the new regime cannot be substitutes for a sound policy framework. The real situation (see Table 1) is so serious that tactical measures and symbolic actions can never convince the international financial community that a real policy change is intended in Sudan.

From time to time a renewed attention is given to the idea of developing Sudan so as to become the breadbasket of the Arab world. Neither the experiences of the 1970s (see Oesterdiekhoff/Wohlmuth 1983; Wohlmuth/Hansohm 1984) nor the developments of the Arab

World after the Gulf War give any justification for pursuing in the next future such ideas: Sudan is still an importer of food and has never realised the self-sufficiency targets in important food crops (as for example sugar).

4.2.4 Revitalizing the Development State

First of all, popular participation is crucial for a revitalization of the developmental state and for successful structural adjustment programmes (see Wohlmuth 1992). The new regime experiments with some new forms and modalities of popular participation in order to overcome the perceived dilemma of Sudan falling from a system of a one-man-dictatorship into an unstable multi-party system. According to the intentions of the new regime, popular participation should express itself on the basis of people's congresses at the local, the provincial, the state (regional) and the national (federal) level. The People's Congress should however be complemented by organizations expressing sectoral interests; sectoral committees should be formed for Economy, another one for Military/Defence, and a third one for Legal Affairs.

This system - if operative - will have far-reaching implications for the society as for example the Committee on the Economy will comprise all organizations dealing with labour issues (trade unions and employers' organizations). These organizations will be bound together in one Committee so as to reconcile sectoral interests; this could mean that conflicts of interest can not be expressed freely and that negotiations about wages, labour conditions and employment issues cannot take place in an open way. This may lead to a structural immobilization at the level of institutions and procedures; this may also impede structural adjustments as structural adjustment policies imply by their nature a system of free negotiations between the social partners in the labour market. The state would have much more than a facilitating and mediating role in this system of organizing labour relations; this could complicate also price and wage adjustments. A strengthening of trade unions and employers' organizations is however necessary for effective structural adjustment and development policies.

It is therefore most important that the government supports the functioning of the labour market and the design of appropriate employment policies by an effective labour administration (and the Sudan has a history of an efficient labour administration to build on). New functions of the labour administration have to deal with the repercussions of structural adjustment policies, especially with the effects of liberalization, privatization, stabilization and deregulation, and with the problems as associated with the increasing level of urban open unemployment, the real wage declines and the increasing poverty. A revitalization of the developmental state in Sudan has therefore implications for the mandate and the organization of trade unions, employers' organizations and a strengthened national labour administration.

Of relevance in this context is the instrument of a Social Contract as proposed in the 1980s by the Ministry of Labour in Sudan (see Mustafa et al. 1988) and also by the ILO (see ILO 1987). A Social Contract between the social partners in a tripartite structure (government, trade unions and employers) is another important instrument to lay the foundations for a strengthened democracy and a revitalization of the developmental state. However, such a Social Contract has to include all those issues and policy areas that are now central to the activities of labour administration and the social partners - to mention especially the support of informal sector workers and entrepreneuers, rural plantation workers, petty traders, the old and the new poverty groups and the openly unemployed persons in urban areas. Productive sector development has to be based on a new mode of cooperation between these three partners. This new attitude can support structural change and ease conflicts which arise especially in the context of recession, economic crisis and structural adjustment.

On the basis of a Social Contract inappropriate decisions from the side of the government can be more easily corrected, and policies can be broader based. This is relevant especially for investment and employment policies. Investment Acts can be made much more relevant for investors by bringing in the experiences of the various partners. New employment and social policies can be better designed, as well as more appropriate vocational training and labour market guidance strategies. Strong and broader based economic organizations as the trade unions and the employers' organizations can help to reach informal sector entrepreneurs and workers. Public employment schemes and private employment initiatives can be supported effectively by the socialpartners, especially the programmes for women and the poorest in society (see especially ILO 19862; Mustafa et al. 1988, Mustafa et al. 1989).

Secondly, revitalization of the developmental state also implies that new foundations for financing the federal structure are built. The failures of decentralization, regionalization and of earlier attempts to build a federal structure in Sudan have to do with the fact that clear rules for revenue-sharing and for expenditure commitments, and rules on debt accumulation and budgeting at federal, regional and provincial levels never were designed and accepted. This is still the case now. It is not clear on what rules and procedures the new federalism in Sudan should be built on.

Clear commitments on direct transfers, on shares of taxes to be allocated to regions (states) and provinces, and on other rules and procedures do not exist. Direct transfers have to be based on principles as the equalization of income levels, and on quantitative targets (e.g. investment and employment targets, indicators of regional resources development and the regional population base). Control and accountability procedures also matter in such a federal finance system; no such procedures exist so far. This has implications for peace in Sudan as fiscal autonomy and regional finance have never worked. Ad hocism in financial relations and large-scale deviations between commitments and disbursements led to so many problems not only for the Southern Region. But concrete proposals for adequate federal finance systems are scarce (see on some views Ahmed/Sorbo 1989). The new regime has so far not developed any firm rules and procedures for the proclaimed new federalism. It is vaguely argued that regional self-reliance is the solution to these problems.

A third important element for a revitalization of the developmental state is the revival of long-term planning (already emphasized at the Erkowit Conference in 1988). With the abandonment of long-term planning in 1978 Sudan has had experiences with three to four years rolling plans or annual development expenditure budgets; all these plans lacked a long-term perspective. It is obvious that this practice was due to the external and internal shocks affecting the economy, but the consequences were a loss of perspective and vision and the generation of contradictory and non-sustainable policies and programmes.

Revitalization of long-term planning is so important because Environmental Action Plans, Infrastructure Plans, Social Development Plans, new generation Structural Adjustment Programmes, Public Investment Programmes, and Poverty Alleviation and Rural Development Programmes need to be supported by long-term planning on the basis of agreed upon development objectives, investment allocations and appropriate consistency checks. Most of these plans have a time horizon of more than 10 years. This implies that long-term planning has to be linked with development expenditure budgets and sectoral plans. Planning was substituted more and more by merely issuing action programmes stating only some objectives and policy measures (as the programme emanating from the National Conference for Economic Salvation in 1989).

5. Conclusions

It was the purpose of this paper to analyse the dimensions of Sudan's crisis, in more detail the causes of Sudan's economic crisis, and also the implications for the economy of the Southern Sudan with regard to the economic foundations for restoring peace in Sudan. It was also the intention to analyse the economic and political concepts of the new regime and the implications for Sudan's economic perspectives. In the last part it was attempted to synthesize all relevant proposals and approaches for an alternative economic strategy for Sudan. Four policy areas were identified: stimulation of productive sectors; macroeconomic policy reform and market reform; laying new foundations for international economic relations; and revitalizing the developmental state. It was found that the restoration of agriculture and industry as dynamic sectors of the Sudanese economy needs support from all other policy areas.

Economic restoration of Sudan means also laying the economic foundations for peace; it requires on the economic front much more than only stabilization and structural adjustment: revitalization of the developmental state and its institutions; creating new foundations and modalities for international economic relations; supporting non-spontaneous market reforms and credible macroeconomic policies; and designing strategies to promote small peasants and industrialists in the productive sectors.

It is important to lay now the foundations for a new economic policy in Sudan by avoiding simple, dogmatic and only symbolic actions. Liberalization and privatization are means, not ends of policy reform; they only work effectively in the context of a strong developmental state.

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