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Some Economic and Political Aspects
2000-1990**

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Working Paper 0337



ECONOMIC RESEARCH FORUM

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1990-2000**

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^{*}University of Khartoum, Institute of Development Studies and Research. The researcher would like to express deep gratitude to the ERF¹ for the extension of financial backing to conduct research on rural and urban poverty in Sudan. This has made the data collection for the writing of this paper and two others possible. The writer is also indebted to many who have aided in carrying out the fieldwork and in facilitating access to data. The assistance of Miss Ilham Duleib El Mahdi, Mr. Khalid Salih and Mr. Mohamed Yagoub who have helped in data gathering both in the field and from different relevant sources and libraries has to be specially acknowledged.

Abstract

Despite some increases in the GDP during the second half of the 1990s, Sudan remains one of the poorest and unequal in terms of services of all African countries. The paper attempts to find explanations to this remarkable increase in poverty during the 1990s. Using a mix of aggregate national and regional statistics and reports together with some secondary material, the paper advances the following arguments: that misallocation of resources away from the productive sectors of the economy to non-productive spending (war, security machine and an enlarged bureaucracy) stunted the economy and limited employment opportunities; that government heavy extraction from agriculture combined with deficit financing resulted in inflation, eroding both urban and rural real incomes, impoverished formerly non-poor families and pushed the already poor into more severe poverty conditions. Government policy towards agriculture, exacerbated by drought and conflict, has led to the erosion of agriculture, the destruction of rural livelihoods and displacement and led to a massive influx of an impoverished population into cities. Related to this is the decline of the industrial sector, which is also a consequence of government policy and which led to increased unemployment further pushing urban poverty and urban decline; And finally, that with the increase in poverty, government policy of allocating economic and political resources as favors to allies and political clients sharpened inequalities, and aggravated economic and social polarization. The paper concludes that for any poverty reduction strategy to succeed, political and economic overhaul is necessary.

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(GDP)

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1. Introduction

With its vast natural and human resources Sudan is still considered one of the least developed and poorest countries. The fifty-year period since its independence in 1956 has not just been a failure in terms of developmental efforts, but also a period of regression in many respects. In one respect poverty measured in terms of household income has progressively increased since the country has had its own national anthem. The period of the 1990s has been exceptional in the scale, rapidity and depth with which poverty has overwhelmed and devastated the majority of the Sudanese. It is a period during which the NIF took over power and enforced numerous economic and political measures with far reaching consequences; one of which is the spread of poverty on a large scale.

Poverty is a very complex phenomenon and cannot simply be reduced to one cause or a number of causes. Causes of poverty have social, cultural, environmental, and demographic as well as economic and political dimensions. The multiple and intricate causes of poverty function, interact and overlap at different levels in different combinations of different magnitude governed by different socio-cultural, political, economic, environmental and historical contexts. These complex factors, forces and mechanisms also interact, with differing degrees, at the different international, national, regional, community, household and individual levels to result in poverty.

This paper deals with *some* economic and political factors and forces functioning at the national level that has significantly contributed to widespread poverty in the Sudan in the 1990s. Although some analysts and scholars mainly blame the self imposed adoption of the structural adjustment program, *this paper argues that it is the interrelated political and economic aspects of government policy and not simply structural adjustment that is to be blamed for the dramatic increase in poverty in the 1990s*. This in no way means that some aspects of the self-imposed structural adjustment should not be considered when investigating increased poverty in Sudan in the 1990s, but that government policy has to be seen as the primary cause leading to over 90% incidence of poverty. i) Massive non-productive use of scarce resources; ii) the escalation of the war in the South that has been a drain on the country's resources; iii) the displaced and impoverishment of millions of Sudanese; iv) inflation that eroded real urban and rural incomes; v) heavy resource extraction from the productive sectors without reinvestment to maintain their productive capacity and vi) increased unemployment and the sharpening of inequalities are just some aspects of government policy that constitute the underlying causes behind widespread and deepening poverty.

The paper is presented in six sections¹. The first section is to set the political context within which the policies of the 1990s have been adopted. The second and the third sections deal with government non-productive expenditure compared to expenditure on the productive and services sectors in order to highlight the impact of reallocation and misallocation of scarce resources on poverty. The impact of wasting scarce resources and the negative impact of the war in the South on the Sudanese, especially those in the South who suffered large-scale displacement, are emphasized. Government policies towards agriculture and how these policies impacted the agricultural sector resulting in increased rural poverty are dealt with in

¹ This paper mainly relies on primary and secondary material. It uses unpublished data such as relevant government departments' reports, unpublished articles and workshop papers which have been an important source of information. Most available data; particularly statistics have not been tabulated in the way it is needed for the paper. So data is sometimes pieced together from different sources and sometimes adjusted for the purpose of the argument. Statistics are sometimes inconsistent and the ones on the budget in particular are often different due to the disguise of some expenditure items and also the difference between approved and actual allocations. Overall the statistics are not very reliable but they serve the purpose of the paper by giving indication to the general policy. Differences do not distort the general trend statistics indicate.

the fourth section. The fifth section deals with urban poverty and examines how it has mainly been a result of government policy that eroded real incomes and resulted in increased unemployment. The rapid increase in inequalities and poverty in the 1990s are set for examination in the sixth section. The paper finishes with conclusions and policy recommendations.

2. The Political Context of Economic Policy: 1990-2000

The way the NIF has attempted to gradually establish and tighten control over the economy and other aspects of social, political and cultural life in Sudan during the 1990s is a subject for separate documentation and analysis. However, in this context it is important to briefly map out the underlying current of thinking that marked the general orientation of government policy that was pursued in the Sudan during the 1990s and led to large-scale poverty. Although it is difficult at present to have access to sufficient data on some aspects of policy, for those who lived in Sudan in the 1990's, and closely watched it unfold, its objectives and consequences are not unclear for the keen observer to see. However, systematic treatment that situates policy and poverty within the socioeconomic and political context is necessary for understanding developments in poverty in the Sudan in the 1990s. This paper is a modest attempt to undertake this task as a starting point for further analysis. Under current conditions much of the data is difficult to obtain and the available data is sometimes incomplete.

One main feature of the new NIF government policy during the 1990s is to strengthen its economic and political position. Economic policies, and other administrative, social as well as political aspects of policy are pursued not for mere economic rationale but are mainly engineered to weaken political opponents, real or potential, and enhance NIF's economic and political power base. Representing one small section of the Sudanese population the NIF government took various measures to maintain its grip over power. To weaken political opponents the NIF has attempted to demolish their opponents economic and political support base. Investment opportunities and credit allocations have been granted to supporters and allies and denied to opponents². Concessions such as exemption from custom duties³, subsidies, financial support and the exclusive granting of licenses to political supporters were some of the measures adopted to forcefully establish an elaborate NIF economic base. To dominate the economy, politics and all aspects of social and cultural life, the NIF's government has consistently worked to exclude opponents and those not considered allies from the market. Some examples can illustrate this point: One is the granting of licenses for exchange bureaus to supporters to trade in dollars at a time when it was prohibited for others to do so⁴. It is one aspect of a policy, as stated by one of the government's advocates and who later turned into a prominent critic, based on demolishing the power base of the traditional parties and establishing a government power base in its place⁵.

A similar pattern of policy has been followed in the civil service. Potential opponents to the government in ministries, public corporations and other state bodies were purged and randomly dismissed in large numbers with no charge except that they were not NIF supporters. In the words of El Afandi, who was a government supporter and later turned into a prominent critic, "those who replaced them were young, lacking experience; their sole

² Salim A Salim, "The Road to the State: An Analysis of the Sudanese Case", (in Arabic), Amapresse, Paris, 1999, p. 218-221.

³ Personal Informal Interview with a former qualified, experienced high-ranking custom official who has been forced into early retirement. He used to have a position towards the grant of exceptional custom concessions.

⁴ Adam A, M, "The State and Society in Sudan" (in Arabic), Darel Hikma, London, 1997, p.74-77.

⁵ El Afandi A, "Revolution and Political Reform in Sudan" (in Arabic), Muntada Ibn Rushd, London, 1995, pp. 96-112.

qualification is loyalty"⁶. Those purged under the policy of mass dismissal '*salih alaam*' added to the army of the urban unemployed. The resulting increase in unemployment together with the erosion of real incomes, as a result of a high rate of inflation fed into the process of urban poverty. Moreover, the impact has been devastating on the civil service and the performance of the economy in general. Experienced qualified personnel who form the core of Sudan's "human capital" left the country in an unprecedented scale. The services sectors suffering both under lack of funding and the flight of human capital, particularly in health and education, have been hit hard and suffered dramatic declines. These conditions have been compounded by the reallocation of resources to non-productive sectors and resource waste and have been some of the main factors contributing to the deterioration of living conditions and services.

3. Non Productive Government Expenditure and Scarce Resource Waste

One of the main characteristics of government spending during the 1990s is the allocation of the largest part of the country's financial resources to running the bureaucracy and the security machine and the low priority given to resource allocation assigned to the productive and services sectors. In almost all budgets, expenditure on salaries and the cost of running the bureaucracy, the security machine and the military, amounts to between 75 and 80% of total budget expenditure. In 1997, Chapter I and Chapter II (composed of salaries and wages plus running cost) amounted to 88.4%. Adding the financial resources allocated to maintaining regional bureaucracies and client political bodies (Chapter III) the total adds up to 92.2%. The development budget received only the remaining 7.8%. The pattern of non-productive expenditure of more than 80% share of total government spending continued for the rest of the 1990s. (See Table 1).

Government financial resources generated from overtaxing the productive sectors, namely agriculture, are not used productively. Additionally, the massive non-productive expenditure needed for over taxation of the agricultural sector has been insufficient, and the government has increasingly resorted to domestic borrowing (deficit financing) which has not been matched by a proportionate increase in production and productive capacity. Taxation has been too heavy for the agricultural sector to realize its productive potential and has significantly contributed to the acceleration of poverty in the countryside. Heavy taxation as well as other aspects of government policy constrained the industrial sector, increased unemployment and contributed to urban poverty. Most plants, both private and public, during the 1990s either halted production altogether or functioned at less than half the designed production capacity restricting job opportunities and the supply of manufactured goods. Deficit financing during the 1990s, on the other hand, was the main contributor to the erosion of real incomes in both urban areas and the countryside and this has further accelerated the process of impoverishment in rural and urban areas.

The largest expenditure allocations are made to the military and the bureaucracy. In contrast, the productive and services sectors received the least share in resource allocations. In addition to being the largest item of expenditure in almost all budgets during the period of 1990-2000, actual expenditure on the military and the security machine are always far more than what statistics show⁷. However, on the basis of available statistics, expenditure on the military and security has been exceptionally high and increased steadily over the years. The share of the military in the public budget increased from 11.5% in 1995 to 19.5% in 1997 and to 28.8%

⁶.Ibid., p.165.

⁷ In 1997 Chapter IV has been set for Development Expenditure instead of Chapter III and the Centralized Items to replace it as Chapter III. Chapter III is set for states' support and to cover unspecified expenditure including the military and security. (An informal personal interview with a High-ranking Official, The Ministry of Finance and National Economy, Khartoum, June 2003).

for the year 2000. The intensification of the war in the South, the threat to Sudan's borders, the worsening relations with almost all neighbors, widespread inter-tribal conflicts and internal oppression have all given defense and security top priority in budget allocations. Expenditure on political institutions; i.e., the so-called sovereign institutions has also been high and progressively increased over the years⁸.

The rapid increase in non-productive expenditures has been achieved at the expense of the productive sectors, at the expense of necessary health and educational services and at the expense of inflation that eroded real incomes. (See Table 2). Examining Table 2, expenditure on defense in the 1993 budget is seventy-sixties the expenditure on health and thirty-five times the expenditure on health and education together. Expenditure on the so-called sovereign institutions⁹ was four times as much as the expenditure on health and almost twice as much as expenditure on health and education put together. Financial resource allocations to agriculture as a productive sector declined sharply from 3.97% of total budget in 1993/1994 to 1.1% in 1996 and to only 0.86% in 1999. While expenditure on agriculture dropped, expenditure on the military, the bureaucracy and sovereign institutions increased. Resource allocation to non-productive activities sharply increased at the expense of reducing already meager resources allocated to productive expenditure even further. For instance allocations to agriculture in 1995 was twice as much as the expenditure on sovereign institutions, but by 1998 expenditure on sovereign institutions was five times as much as allocations to agriculture and about four times as much in 2000.

In contrast expenditure on the productive and services sectors declined steadily. Allocations to health services dropped from 0.2% of the 1992 budget to only 0.18%, 0.096% and 0.094% for fiscal years of 1995, 1997 and 1999 consecutively. Allocation to education remained in the region of 0.4%, during the 1990s, despite the rapid expansion of basic, secondary and higher education. The financial burden of constructing schools at basic and secondary levels in Sudan's urban centers and countryside is mostly shouldered by the population at the grassroots level through self-help or in some cases by donations from charitable individuals. This grassroots approach also applies to hospitals, health centers and dispensaries. Thus despite widespread poverty, people at the grassroots level subscribed to build schools and health facilities because of the need they feel for education and health services. These efforts received little response from the government to provide the necessary resources to run the educational and health facilities constructed by the poor using the meager resources available to them.. The increase in basic and secondary education was accompanied on the government side with very low budget allocations. The result is a decline in the quality of education and the lack of resources required by schools to provide basic and elementary prerequisites.. Teachers' salaries dropped and in most cases teachers are not paid for months. Subsequently teachers either migrated or abandoned the profession altogether. The lack of government resources for education meant that the cost of running schools has been shifted to the already impoverished parents by levying fees on pupils and students. The quality of education has sharply declined because of shortage of federal funds. The payment of entrance and annual school fees imposed on pupils is beyond the capacity of most poor urban and rural families, whose children dropped out both because of the inability to pay fees and the need for children to work to earn cash and contribute to family subsistence. Thus while income poverty increased and intensified during the 1990s, the government made drastic cuts in expenditure on health and education, the impact of which is mainly shouldered by the poor. This has

⁸ Sovereign institutions include the Presidential Palace, The Ministry of Foreign Affairs and The Ministry of Justice.

⁹ These mainly include the Ministry of foreign Affairs, the Judiciary, the Republican Palace, the National Assembly and other similar political institutions.

added more stress to the already existing dire conditions the majority of the rural and urban Sudanese population had lived through by the 1990s.

Similarly, expenditure cuts in health care have led to the deterioration of health services; particularly for the poor sections of the population whose health and living conditions have worsened with the increase in poverty. Cuts in financial resources have affected spending on health staff, hospitals and the provision of drugs. In place of an almost free health service provided to all sections of the population, fees have been introduced for even the most elementary health service offered by hospitals.. In addition to health services being of poor quality, the imposition of fee-based payment schedule for health services barred impoverished families from access to treatment or having access but at the expense of other basic necessities.

The neglect of the services and productive sectors has been partly dictated by the civil war in the South and the priority assigned to the military in resource allocation. Thus intensification of the war in the South has not only led to the waste of scarce resources generated at the expense of crippling the economy, production and the deterioration of services but also contributed in other various ways to the acceleration of poverty both in the South and the North.

3. War, Displacement and the Aggravation of Poverty in Sudan's Urban and Rural Areas.

Massive displacement of large sections of the Sudanese population is strongly associated with government policy relating to three factors that constitute the root causes for people to abandon their homes and economic activities. These are: the intensification of the civil war in the South, the environmental degradation and the increased resurgence of inter-tribal conflicts that disrupted community peace and security, and the loss of normal economic activities and resulting damaged livelihoods.

The civil war in the South has accelerated since the present government took over office in 1989. Despite numerous rounds of talks to reach a peaceful settlement to the conflict, this has, so far, remained more of a public relations effort than a real and genuine search for peace. For more than 14 years of negotiations, no peaceful settlement has been reached (July 2003) and in the meantime the devastation to the South, to the economy and to the Sudanese in the North has persisted and intensified as civil war continues.

One consequence of the war, which is a direct result of government policy, is an increase in the number of displaced Southern Sudanese moving into Northern cities, mainly Khartoum, on an unprecedented scale. Sources differ on the number of Southern Sudanese who left their homes because of the intensification of the war in the South. A United Nation's report "Operation Lifeline Sudan" put the number in the region of 4.2 million¹⁰. Based on an estimate of the total population of Sudan of about 28 million in 1999, the number of the displaced from the South due to the war represents about 15% of Sudan's total population. (See Table 3)

The depletion of the environment, mainly from the regions of Darfur and Kordofan in the West and the Red Sea region in the East and for which government policies are partly to be blamed, is another cause for population dislocation and displacement.. Agricultural policies that encouraged the expansion of large scale rain fed farming at the expense of clearing large tracts of forestland¹¹ has caused great damage to the soil. The number of the displaced as a

¹⁰ Banaga, S, "The Displaced and Prospects for Peace" (in Arabic), Africa International University Press, Khartoum, 2001, p. 32.

¹¹ Mohamed Suliman, "Sudan: Wars Over Resources and Identity" (in Arabic), Cambridge Academic Press, Cambridge, 2000; El Amin Khalid A, "Drought, Adjustments in Economic Activities and Change in Land Use

consequence of the drought and low yield levels in peasant agriculture, in 1997, was estimated for the whole country to be slightly less than 3 million persons. (See Table 3) The most drought-affected regions, i.e., having the largest share of drought-displaced population, are those of Darfur and Kordofan which are already the most poverty-ridden and marginalized regions in Sudan. Thus government policies have negatively affected the environment and the depletion of the natural resource base leading to impoverishment, destitution and poverty on a large scale. Tension among tribes in Darfur region is partly a product of drought and partly a product of government policy that aggravated inter-tribal tension and conflicts¹². Although there are no accurate figures on the number of people dislocated as a result of inter-tribal conflicts, those fleeing Darfur where inter-tribal conflicts frequently erupt is quite large.

Forced dislocation resulting from the civil war, environmental degradation and inter-tribal conflicts, have all led to the destitution of more than 6 million Sudanese. Almost all categories of the displaced lost their assets, family and communal support mechanisms and means of livelihood. They have been forced to abandon their homes, farms and rural economic activities in search of security and a means of survival. The number of those affected by displacement and thus reduced to destitution and deprived of a minimal means of survival, has been estimated to be in the region of 25% of the Sudanese population

Displacement, due to poverty and destitution because of the war, and drought and inter-tribal conflicts not only affect the already displaced but also add to the aggravation of the existing conditions of the already impoverished urban areas in which the displaced seek refuge. There are variations on the estimates of the distribution of the displaced population over the areas in which they have settled (the destination of the displaced). However, all sources agree that the largest number of the displaced of all categories has settled around Khartoum¹³ to constitute the core of the capital's ever-increasing shanty towns. Up-rooted from their rural homes and forced to live in an urban setting, most of the displaced population lack the skills and experience to be able to find a job in the city. With the loss of all assets, homes and farming capability, displacement set formerly food secure, stable families under conditions of food insecurity and vulnerability. If work opportunities are found at all, these are normally irregular, low-paying manual labor jobs. Thus the main difficulties the displaced population face are loss of means of livelihood which they once enjoyed at home, unemployment in the urban environment and the irregularity of cash income. Reliance solely on cash to purchase food and survive after the loss of subsistence and community support, make the displaced population vulnerable and places too great a burden on their ability to be able to cope.¹⁴ Poor health, poor sanitation, lack of drinking water and no assets to fall back on in times of need are additional difficulties that further aggravate the severity of their conditions of poverty.

Although displacement affects all dislocated Sudanese, women and children are the most affected by the resulting poverty, insecurity and vulnerability. The loss of males in combat or

and land Tenure Forms in Darfur, Sudan". Centre for Development Studies, The University of Leeds, Consortium for political Emergencies Working Paper, No. 41.

¹² Salih Mustafa, S., Tribal Conflict in Darfur: Causes, Consequences and Cures; A Study in Sociology and Empirical Social Anthropology, (in Arabic), Sudan Currency press, Khartoum, Undated; El Amin Khalid A., Some Environmental Consequences of Human responses to Drought in Sudan, Darfur Region, University of Khartoum, Development Studies and Research Center, Monograph Series No. 40, 1999.

¹³ Ahmed Taha, Population Displacement and Poverty in Sudan, A paper presented for the Study Group of Poverty in Sudan, Sponsored by ILO and UNDP at the request of The Ministry of Social planning, Khartoum, 1997. Also see Banaga S, op.cit. and UNDP and Ministry of Social Planning, Sudan 1st National Human Development Report, (NHDR), Final Draft, Sustainable Human Development Department, 1998.

¹⁴ Targeting the displaced around Greater Khartoum has become the main activity of numerous national and mainly international NGO; providing relief assistance in the form of food, health services and sanitation

as a result of forced separation, shifts the responsibility of looking after the remaining destitute and broken families onto females. When families lose males the remaining members are mostly children and fragile elderly whom females have to look after. There are different estimates of the percentage of female-headed households among the displaced population around Khartoum. but the figure varies between 30% and 40% of all displaced families. . Women are forced to work hard to feed families. While all displaced families are equally affected by the loss of assets and a means of livelihood, women are particularly more affected. With the loss of male members of the family and under severe conditions of poverty and hardship, women have to shoulder the greater burden of feeding their families all without material or moral support.

4. Agriculture: Heavy Extractions, Lack of Reinvestment and Rural Poverty

Apart from the civil war in the South, which has wasted resources, displaced and impoverished millions of Sudanese people, government policy towards the economy in general and agriculture in particular has also aggravated poverty in Sudan's countryside. Although the economy registered some improvement in growth mainly driven by growth in the livestock sub-sector, the agricultural sector in general suffered from government policy decisions which caused the majority of the rural population to sink deeper into poverty. (See Table 13)

Even increases in productivity in the so-called traditional rain-fed sector have been a result of factors that do not positively relate to government policies. One is increased investment and successful intervention by some international organizations in agriculture to boost productivity through programs targeting poor peasant farmers in the traditional rain-fed sub-sector, irrigated sub-sector and the livestock sub-sector. During the 10 year period of 1985-1995, IFAD alone spent more than USD135 million on the agricultural sector; mainly the traditional sub-sector¹⁵. Increases in productivity in the traditional rain-fed sub-sector are also partly a result of the increasing tendency of some better off peasant farmers to emerge among the peasantry investing some resources in agriculture. Although there are no detailed studies being carried out yet to make a thorough documentation of this trend, some reference to it is made in field studies conducted in Kordofan and Darfur¹⁶. The significance of this point is that it highlights that recent agricultural growth in Sudan is not a proxy for improved living conditions for the majority of the Sudanese living in the countryside. In fact improved agricultural production and some improvement in agricultural productivity during the last 10 years disguise the deteriorating rural living conditions. This deterioration is mainly a result of government policy towards the economy in general and the agricultural sector in particular.

For its vast cultivable land estimated in the region of 300 million feddans, Sudan could be considered an exception among most countries; in that agricultural land availability and access to it are not constraints to increased agricultural production. Rather it is the lack of capital, investment in infrastructure and the use of improved technologies that are the main constraints. Although these constraints are characteristic of all agricultural sub-sectors, they are particularly true and important for the peasant-farming sub-sector (the so-called traditional sub-sector) in which the majority of the Sudanese rural dwellers are involved, and which is also the dominant economic activity in Sudan's most impoverished marginal regions.

Although most rural populations are involved in the traditional sub-sector peasant farming sub-sector, is the one that suffers most from the lack of capital and use of improved technology. Although it is the main economic activity for the rural poor, it has been the most

¹⁵ IFAD, Working Paper II, Macro Economic Policies, in IFAD, Republic of the Sudan: Country Portfolio Review; Main Report and Working Papers Unpublished Report, 2001, p.iii.

¹⁶ El Amin Khalid A, op.cit., 1996; El Amin Khalid A, op.cit., 1999.

neglected of all agricultural sub-sectors. The peasant farming sub-sector has always received the least share of credit allocations. Access to credit on easy terms is one of the major constraints negatively influencing productivity, production and rural incomes in all agricultural sub-sectors during the last 10 years. Historically access to credit has been biased in favor of farmers in the so-called mechanized and the irrigated sub-sectors. This biased pattern of credit allocation in which the peasant sub-sector receives the least credit allocations still persists. (See Table 4). Throughout the 1990s, the irrigated sub-sector received an average of 50% of all Agricultural Bank of Sudan credit allocations, the mechanized sub-sector more than 25% and only an average of 14% for the peasant-farming sub-sector. In the absence of formal credit poor peasant farmers resort to informal credit "*shail*" with a very high interest rate that varies between 150%-200% under the compulsion to meet some production requisites and consumption needs. The resort to informal credit leads to high losses of cash income from cash crop returns to "*shail*" dealers. Reduction of poor peasant farmers' income by this magnitude has contributed to further impoverishment of the already poor peasant farmers and impoverishment of those who have not been previously poor..

While low priority assigned to the traditional agricultural sub-sector in credit allocation is a continuation of an already existing bias, government general credit policy during the last ten years has been characterized by a marked shift that has benefited neither farmers nor agriculture. In this context two aspects of government credit policy that have affected agriculture are important to emphasize. One is state withdrawal from financing publicly-owned agricultural enterprises which has been left to rely on commercial borrowing and the second is the introduction of the so-called Islamic form of lending principles¹⁷. Both aspects of government credit policy deprived agriculture and the rural sector from badly needed capital resources and contributed to poverty in Sudan's countryside.

Despite priority given to the agricultural sector, in policy pronouncements at least, general government credit policy has also impacted negatively on state-owned agricultural schemes. By the 1990's government withdrew from financing publicly-owned enterprises. Parastatals in charge of running agricultural enterprises have to rely on commercial banks to finance short-term agricultural operations and immediate running costs. Subsequently, funding from the Bank of Sudan dropped from Ls 2000 million in 1990 to only Ls 700 million in 1999¹⁸, while commercial Banks credit increased from Ls 1700 million in 1990 to Ls 4000 in 1995 and Ls 2800 million in 1999¹⁹. In US Dollar equivalents, the Bank of Sudan lending to publicly-owned corporations dropped from US \$ 166.7 million in 1990 to only US\$ 280

¹⁷ There are various forms of lending according to these newly introduced lending principles, but the most important for farmers are salam and murabaha. Salam is similar to informal credit "*shail*" which is a forward selling of the crop to the Bank at a set price. The price is set considering the average price for the pervious year. The farmer delivers to the Bank a volume of the crop that equals the loan according to the set price. If the Bank's losses are more than the third of the loan the peasant farmer should bear the amount of loss over the third of the loan, but in case of excess profit the farmer gets nothing. This problem of setting the price between farmers and the Bank has not yet been resolved and the determination of the price has always been an issue of conflict between farmers and the Bank. Profit to the Bank from credit operations according to salam normally come to more than 34%. Murabaha is a form of credit extended to purchase equipment with the Bank setting a profit margin of around 18% of the loan to be paid in the form of deferred payment checks within one year. Abdel Bagi K and Hassan et al, Commercial Credit and the Appropriate Form of Financing the Agricultural Sector, Ministry of Agriculture Monthly Forum in Arabic (Unpublished Paper), Khartoum, 1997, pp.3-4.

¹⁸ The difference in amounts does reflect the real magnitude of the drop in Bank of Sudan finance for agricultural corporations. The decline is sharper than what figures show if it is calculated in real terms; i.e., if the devaluation of the Sudanese pound and the rate of inflation are taken into account

¹⁹ Ibid., p.3; and The Bank of Sudan, The Experience of Financing the 2000/2001 Agricultural Season, An Unpublished Report, (in Arabic) Department of Research and Credit, Bank of Sudan, Khartoum, 2000, p.2.

thousands in 1999²⁰. Financial resources to meet the operating costs and the maintenance of the productive infrastructure; e.g., irrigation network and agricultural equipment, have been forthcoming from commercial banks because of public agricultural schemes' inability to pay which in turn influenced their performance and fed into further indebtedness. Productivity dropped and so did the peasant farmers' cash income; including the tenants of the Gezira scheme.

Credit allocation, made according to the Islamic form of lending which all banks in Sudan have been pursuing since the beginning of the 1990s; including the Agricultural Bank of Sudan, has made little contribution to facilitate poor peasant farmers' access to credit. Salam also contributed to the impoverishment of large sections of better off farmers. Salam, which is no different from *shail*, and the one form of credit poor small peasant farmers can have access to, levies an equivalent of more than 35% of the value of the crop²¹ (35% interest rate). In addition, unlike the practice of *shail* dealers who take account of their peasant farmers' clients' conditions in case of difficulty to repay, with this form of Islamic credit, defaulters are taken to court and end up in jail. Thus despite dire need for cash credit peasant farmers refrain from resorting to borrowing from the formal Islamic banking system (the only form of formal credit available) for fear of being imprisoned in case of inability to repay the costly loan in full and on time²².

Better off farmers mostly could have access credit through the murabaha form of credit, which is extended to purchase agricultural machinery²³. Although the interest rate of 18%²⁴ levied on the loan is high, the main problem with this form of credit for the farmer is whether the money in his bank account will be sufficient and on schedule for the checks to be drawn upon by the lending bank.. In case of failure the farmer is jailed and later goes to court. In most cases the farmer has to sell assets including agricultural equipment to be able to repay the debt. The inability to repay the loan is partly due to heavy taxation and the increase in the cost of production. As there are no available figures on the number of farmers running into debt Table 5 gives an indication of the magnitude of indebtedness and the scale on which farmers ran into trouble with great negative impact on agricultural production and productivity. (See Table 5)

Compared to the past practice of the Agricultural Bank of Sudan of levying only 5-7% interest rate to be repaid over a five-year period, the terms for credit extension according to the so-called Islamic banking are too harsh even for better off farmers to meet. Interest rates are very high and the one-year period for repayment is too short for borrowing farmers to repay the loan and thus many farmers defaulted and were taken to court. Farmers in large

²⁰ These figures are reached using the exchange rate of 12 LS per 1 US \$ in 1990 and LS 2500 per 1 US \$ in 1999.

²¹ Salam levies 35% interest rate.

²² In the social context of Sudan's countryside, being jailed for whatever reason is overloaded with some sort of social stigma which peasant community members avoid at all costs. In case of indebtedness, taken to jail is considered not just a violation of a contract, even if the reasons are genuine, but a socially downgrading event that affect social status and social position. The social disgrace associated with being jailed, even if for not being able to pay the Bank's loan is perceived to be so painful that the mere contemplation of a loan for which one could possibly be jailed is unthinkable.

²³ Since the second half of the 1950s and up to the 1980s, (when the Islamic forms of credit began to be implemented during the last years of the Nimeri regime when it came under the influence of the INF), the ABS was extending medium term loans to framers to purchase agricultural equipment. The interest rate was in the region of 7% and the period of repayment extends for five years.

²⁴ The total amount of the loan includes the cost of the equipment plus the profit margin of around 18% of the cost of the equipment for the Bank, i.e., the amount of the loan extended. The total is to be paid within a year in a monthly installments to be paid in advance to the bank in the form of deferred payment checks signed by the farmer who receives the loan.

numbers sold their agricultural equipment and other assets and many others went to jail. Imprisonment as a punishment for indebtedness made farmers abandon borrowing from banks altogether causing a negative impact on agriculture and agricultural production.

Heavy taxation is yet another aspect of government policy that constrained agriculture and contributed to rural poverty. Taxes imposed on agriculture at different federal, state and local council levels are numerous and extremely high. Heavy taxes are one of the main factors fueling the process of rural poverty during the last ten years. Heavy taxes not only constitute an additional burden on this vital productive sector limiting its productivity and growth, but are also a major factor leading to the worsening of the conditions of poverty among the already poor peasant farmers and pushing the non-poor farmers into poverty.

Taxes, fees and levies on Sudanese agriculture are characterized as high, large in number and with many variations in the number of taxes and tax categories between different agricultural sub-sectors. Comprehensive information on all categories of taxes, levies and fees is lacking²⁵ but available information is sufficient to indicate the extent to which heavy taxation on agriculture at the federal, state and local council levels has contributed to the impoverishment of Sudan's rural population.

Taxes on agriculture including all agricultural sub-sectors could be divided into three categories; i) taxes on crop producers; ii) crop market taxes and iii) export taxes²⁶. In addition to these taxes, irrigated and the so-called mechanized sub-sector are indirectly taxed by levying custom duties on imported production inputs and agricultural equipment. (See Table 6)

The peasant sub sector, (the so-called traditional sub-sector), in which the poorest of Sudan's rural population and most hard hit by drought in recent years live, suffers from both official and non-official *ad hoc* taxes, levies and fees. Although other irrigated and mechanized sub sectors are also heavily taxed, the impact of heavily taxing the peasant farming sector is significant. Official taxes on peasant producers until 1999 amounted to 27% of gross crop proceeds. (See Table 7) Despite the realization at top government levels of the grave social and economic consequences of high taxation on agriculture (and the issuing of a Presidential Decree, in 1999, to reduce taxes), taxes remain high. The Presidential Decree abolished only two official tax categories amounting to only 3.5%. (See Table 7) Current official taxes of 23.5% are still too high on rain fed peasant farming in the already drought-hit and impoverished regions.

Before issuing the 1999 Presidential Decree there were an unknown number of ad hoc taxes and levies on agriculture and agricultural produce imposed by local councils, and not included in the table²⁷. Taxes on agriculture and livestock constitute the major source of revenue for the increasing number of states and local councils. The implementation of federalism and decentralization which dramatically increased the number of states and local councils has brought with it more burden on agriculture in general and the peasant farming

²⁵ Categories and the levels at which taxes, fees and levies are imposed are different for the sub-sectors of mechanized farming, irrigated agriculture and traditional rain fed peasant agriculture. In addition to official taxes, fees and levies imposed at different levels, states and local councils impose ad hoc taxes on agriculture. Tax levies differ and the tax structure has changed over time. Some taxes have been abolished and some new ones have been added. However, taxes on peasant farmers have not decreased and still remain very high despite the intervention of the Council of Ministers and the President of the Republic himself who several times issued resolutions and decrees to bar the levying of ad hoc levies by local authorities.

²⁶ Abdel Aziz A, Shugeri S, op.cit., p. 2.

²⁷ It is not clear whether the Presidential Decree has had any real impact on reducing ad hoc taxes levied on peasant farmers. Local councils and states continue to levy ad hoc taxes to finance administrative and other expenditure.

sector in particular. During the 1990s the number of states increased to twenty-six with each having legislative, executive and judiciary bureaucracies. Local councils also increased to an unprecedented scale and in North Kordofan, for instance, the number of local councils has increased since 1991 by 300%. (IFAD, Working Paper II, 2001:3). The required huge expenditure on regional bureaucracies at state and local council levels is not met by meager federal funds support. With the absence of alternative sources of finance in Sudan's poor countryside the already burdened agriculture sector is resorted to as the main cash flow source to support expanding regional bureaucracies and the ever-increasing number of local officials. The insufficiency of financial transfers from federal government and revenue share from official taxes stipulated or earmarked for state and local councils²⁸ has made the latter resort to *ad hoc* levying of taxes and fees to meet their increasing expenditure needs²⁹. What makes matters worse is that the amount of federal financial transfers allocated to states is made proportionate to the resources states can generate; thus encouraging levying more and higher taxes both to increase their revenue and maximize federal financial support. The negative impact of this on living conditions and poverty in the countryside is further aggravated by the failure of states and local councils to provide services to agriculture or to peasant farmers.

Gum Arabic as an export cash crop is mainly produced in the impoverished rural areas of Kordofan and Darfur. It is an additional source of cash income but suffers from so heavy a taxation that peasant farmers either abandoned producing Gum Arabic altogether or sold their product to merchants. Merchants then smuggle the crop to neighboring countries and offer higher prices than the official marketing channel, Gum Arabic Marketing Corporation which maintains monopoly over the purchase and marketing of Gum Arabic. This monopoly position has enabled the Corporation to control the marketing of the crop and appropriate huge profits. Control over the crop has also made it possible to levy numerous taxes; especially set for Gum Arabic. According to the General Director of Gum Arabic Marketing Corporation taxes levied on Gum Arabic amount to more than 41 categories of taxes that together constitute between 109% and 139% of the purchase price³⁰. According to the same source taxes and fees levied on Gum Arabic in Port Sudan alone amount to 59% of the purchase price.

Mechanized farming sub-sector is also heavily taxed with implications for productivity and returns. In terms of Sudanese standards farmers involved in mechanized farming are considered relatively rich and far better off than peasant farmers in the traditional and irrigated sub-sectors. The mechanized sub-sector employs seasonal labor drawn from the traditional sub-sector. Wages earned by seasonal wage laborers, however meager, constitute an important supplement to subsistence production for some poor peasant farmers in the traditional sub-sector. Heavy taxation compels farmers to push seasonal labor wages even lower and shift the burden of taxation onto poor laborers. An example of the magnitude of taxation on mechanized farming is that taxes constituted 81% of Durah net cash returns per feddan for the 1992/93 agricultural season, increased to 106% and 118% of net cash returns per feddan for the agricultural seasons of 1994/1995 and 1996/1997 consecutively. (See Table 8) This increase in taxation was accompanied by a rapid increase in the cost of production during the same period. The impact of both heavy taxation and high cost of production on productivity and the economic viability of mechanized farming are severe. Farmers in large numbers ran into debt, ran out business with negative consequences on farmer employment and rural incomes.

²⁸ These include ushur of 8%; service charges of 3% and agricultural tax of 2%.

²⁹ Inter-state crossing taxes, road taxes and taxes on crossing bridges were imposed on agricultural produce. See IFAD, Working Paper II, op. cit., p. 3.

³⁰ Abdel Aziz A and Shugeri S, op.cit., Discussion attached, p.4.

Cotton, produced in irrigated and rain-fed sub-sectors, is similarly heavily taxed both directly and indirectly. In addition, the sharp rise in the cost of production has contributed to the drop in tenant farmers' net cash income from cotton in irrigated agriculture; particularly in the Gezira Scheme. Direct federal and state taxes and fees amounted to 25% of cotton gross proceeds in addition to a 10% export tax. (See Table 9). Custom duties levied on each of five production input items varying between 5% and 10% plus zakat which is also levied on cotton gross proceeds amounting to 5%. Direct and indirect taxes and fees on cotton gross proceeds in total amount to approximately 55%. Indirect taxes on cotton include taxes on agricultural inputs and agricultural machinery and equipment that raise the cost of production and reduce cash returns. While agriculture suffered from specific policies pursued towards the agricultural sector, it also suffered from the other general government policy aspects that impacted severely on both rural and urban sectors.

5. Government Policy and Urban Poverty

Inflation and the erosion of real incomes

One consequence of government policy is the rapid increase in inflation that led to the decline in real incomes and accelerated both rural and urban poverty. During the second half of the 1990s, prices of basic commodities and services increased dramatically as a result of government policy. Because of the insufficiency of revenue to meet its massive mostly non-productive expenditure despite heavy taxation on agriculture and other sectors of the economy, the government resorted to domestic borrowing. Some deficit financing could have negligible impact on eroding real incomes in the long run if it was meant to finance productive activities. In other words the impact of deficit financing could have been less damaging to the economy had domestic borrowing been accompanied by an increase in production. However, huge domestic borrowing has gone to financing the war in the South, the bureaucracy, the security machine and to the military to maintain power. Thus domestic borrowing, particularly from the Central Bank, during the 1990s was not matched by an increase in production by a higher proportion than the increase in the money supply in the economy. Instead the agricultural and industrial production stagnated, particularly during the first half of the 1990s, aggravating the negative consequences of inflation (largely resulting from deficit financing) that eroded real incomes even further. As productive activities stagnated, the local currency lost its value and the cost of production rocketed. Together with poor infrastructure, all these factors have led to persistent unprecedented levels of inflation reaching three-digit levels with a devastating impact on the economy in general and on real incomes of urban dwellers in particular. During the period of 1990-1995 prices increased 36 times while the minimum wage increased only 8 times. From 1990 to 2000 prices increased 192 times while the minimum wage increased only 40 times (See Table: 10). Unlike peasants and farmers in the countryside, who have also been affected by inflation, salaried and wage earning urban dwellers that rely solely on cash for subsistence have been particularly harshly affected. As the purchasing power of the local currency dropped, real incomes of salaried employees, wage earners, the self-employed as well as peasant farmers dropped dramatically.

Another dimension of government policy that has contributed to the acceleration and deepening of urban poverty is the deterioration of the industrial sector. Instead of creating labor opportunities and because of stagnation and decline the industrial sector added to unemployment. In urban centers and namely Khartoum, the industrial sector has deteriorated dramatically during the last ten years and factories closed down and laid-off workers. Most factories have persistently suffered from major problems of finance, high cost of production, numerous and high taxes and fees, power cuts, scarcity and high cost of inputs, lack of spare parts and poor infrastructure.

To take the textile industry as an example, by 2001, about 12 out of 16 textile plants were out of order halting production altogether. The textile plants that were still functioning were running at 15% of full productive capacity in both private and public sectors and some at 10% of their capacity. Between 1990 and 2000, and with the exception of one plant, all public sector textile plants completely came to a halt³¹. Thus most factories were running at a loss and most of them either closed down altogether or functioned far below capacity. The contribution of the industrial sector to the growth domestic product subsequently dropped from 17.5% in 1990 to 14.9 in 1999³². The closing down of industrial plants has added to the inflating urban unemployed and contributed to the already disintegrating poor urban environment.

In a normal development process the industrial sector expands and develops hand in hand with the development and expansion of agriculture. Under such circumstances freeing the labor force from agriculture as a result of the use of advanced technology and increased agricultural production and productivity, is accompanied by the provision of work opportunities in a concurrently expanding industrial sector. Such a process of urbanization functioning through shifting labor from the agricultural sector to the industrial sector, termed rural urban migration is set in motion in a development process in which both agriculture and industry develop and expand simultaneously. This is what the experience of developed countries and some less developed countries that have achieved some measure of economic development demonstrates..

In the case of Sudan and particularly during the 1990s, what has actually happened is the reverse. Rural migrants leave the countryside not because of the development of agriculture and the use of advanced technology that frees labor, but because of the deterioration of agriculture and rural conditions. The decline of rural conditions is partly a result of agricultural decline in addition to displacement resulting from drought, civil war and inter-tribal conflicts. Under these circumstances and instead of expanding to provide employment opportunities for those leaving the countryside, the industrial sector contracted and shrunk. Most plants either closed down or functioned far below capacity; sometimes even below 15% of potential capacity. Thus rather than expanding employment opportunities, the industrial sector because of contraction has added to the army of the unemployed in urban centers as plants closed down and laid off workers.

In addition, and apart from the pursuit of the policy of privatization as part of the self-imposed structural adjustment, government policy of achieving political objectives has led both to an increase in unemployment in urban areas and the destruction of livelihoods of numerous employees and wage workers. The policy of dismissing potential and/or real political opponents widely known as "*al salih al aam*" placed a large number estimated in the thousands into forced retirement³³. Dismissal of government employees and workers deprived numerous Sudanese of their work and their only source of cash income. This has contributed to increasing the number of the poor and intensified the severity of urban poverty.

Government policy, which has led to i) the decline of the industrial sector; ii) the dismissal of real or potential political opponents from amongst public employees; iii) the increase in the number of war and drought-displaced; and iv) the increase of rural urban migrants, added to

³¹ Mohamed Musa Mona, The Major Problems of the Textile Industry in the Sudan (1990-2000), (in Arabic), An M.Sc. Dissertation, Development Studies and Research Center, University of Khartoum, Khartoum, 2003, p.12.

³² Center for Sudanese Studies, (2000), The Condition of the Homeland, The First Sudanese Strategic Report, 1999-2000, (in Arabic), Cairo, p.149.

³³ Attempts have been made to get figures on those dismissed and forced into early retirement, but relevant government departments have been reluctant to release statistics on the number and categories of those forced into retirement.

the mass of urban unemployed. In the mid 1960s and quoting the 1967/68 household survey the overall unemployment rate for Sudan was 2.9% of the labor force³⁴. Unemployment, for all Sudan, increased to 11.1% in 1991 and to 16% in 1996³⁵. Urban areas for which wages and salaries, low as they are, constitute the main source of cash to purchase food and other basic necessities have suffered most. The share of urban areas in unemployment, in 1996, registered 19.6-% vis-à-vis 15.3% unemployment rate for rural areas.

With the stagnation and decline of the industrial sector during the 1990s, urban employment opportunities in Sudan have predominantly been provided by the informal sector³⁶. Because of the lack of employment opportunities in formal economic sectors, as the latter have stagnated or declined as a consequence of economic malaise and government policies, the informal sector has evolved as the main provider of the bulk of urban employment. The informal sector presents a venue for self-employment, but as earnings are low, irregular and not guaranteed; thus working in the informal sector is strongly associated with poverty. Nonetheless, given the lack of formal employment opportunities, the informal sector is the main exit from unemployment and severe poverty. As urban poverty increased the size of the informal sector subsequently expanded. The increase in the size of informal work could be considered one of the indicators of urban poverty. Estimates of the informal sector's contribution to urban employment in Sudan differ but they all indicate a rapid increase in role of the informal sector in providing urban employment opportunities during the 1990s. Different sources' estimates, on average, put the informal sector's contribution to urban employment opportunities, in the 1990s, in the region of 65%³⁷.

The progressive increase in the role of the informal sector is also closely associated with government policy, population growth³⁸ and the rapid increase in rural and urban poverty in the 1990s. Government failure to stimulate economic activities, together with other policies that have led to mass poverty (see above and the section below), the informal sector has become a refuge for the mass of the unemployed, the displaced migrants and the "new" and "old" urban poor attempting to cope with poverty. It has become almost the only source of employment and cash income for the displaced as a result of the war, drought and tribal conflicts and also rural migrants flocking into urban centers; namely the capital Khartoum as well as the newly impoverished sections of the original urban dwellers. Without the informal sector, despite irregular and low earnings, urban poverty could have been far worse.

With all its importance in providing cash income, commodities and services for the mass of the poor, the informal sector has been neglected in government policy. The problems of finance and access to cheap credit, taxation, regulation of activities, lack of organization, lack of access to technology and training from which the sector suffers has received the least attention from government. This neglect, particularly of the productive activities of the informal sector, has implications not only for the aggravation of poverty, but also for the production and provision of goods and services this sector contributes to the urban economy. Over and above providing employment and cash income, it particularly meets the needs of

³⁴ Abu Shaikha A, *Towards the Alleviation of Rural Poverty in the Sudan*, FAO, Rome, 1983, p. 25.

³⁵ UNDP, *op.cit.* p. 51.

³⁶ There is a general agreement that there is no exhaustive definition of the informal sector. Although there is emphasis on its limited effectiveness, its use of backward technology, relatively lower earnings, the number of employees, greater dependence on family labor and limited organizational skills, three characteristics stand out to distinguish the informal sector from the formal sector despite the difficulty of drawing a demarcation line between the two. These are easy entry into the informal sector, reliance on family labor and low operating capital.

³⁷ Center for Strategic Studies, *op.cit.*, p.187; UNDP, 1998, NHDR, *op.cit.*, p..58.

³⁸ Annual population increase during the period 1993-1998 is estimated in the region of 2.73% and an annual growth in the labor force of about 3.9%. See Center for Strategic Studies, *op.cit.* p.186.

the urban poor for goods and services and adds value to the national economy in general³⁹. The acceleration and deepening of rural and urban poverty resulting from government policies highlighted above has been further reinforced by the rapid increase in inequalities during 1990-2000.

6. Inequalities and Poverty

The increase in inequalities during the last ten years is closely linked to policies that have led to the increase in rural and urban poverty. Taking the distribution of income as a measure of the inequalities, available data indicate that income distribution in Sudan has shown a tendency to be more unequal over time since independence in 1956. However, inequality in the distribution of income has increased dramatically simultaneously with an increase in the GDP during the second half of the 1990s at an annual average of approximately 6% while the poverty incidence reached around 94% in 1996.

Since independence in 1956, the increase in income inequality has progressed with differential speed and magnitude at different periods. Using the measure of gini coefficient, at the time of independence, inequality in the distribution of income was 0.34. By 1967/68, the gini coefficient reached 0.41, registering an increase of 7 points; an annual average increase of around 0.58 of a point (around half a point). During the period 1968-1976 income inequality was at its lowest since independence when the gini coefficient increased only from 0.41 to 0.42 for the whole eight-year period (see Table 11). Compared to the preceding period of 1968-1976, the 1976-1980 period witnessed a rapid increase in income inequality when the gini coefficient had risen from 0.42 to 0.50; with annual average increase of 2 points. The period of 1980-1990 witnessed a similar pattern of increase in income inequality that progressed during the preceding period.

Although income inequality progressively increased since independence and continued up to 1990, during the period of 1990-1996, the first six years of NIF (National Islamic Front) rule, the increase in income inequality and poverty has been exceptional. Unlike the different periods since independence, income inequality increased both in pace and intensity to unprecedented record levels. During the six-year period of 1990-1996, the gini coefficient shot from 0.61 in 1990 to 0.74 in 1996; registering an increase of 13 points. The annual increase in the gini coefficient during this six year period (1990-1996) reached 2.15 points compared to around one point annual average for the ten year period immediately preceding 1990. (See Table 11)

The dramatic increase in income inequality and poverty during the period 1990-1996 could also be supported by statistics, consistent with the trend in the gini coefficient showing change in the shares of the top 10% and bottom 40%. (See table 12) The share of the bottom 40% income group dropped from 9.14% in 1990 to only 3.82% in 1996. On the other hand the share of the top 10% increased from 65.41% to 76.5% during the same period. This means that while the share of the bottom 40% decreased by an annual average of around 1%, the share of the top 10% increased by an annual average of 1.85%. The share of the top 10% increased to 20 times the share of the bottom 40% during the six-year period of 1990-1996.

If most sources⁴⁰ quote the figure of over 90% poverty incidence in Sudan in 1996, data on income inequality confirms the credibility of this 90% level of poverty measured in terms of income. From Table 12, the top 10% income group has a share of 76.5% of national income, and the share of 90% of the Sudanese population both urban and rural is only 23.5%. The drop in the share of the bottom 40% from 9.14% of national income in 1990 to only 3.82% indicates the increase in intensity and severity of poverty among the poorest sections of the

³⁹ Center for Strategic Studies, Sudanese Strategic Report, for 1997, Khartoum, 1998, p.187.

⁴⁰ .Ibid and UNDP and the Ministry of Manpower, 1998.

population. The decline in the share of the 50% in between (lying between the top 10% and the bottom 40%) indicates the squeeze of the middle class and the creation of the new poor particularly in urban areas. The 50% in between have its income share dropped from 49.8% in 1980 to 25.45% in 1990 and to only 19.32% in 1996.

Spatial inequality could be viewed from the perspective of rural-urban income differentials as well as regional poverty distribution disparities. The rural population has a lesser share in national income than that of the urban population. Thus most of the poor live in Sudan's countryside. Despite the increase in urban poverty in recent years, poverty in Sudan could still be regarded as a rural phenomenon. Although the urban poor increased following the large number of displaced flocking into urban centers, the increase in rural urban migrants and the erosion of urban incomes as a result of inflation, the rural character of poverty in the Sudan has persisted. Using the head count measure of the incidence of poverty, rural poverty in the Sudan increased from 74.5% in 1990 to 94.8% in 1996; at an annual rate of increase of 3.63% (see Table 13). During the same period urban poverty increased from 79.6% to 81.4%; at an annual increase of 0.35%. Poverty measured in terms of income is higher in the countryside than in Sudan's urban centers and has increased faster. The depth of poverty, measured in terms of the poverty gap, is also greater in rural areas than in urban centers. Similarly the severity of poverty registered high levels in rural areas than urban areas during the six-year period of 1990-1996. (See Table 13)

Another form of spatial inequalities are regional disparities that have developed between regions. Some regions in the Sudan are far worse off than others or in other words some regions are better off than others both in terms of the distribution of national income and the availability of services such as education, health and water provision facilities. For lack of space two criteria are used here to indicate regional inequalities. One is the comparative share of regions in the distribution of educational facilities, measured in terms of the number of basic and secondary schools and teachers for basic and secondary school education. The second is the share of regions of health delivery facilities. To take education, the share of Khartoum State⁴¹ in basic education schools, is almost equal to the share of South Darfur; 1120 schools for Khartoum and 1130 for South Darfur. However, inequalities in educational facilities become more pronounced as Khartoum has a share of 16,250 basic school teachers for almost the same number of schools as has South Darfur which has only 5,043 teachers; almost three times as many teachers for almost the same number of schools. (see Table:14) In terms of secondary schools, Khartoum has three times as many as South Darfur; 208 secondary schools for Khartoum and 60 for South Darfur. Inequality in the share of secondary schools teachers is even sharper as Khartoum has 6 times as many as South Darfur. With the exceptions of Khartoum, the Central and the Northern State, all states suffer from understaffing in basic and secondary schools.

Health service delivery facilities are also unequally distributed among regions. The distribution of health workers could be used as an indicator of the distribution of health services over different regions of the Sudan. In this Khartoum, Central and Eastern regions have the best manpower/ population ratios. Of all regions Khartoum, the Central, Northern and Eastern regions have far more doctors, both specialists and general practitioners and technicians than the rest of the regions. Bahr el Gazhal, Equatoria, Darfur and Kordofan have the lowest health manpower/population ratios. (See Table: 15). On all accounts used here as indicators for the measurement of spatial and regional inequalities, Khartoum and central regions stand out as the most favored, while Kordofan, Darfur, the East and Southern regions are the most disadvantaged. If inequalities in the distribution of income among different groups (vertical inequalities) are significant to take into account when the causes and

⁴¹ Khartoum is the smallest in size of the 26 states forming Sudan's federal structure, but it is the capital city.

manifestations of poverty are considered, regional or spatial inequalities (horizontal inequalities) are equally important. The worst form of poverty prevails when vertical and horizontal inequalities intersect or overlap and the added condition of gender inequality exists, a condition which has not been examined in detail in this short space.

Conclusions

There is more data on the economics and politics of government policy and its impact on poverty than could be accommodated, presented and analyzed in the space such a short paper allows. However, the evidence presented, despite all qualifications and reservation about the data being used, indicates how different forms of government policy (both political and economic), and not simply structural adjustment, have led to the acceleration and the deepening of poverty during the 1990s to unprecedented levels. Using income as a criteria of measurement, the implications of government policies during this period indicate that the over 90% poverty incidence which some concerned organizations, including some international development institutions, regard as too high seem quite plausible. Given the oppressive nature of the regime and if the broader definition of poverty is adopted and additional qualitative criteria of measurement i.e., empowerment and participation, are used, the figure could be even be higher.

The following are the main aspects of government policy that have been discussed in this paper, which have led to the rapid increases in poverty and the aggravation of its severity in Sudan during the 1990s. To effectively combat poverty these root causes have to be dealt with.

The war in Southern Sudan has halted production in around a third of the country disrupting normal economic activities and destroying the livelihoods of millions of Southern Sudanese who have been displaced to Northern urban centers and elsewhere. Additionally, this has increased the number of unemployed and vulnerable in Northern urban centers and constituted a severe pressure on an already under-funded deteriorating educational, health, water and transport services delivery facilities.

Related to the above is that the escalation of the war in the South, the worsening of Sudan's relations with most of its nine neighbors plus the authoritarian character of the regime have all led to increased spending on the military and the security machine. In turn this has led to the wasting of already scarce resources that could have been productively used to stimulate an ailing economy. In addition, the expansion of regional bureaucracies and political organizations that mainly function to maintain the regime in power has further increased non-productive spending and waste of resources and contributed to the deterioration of living conditions.

Government policy hampered and crippled the economy and constrained the productive agricultural and industrial sectors. Heavy taxation to generate resources to meet government massive non-productive spending burdened the different agricultural sub-sectors, blocked increased production and productivity and above all significantly contributed to the reduction of peasant farmers cash income causing the acceleration and deepening of rural poverty. Government abandonment of credit to the irrigated publicly owned and run agricultural sub-sector, for the maintenance of the productive structure, along with the lack of investment in agricultural services such as agricultural extension, plant protection, storage and marketing has further contributed to depressed yield levels and to the decline in peasant farmers' cash incomes. These are further aggravated by the lack of credit to peasant farmers, or credit that levied high interest rates pushing large number of farmers into indebtedness and into jail. Peasant farmers in the rain fed sub-sector have been deprived of formal sources of credit. Formal credit sources are not available or when available have led to hardship and

imprisonment; thus compelling poor peasant farmers to resort to informal credit that levies very high interest rates to meet their production and consumption needs. Thus while the agricultural sector has provided the bulk of government resources, little of these resources have been reinvested back into it to maintain its productive infrastructure, let alone develop and improve the sector to realize its full productive potential. The net result of these policies has been a significant contribution to increased poverty in rural areas.

The industrial sector has similarly suffered from government policies including heavy taxation, power cuts, lack of and high cost of inputs and spare parts which all constrained production and increased production costs. This has left little room for the industrial sector to compete with imported goods. Numerous industrial plants closed down altogether and those that continued to function have been working far below potential capacity; in some cases less than 20% below capacity. The consequence has been not only has the industrial sector been unable to provide employment opportunities but has laid-off workers. This, together with mass forced retirements due to political reasons, the flocking of people to war and the drought-displaced populations moving into urban centers, has given rise to the increase in urban unemployment and urban poverty. With the decline and stagnation of the industrial sector, the informal sector grew and has become the major source of employment, cash income and cheap goods and services for both the “old” and “new” urban poor.. However, the government has provided little support in the form of training, technical assistance, availability of credit and marketing to improve the performance of the informal sector to assist in increased income and the supply of goods and services for the urban poor.

Heavy resource extraction from the productive sectors has not been sufficient to meet increased government non-productive spending. Subsequently government resorted to domestic borrowing that has not been matched by increased production and that resulted in persistent inflation, eroding purchasing power, depleting real incomes and combined with other aspects of policy, contributed to significant increases in both urban and rural poverty; particularly urban poverty.

Educational, health and water provision services received negligible funding compared to funding received by security and sovereign institutions. Resources allocated to educational, health and water provision facilities have been cut while at the same time, through self-help efforts by several communities the number of facilities requiring funding has increased. This indicates that the quality of these services and their delivery witnessed drastic deterioration both in urban and rural areas. Unlike in the past when educational and health services were provided free of charge to make them accessible to poor , in the post 1990 period and despite the deterioration in the quality of the services, fees have to be paid for access to the services. The majority urban and rural poor, who are unable to afford the cost are deprived and denied access to these vital services and have further been pushed into vulnerability and persistent poverty.

Although economic inequalities among different groups and spatial inequalities have shown a tendency to increase since independence, during 1990-2000 the increase has been sharp, fast and reached unprecedented annual levels. Correspondingly rural and urban poverty brutally increased leading to socioeconomic and political polarization in which a very few controlled and enjoyed privileged access to economic and political resources while the vast majority of the Sudanese people were pushed into abject poverty

Policy Recommendations

From the preceding analysis and conclusions and for an effective poverty reduction strategy the following recommendations are put forward to contribute to policy readjustment to deal with the primary causes of urban and rural poverty in Sudan:

The war in the South has to be halted and a negotiated deal restoring peace to the South and lifting the burden on the North has to be reached. Lives could be saved, war-devastated areas in the South rehabilitated and impoverished Southern-displaced people can return voluntarily to their homes. The war affected displaced have to be helped to rebuild assets, reestablish livelihoods and practice normal economic activities. This could also make a significant contribution to poverty reduction by lifting the burden of the cost of the war off the economy and by providing the opportunity to lift millions of Southern Sudanese out of poverty and destitution. In turn, this would make a significant contribution to rural and urban poverty reduction in Sudan as a whole. Halting the war would save resources currently wasted on running the war , while the return of millions to the South would ease pressure on the urban poor in urban centers where the displaced now settle.

Non-productive expenditure has to be drastically cut down. Cuts in military expenditure is closely related to ending the war in the South, improving relations with Sudan's neighbors and re-establishing inter-tribal peace in Sudan's remote regions. Expenditure on the security machine is closely associated with the oppressive nature of the regime and cuts in these expenditures need to be effected through democratization and the opening up of the political system, effective participation of all Sudanese people and the restoration of a free political environment. The present government bureaucracy because of low pay to perform its tasks is inflated, costly, ineffective and too ill motivated. Cuts in expenditure on the bureaucracy necessitate an administrative reform and restructuring in which well-paid, well-equipped, lean and effective government machinery can be instituted.

One further implication for urban and rural poverty reduction of a policy reallocating resources away from non-productive expenditure; i.e., cutting down expenditure on the military, the security and the bureaucracy, is that it allows restriction on domestic borrowing and contributes to curbing inflation. Positive signs of curbing government deficit financing on reducing inflation have already started to be manifested. Less government domestic borrowing has recently been made possible by oil revenue, but further cuts in non-productive expenditure and reallocation of resources to productive sectors and building infrastructure could also stimulate production and result in further reduction in inflation with positive impact on rural and urban poverty alleviation.

Part of the resources saved could be used for more support for educational, health and water provision facilities. More allocation of resources to health, education and water provision facilities would halt further deterioration, improve quality, facilitate service delivery, reduce costs and make it accessible to the poor. This would also make a significant contribution to urban and rural poverty reduction.

Cuts in non-productive expenditure would avail and allow allocation of resources to the productive sectors; namely agriculture. Expenditure on the provision of agricultural services; agricultural extension, production inputs, effective plant protection and the use of improved technology to increase agricultural productivity and production and rural incomes would not be possible without reduction in non-productive expenditure. More government investment in rural infrastructure such as roads, storage facilities, and extension of electrical supply, communications and rural access to information technology would contribute positively to activate rural productive activities and improve living conditions. The stimulation of the agricultural sector to realize its productive potential is not only significant for increasing rural incomes and improvement of rural living conditions but also for economic growth and for the performance of the economy in general. Increases in yield levels and agricultural production would boost exports; contribute to improving the balance of payment, supply of domestic industry with cheap raw materials and increase rural incomes that would create a potential

demand for locally manufactured goods and commodities both for production and consumption.

Also related to cuts in non-productive expenditure is that it allows significant reduction in taxes, fees and dues imposed on the agricultural sector; namely the peasant sector with significant rural poverty reduction implications. The imposition of 10% Zakat on poor peasant farmers in the Darfur, Kordofan and other poor parts of the Sudan, who according to Islamic principles are entitled to the receipt of Zakat, can hardly be justified either on Islamic or economic grounds. Reduction in taxes, fees and dues would contribute to stimulating food and cash crop production, increase rural incomes and improve living conditions.

The design of practical and cheap organizational formula to make easy term rural credit, accessible to peasant farmers particularly in the rain-fed sub-sector and other farming communities involved in other agricultural sub-sectors, to meet peasant farmers' need for cash to meet both production and consumption needs. Cheap credit would contribute to increasing productivity, production and cash income to combat poverty. On this point, the former role of the Agricultural Bank of Sudan in providing short and medium term loans to farmers with easy terms of repayment, has to be restored.

Substantial long-term government credit support to publicly-owned agricultural corporations; specifically for the maintenance and improvement of productive infrastructure has to be urgently arranged to boost production and productivity. Government withdrawal from providing funds to publicly-owned corporations has currently compelled the latter to rely on commercial credit to finance short-term farming activities and long term commercial credit for investment in the productive infrastructure has not been forthcoming. Such a measure together with others recommended above for the agricultural sector would increase food production, production of cash crops and improve peasant farmers' cash income.

The industrial sector also has to be stimulated to expand, improve quality standards, and increase production. Measures such as these would enable the industrial sector to provide job opportunities and subsequently contribute to combat urban poverty. This entails the reduction of taxes, fees on production, custom duties on imported inputs, spare parts and new technology. Government investment in transport, communications, and power supplies to provide cheap energy as well as cheap inputs are necessary for the upgrading of the industrial sector. Improvement in agricultural production and raising rural incomes is in part a contribution to the improvement of industrial performance by broadening the local market and providing a steady supply of inputs.

The informal sector, which while under the conditions of increased poverty and lack of employment opportunities, constitutes a refuge for the urban poor and has to be supported by lifting taxes and fees, and also through credit provisions, and by the formulation of an appropriate legal framework, training, access to technology and improved marketing channels. Given its size and the categories of the urban population involved in it, support for the informal sector to improve its activities, performance and earnings would contribute to lessening the severity of poverty for the majority of the urban poor.

Immediate economic and other policy measures have to be taken or incorporated into existing policy first to curb the rapid increase in income inequalities. Additional measures need to be taken in the areas of credit extension, zakat collection, taxation, marketing, resource allocation and reallocation to reduce economic, social and spatial inequalities. To contribute to urban and rural poverty reduction these and other measures recommended above, need a restructuring of power relations and a change in the balance of power in favor of the poor; the majority of the Sudanese, at the national and regional levels.

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Table 1: Summary of Public Expenditure (Public Budget) For the Period 1997-2000

| Year | 1997 | | 1998 | | 1999 | | 2000 | |
|-------------|--------|-------|--------|-------|--------|-------|--------|-------|
| | Expdt. | % | Expdt. | % | Expdt. | % | Expdt. | % |
| Chapter I | 46522 | 36.0 | 66179 | 36.4 | 87970 | 38.3 | 109953 | 36.7 |
| Chapter II | 66771 | 52.4 | 81445 | 47.5 | 95643 | 41.6 | 108705 | 39.2 |
| Chapter III | 4783 | 3.8 | 9857 | 5.7 | 12804 | 5.6 | 21755 | 7.9 |
| Chapter IV | 10058 | 7.8 | 17980 | 10.4 | 33447 | 14.5 | 36579 | 13.2 |
| T Budget | 127441 | 100.0 | 172362 | 100.0 | 229865 | 100.0 | 276994 | 100.0 |

Notes: Chapter I: Salaries and Wages of Public Employees and Workers; Chapter II: Running Cost
 Chapter III: Centralized Items including States' Support and Expenditure on Emergencies; Chapter IV:
 Development Expenditure
 Source: Worked out from Data and Explanatory Memos for Annual Budgets, Computer Printout, The Ministry
 of National Economy, Khartoum, Undated.

Table 2: The Share of Some Sectors in the Annual Budget for the Period 1992-2000 (in million SD)

| Ap. Bud For Fisc. Yr. | 92/93 | 93/94 | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 |
|-----------------------|-------|-------|-------|-------|--------|--------|--------|--------|
| Total Public Budg. | 12231 | 23370 | 35721 | 95510 | 130603 | 186018 | 240834 | 250834 |
| M of Defense | 2000 | 3000 | 4000 | 14584 | 25500 | 41362 | 61077 | 723304 |
| As a % of T Budg. | 16.4% | 12.8% | 11.5% | 15.2% | 19.5% | 22.2% | 25.3% | 28.8% |
| M of Health | 26 | 69.5 | 67 | 121 | 125 | 2068 | 2185 | 3285 |
| As a % of T Budg. | 0.2% | 0.29% | 0.18% | 0.12% | 0.096% | 0.094% | 0.094% | 1.3% |
| M of Education | 50 | 14 | 15 | 18 | 20 | 80 | 98 | NA |
| As a % of T Budg. | 0.04% | 0.06% | 0.04% | 0.18% | 0.15% | 0.43% | 0.40% | NA |
| Ministry of Agric. | NA | 929 | 1334 | 1066 | 1636 | 1745 | 2072 | 4069 |
| As a % of T Budg. | NA | 3.97% | 3.7% | 1.1% | 1.25% | 0.93% | 0.86% | 1.6% |
| Sover. Nstitutions | NA | 422 | 618 | 3680 | NA | 8755 | 12018 | 15275 |
| As a % of T Budg. | NA | 1.8% | 1.7% | 3.85% | NA | 4.7% | 4.99% | 6.09% |

Notes: NA = Not Available

Source: Worked out from The Republic of Sudan, 1993, 1995, 1996, 1998, 1999, 2000 and Computer Printout
 Material, The Ministry of National Economy, Khartoum Undated.

Table 3: The Number of the Displaced in millions, by Reasons of Displacement and Region of Destination

| REGION | SECUR. | % | DRT | % | TOTAL | % |
|---------------|--------|--------|------|--------|-------|--------|
| Northern | 0.08 | 1.17% | 0.08 | 1.17% | 0.16 | 2.35% |
| Gr. Khartoum | 1.80 | 26.54% | --- | --- | 1.80 | 26.54% |
| Central | 0.32 | 4.71% | 0.20 | 2.94% | 0.52 | 7.66% |
| Eastern | --- | --- | 0.60 | 8.84% | 0.60 | 8.84% |
| Darfur | 0.06 | 0.88% | 0.80 | 11.64% | 0.80 | 11.79% |
| Kordofan | 0.07 | 1.03% | 1.00 | 14.74% | 1.07 | 15.78% |
| Bhr el Gazhal | 0.41 | 6.04% | --- | --- | 0.41 | 6.04% |
| Equatoria | 0.80 | 11.79% | --- | --- | 0.80 | 11.79% |
| Upper Nile | 0.56 | 8.25% | --- | --- | 0.56 | 8.25% |
| Total | 4.10 | 60.47% | 2.68 | 39.33% | 6.78 | 100% |

Source: Cited in Ahmed Taha Mohamed, 1997:15

Table 4: ABS Credit by Sub-Sectors in Million SD for the Period 1993-2000

| | Irrigated Sub-Sector | | Mech. Farm. Sub-Sector | | Traditional Sub-Sector | |
|---------|----------------------|------------|------------------------|------------|------------------------|------------|
| | Amount | % of Total | Amount | % of Total | Amount | % of Total |
| 1993* | 6115 | 52% | 2694 | 23.0% | 1468 | 12% |
| 1996 | 1727 | 43.6% | 1031 | 40.1% | 411 | 15.9% |
| 1997 | 1822 | 44.6% | 1696 | 41.5% | 562 | 13.7% |
| 1998 | 1346 | 43.8% | 1433 | 46.7% | 288 | 9.3% |
| 1999 | 1915 | 60.3% | 723 | 22.8% | 533 | 16.8% |
| 2000 | 1716 | 55.8% | 819 | 22.8% | 533 | 16.8% |
| Aver. % | - | 50.0% | - | 25.9% | - | 14% |

Source: Agricultural Bank of Sudan, Unpublished data, and *Agricultural Bank of Sudan, 1993:10.

Table 5: Amount of Agricultural Credit Extended in (000) s Dinars, Amount and Percentage of Unpaid Credit, Area Cultivated and Area Funded For Sesame and Durah, in Gadaref State* 1992-1997

| AGR. SEAS. | AMOU CRED | AM. REPID | AM. UNPAD | % UNPD | AREA FIN FD | AREA CULV | SES. Y F/K | DURA SA/FED |
|------------|-----------|-----------|-----------|--------|-------------|-----------|------------|-------------|
| 92/93 | 218366 | 138934 | 79432 | 36% | 4500000 | 5560000 | 2.4 | 3.4 |
| 93/94 | 168348 | 142057 | 26290 | 16% | 3928915 | 5215000 | 1.5 | 2.3 |
| 94/95 | 356043 | 192303 | 163740 | 46% | 2768268 | 5297000 | 1.8 | 2.3 |
| 95/96 | 297461 | 200903 | 96558 | 32% | 1959932 | 5482300 | 2.8 | 1.8 |
| 96/97 | 1215362 | 1010154 | 205208 | 17% | 3360770 | 5287000 | 2.9 | 2.4 |
| 97/98 | 2672444 | 1535493 | 1136951 | 43% | 4226097 | 6937000 | 2.3 | 3.18 |
| 98/99 | 2078251 | 1593258 | 484993 | 23% | 2281087 | 5551094 | 1.7 | 1.43 |
| 99/00 | 1014499 | 575804 | 438695 | 43% | 720845 | 5305552 | 1.9 | 1.43 |
| Total | 8020774 | 5388906 | 2631867 | 33% | | | | |

Notes: *Gadaref State, which lie in Butana expanse, is famous for large scale mechanized farming of Durah and sesame. **Estimates of Durah and sesame yield levels are for the area actually produced and not for areas generally cultivated.

Source: Quoted from Bank of Sudan, Gadaref in Mohamed Ahmed A O, 2000: 14

Table 6: Taxes and Fees on Durah Producers in Gadaref Area for the Agricultural Season 1996/1997

| Taxes on the producer | As a % of cash value | Fees in LS per sack |
|-----------------------|----------------------|---------------------|
| Zakat | 10% | - |
| Production Tax | 1% | - |
| State Fees | 1% | - |
| Road Tax | 1% | - |
| Farmers' Union | - | 150 |
| Plant Protection | - | 20 |
| Sub-total | 13% | 170 |
| Taxes on traders | As a % of cash value | Fees ls per sack |
| Crop Market Tax | 8% | - |
| City Water Tax | 2% | - |
| Jihad Prep | - | 50 |
| Road Tax | 1% | 100 |
| Sub-total | 10% | 150 |
| Grand Total | 23% | 320 |

Source: Abdel Aziz A and Shugari S, 1997: 14, Annex 4.

Table 7: Taxes on Rain Fed Farming before and after the 1999 Presidential Decree

| Tax Category | PRE-D | AFT-D | Comments |
|---------------------|--------------|--------------|---------------------------------|
| Zakat | 10% | 10% | Federal |
| Ushur | 8% | 8% | State & Local Source of Revenue |
| Services Charge | 3% | 3% | State & Local Source of Revenue |
| Other L Taxes | 2% | - | Local Abolished |
| Farmers' Union | 0.5% | 0.5% | Applies for Some Areas |
| Agricul. Tax | 2% | 2% | State & Local Source of Reven. |
| Jihad | 1.5% | - | Abolished by the Presid. Decree |
| Total | 27% | 23.5 | Only 3.5% were cancelled |

Source: Worked out from IFAD, Working Paper, 2001: 4.

Table 8: Taxes and Fees on Durah per Feddan in Gedarif Mechanized Farming Area 1992/93-196/97

| Items Of Cost, Returns And Taxes | 1992/93 LS | 1994/95 IN LS | 1996/97 LS |
|---|-------------------|----------------------|-------------------|
| Pre-Tax Cost of Production per Fedd. | 2150 | 8516 | 54000 |
| Gross Returns per Feddan | 2717 | 9764 | 60000 |
| Net Returns per Feddan | 567 | 1248 | 6000 |
| Tax Categories per Feddan | | | |
| Land tax | 25 | 50 | 200 |
| Zakat | 272 | 976 | 6000 |
| Production Tax | 163 | 195 | 600 |
| Local Tax | - | 98 | 300 |
| Total Taxes per Feddan | 460 | 1319 | 7100 |
| | 1319 | 1319 | |
| | 7100 | 7100 | |
| Taxes as a % of NCash Returns/Fedd | 81% | 106% | 118% |
| Net Returns After Taxes and Fees | 107 | (71) | (1100) |

Source: Worked out from Abdel Aziz A and Shugeri S, 1997:7

Table: 9 Taxes and Fees imposed on Cotton Returns before the Deduction of Production Costs 1996

| Category of Tax or Fee | % | Type |
|-----------------------------------|------------|-------------------|
| Export Tax | 8% | Federal level Tax |
| Commission | 1% | Federal level Tax |
| Advertisement and Inform. Fee | 1% | Federal level Tax |
| Commission for Export Branch | 1 % | Federal level Tax |
| Commis./ Cotton Corp. | 1% | Federal level Tax |
| Commis./ on Cotton Seeds | 1% | Federal level Tax |
| Transport, Shipping Cost& Prt Fee | 1% | Federal Level Tax |
| State Tax | 8% | Sate Level Tax |
| Social Services Fees | 1% | State level Tax |
| Drinking Water Fees | 1% | State Level Tax |
| Farmers' Union | 1% | State Level Tax |
| Total | 25% | |

Source: Ministry of Agriculture, 1996.

Table 10: Minimum Wage in SD, Minimum Wage Index and Price Index For the Period 1990-2000 (Base Year 1990=100)

| Year | Inflation Rate | Minimum Wage | M Wg Iindex | Price Index |
|-------------|----------------|--------------|-------------|-------------|
| 1990 | 44.6 | 30 | 100 | 100.0 |
| 1991 | 121.9 | 30 | 100 | 288.3 |
| 1992 | 118.7 | 100 | 333 | 496.9 |
| 1993 | 99.3 | 150 | 500 | 1000.0 |
| 1994 | 115.7 | 250 | 833 | 2155.4 |
| 1995 | 69.0 | 250 | 833 | 3629.2 |
| 1996 | 130.3 | 390 | 1300 | 8445.2 |
| 1997 | 46.5 | 600 | 2000 | 12391.3 |
| 1998 | 17.7 | 1500 | 5000 | 14511.1 |
| 1999 | 16.1 | 3500 | 11666 | 16832.1 |
| August 2000 | 9.0 | 4025 | 13417 | 19232.6 |

Source: Worked out from Suliman, M et al, 2000:20 and Bank of Sudan, 1999:116.

Table 11: Gini Coefficient for Rural and Urban Sudan, and all Sudan, 1955-1996

| Year | Rural | Urban | Sudan |
|-----------|-------|-------|-------|
| 1955/56* | - | - | 0.34 |
| 1967/68** | 0.34 | 0.41 | 0.41 |
| 1976** | 0.35 | 0.40 | 0.42 |
| 1978-80** | 0.51 | 0.42 | 0.50 |
| 1990*** | 0.69 | 0.56 | 0.61 |
| 1996*** | 0.65 | 0.75 | 0.74 |

Source: * Abu Shaikha, 1983:32; **ILO, 1986: 37; ***Ibrahim A Ibrahim, et al, 1997. Also see Government of Sudan, Ministry of Manpower and ILO, 1997: 62;

Table 12: The Evolution of Income Inequalities, for Sudan, Rural and Urban Areas Measured in Terms of the Top 10% and the Bottom 40% Income Shares For Different Periods Between 1966 and 1996

| Category | Rural | | Urban | | Sudan | |
|------------|------------|---------|------------|---------|------------|---------|
| | Lowest 40% | Top 10% | Lowest 40% | Top 10% | Lowest 40% | Top 10% |
| 1967-1968* | 15.1 | 26.7 | 12.8 | 33.4 | 15.6 | 33.1 |
| 1978-1980* | 10.0 | 39.5 | 16.5 | 33.2 | 12.4 | 37.8 |
| 1990** | 6.99 | 72.93 | 11.28 | 60.69 | 9.14 | 65.41 |
| 1996** | 7.11 | 67.6 | 5.36 | 74.7 | 3.82 | 76.5 |

Source: *Worked out from ILO, 1986:32; ** Quoted from Government of Sudan, Ministry of Manpower and ILO, 1997:62.

Table 13: Poverty Trends by Place of Residence, Sudan, 1990-1996

| | 1990 | 1996 | Annual Growth Rate | |
|----------------------------|-------|-------|--------------------|------------|
| | | | 1990-1996 | 1968- 1978 |
| Head Count | | | | |
| Rural | 75.4 | 94.8 | 3.63 | 0.23 |
| Urban | 79.6 | 81.4 | 0.35 | 2.58 |
| Sudan | 77.5 | 90.5 | 2.46 | 0.50 |
| Poverty Gap | | | | |
| Rural | 47.32 | 75.80 | 7.48 | 0.84 |
| Urban | 51.13 | 53.89 | 0.83 | 6.53 |
| Sudan | 48.66 | 68.73 | 5.48 | 0.64 |
| Severity of Poverty | | | | |
| Rural | 34.38 | 64.25 | 9.93 | - |
| Urban | 37.27 | 40.30 | 1.24 | - |
| Sudan | 35.90 | 56.66 | 7.24 | - |

Source: Government of Sudan, Ministry of Manpower and ILO, 1997:31.

Table 14: The Distribution of Educational Facilities for Different States up to 1996

| State | No of Schools | | No. of Teachers | |
|---------------------|---------------|-----------|-----------------|-----------|
| | Basic | Secondary | Basic | Secondary |
| All States | 10668 | 1124 | 95213 | 11661 |
| Northern State | 427 | 52 | 5486 | 518 |
| Nile River State | 555 | 80 | 7907 | 783 |
| Khartoum | 1120 | 208 | 16250 | 3062 |
| Gezira | 1549 | 197 | 16491 | 2147 |
| Blue Nile | 220 | 14 | 1293 | 151 |
| Sinnar | 520 | 83 | 4444 | 524 |
| White Nile | 593 | 109 | 6689 | 829 |
| Red Sea | 217 | 22 | 1576 | 376 |
| Kassala | 322 | 25 | 3914 | 346 |
| Gadaref | 443 | 60 | 3491 | 358 |
| N. Kordofan | 939 | 46 | 5419 | 449 |
| W. Kordofan | 560 | 35 | 3315 | 233 |
| S. Kordofan | 386 | 24 | 3332 | 296 |
| N. Darfur | 701 | 61 | 4991 | 460 |
| W. Darfur | 516 | 20 | 1498 | 204 |
| S. Darfur | 1130 | 66 | 5043 | 418 |
| All Southern States | 470 | 22 | 4274 | 303 |

Source: Worked out from the Ministry of Education, 1996:17-30.

Table 15: Distribution of Health Workers by Category and Region and Manpower per 1000 Population (1996)

| Region | Specialists | All Doctors | Technicians |
|----------------|-------------|-------------|-------------|
| Khartoum | 286 (8.4) | 1149 (33.7) | 991 (29.0) |
| Central | 106 (2.0) | 391 (7.2) | 206 (3.8) |
| Northern | 30 (2.3) | 129 (10.0) | 83 (6.4) |
| Eastern | 64 (2.1) | 224 (7.3) | 93 (3.0) |
| Kordofan | 24 (0.8) | 93 (2.9) | 85 (2.7) |
| Darfur | 18 (0.4) | 65 (1.4) | 116 (2.4) |
| Equatoria | 1 (0.1) | 18 (1.6) | 59 (5.1) |
| Bahr el Gazhal | 1 (0.1) | 18 (0.9) | 27 (1.4) |

Source: UNDP and the Ministry of Social Planning, 1998, NHDR:91.

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