

# State-Business Relations in Sudan: The Prospects for A Dynamic Private Sector

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# **STATE-BUSINESS RELATIONS IN SUDAN: THE PROSPECTS FOR A DYNAMIC PRIVATE SECTOR<sup>1</sup>**

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## Abstract

This paper reviews the state-business relations (SBRs) forged by the state rulers in Sudan who created influential historical legacies relating to the mobilization of the private sector, households, and firms for funding the state's budget and programs. Our major objective is to understand why some rulers survived on productive rent, while others chose unproductive rent alternatives. The analysis focuses on unpacking the "implied" SBR policy deals in each case and assessing why the chosen policy succeeded and how the private sector was impacted. Literature on SBRs is new and largely dominated by industrial relations studies. Thus, in addition to this literature, the analytical framework draws from the recent literature on the comparative political economy of development. A major consensus in these strands of literature is that the emergence of state rulers who coordinate rather than fight is crucial for coercing SBRs that are decisive for ascending a spectrum of state types and social orders, along which the organizations of SBRs become less bound to rulers. The overall result reveals that the stability of the policy environment is a key pillar for the successful governance of the interactions between the rulers and private actors. Other results show that all rulers who effectively deployed SBRs reasonably separated the organization of the state from the organization of SBRs and heavily relied on the continuity of business norms to build trust for the internalization of their ideas and the mobilization of private actors. The comparative analysis of these experiences is hoped to draw some policy lessons for the reformist of SBRs in Sudan after the major shift in the source of power in favor of the revolutionists.

**JEL Classifications:** D7, P1

**Keywords:** state-business relations, mobilization, private sector, Sudan

## ملخص

تستعرض هذه الورقة العلاقات بين الدولة والأعمال التي صاغها حكام الولايات في السودان الذين خلقوا إرثاً تاريخياً مؤثراً يتعلق بتعبئة القطاع الخاص والأسر والشركات لتمويل ميزانية الدولة وبرامجها. هدفنا الرئيسي هو فهم سبب بقاء بعض الحكام على الربح المنتج، بينما اختار البعض الآخر بدائل الإيجار غير المنتجة. يركز التحليل على تفرغ صفقات سياسة العلاقات بين الدولة والأعمال "الضمنية" في كل حالة وتقييم سبب نجاح السياسة المختارة وكيف تأثر القطاع الخاص. الأدب حول العلاقات بين الدولة والأعمال، هو جديد وتهيمن عليه دراسات العلاقات الصناعية إلى حد كبير. وهكذا، بالإضافة إلى هذه الأدبيات، يستمد الإطار التحليلي من الأدبيات الحديثة حول الاقتصاد السياسي المقارن للتنمية. الإجماع الرئيسي في هذه الفروع الأدبية هو أن ظهور حكام الدولة الذين ينسقون بدلاً من القتال أمر حاسم لإكراه العلاقات بين الدولة والأعمال التي تعتبر حاسمة في صعود طيف من أنواع الدولة والأنظمة الاجتماعية، والتي تصبح معها منظمات العلاقات بين الدولة والأعمال أقل ارتباطاً بالحكام. تكشف النتيجة الإجمالية أن استقرار بيئة السياسات هو ركيزة أساسية للإدارة الناجحة للتفاعلات بين الحكام والجهات الفاعلة الخاصة. تظهر النتائج الأخرى أن جميع الحكام الذين نشروا بشكل فعال العلاقات بين الدولة والأعمال فصلوا بشكل معقول تنظيم الدولة عن تنظيم العلاقات بين الدولة والأعمال واعتمدوا بشكل كبير على استمرارية معايير العمل لبناء الثقة لاستيعاب أفكارهم وتعبئة الجهات الفاعلة الخاصة. من المأمول أن يؤدي التحليل المقارن لهذه التجارب إلى استخلاص بعض الدروس السياسية للإصلاحيين من العلاقات بين الدولة والأعمال في السودان بعد التحول الكبير في مصدر السلطة لصالح الثوار.

## **I. Introduction, summary, and policy conclusions**

### **1.1. Introduction**

The literature on state-business relations (SBRs) focusing on less developed countries (LDCs) is new and largely dominated by industrial relations studies (Lemma and te Velde, 2015). Several related conceptual terms are used in this literature on the subject, such as government-business relations, public-private sector relations, public-private partnerships, state-market relations, and state-entrepreneurship relations. The need for a workable definition of the term is acknowledged by the Governance and Social Development Resource Centre (GSDRC), which is a research hub devoted to the development of SBRs.<sup>3</sup> The GSDRC defines SBRs as public and private sector relations, which may take the form of formal or informal interactions and may target the whole economy or specific sectors, firms, or policy processes.

This paper examines SBRs that targeted the whole economy in Sudan. Hence, as in Leftwich (2009), the analysis focuses on key historic changes in SBR deals rather than on synchronic snapshots of these relations at particular moments. The broad objective is to identify the major changes in the Sudanese state as a “sovereign business zone” of influence that created the influential historical legacies of SBRs. Following Whitfield and Therkildsen (2011), the specific issues addressed are questions of historiography relating to how the policies adopted by the state rulers shaped the chosen SBRs and why some achieved better outcomes than others. In other words, why have some rulers survived by sourcing economic rents from productive sectors while others have chosen unproductive alternatives? What are the “implied” SBR deals in each case, and how is the private sector (households and firms) incorporated into these deals? More importantly, the comparative analysis of these experiences is hoped to draw key policy lessons for the envisioned revolutionist reform of the private sector in Sudan after the major shift of political power following the triumph of the Glorious December Revolution in 2019.

To establish a benchmark, the “private sector” is perceived as diverse households and firms pursuing their own interests and responding differently compared to the “state,” which is defined as the sovereignty of law over individuated geographical landmass. In this setting of a “benevolent sovereign,” the standard neoliberal theory of economics that has existed since Adam Smith (1765) confirms that when the price mechanism drives efficient resource allocation, there is no welfare-enhancing role for additional mechanisms such as SBRs. Further, if the economic interactions between the state and private actors are modeled at all, the model tends to take a spare, game-theoretic form (Lucas, 1976; Haggard et al., 2018). Therefore, there is a rationale for SBRs in a suboptimal setting, where the invisible hand of markets fails to deliver consistent information and coordinate the interactions of individual actors in the pursuance of their interests. Thus, from the outset, SBRs involve political economy considerations relating to market failure and, more importantly, could be used to find solutions for the conflictive interests of major actors in a given sovereign territorial domain.

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<sup>3</sup> The GSDRC was established by the UK Department for International Development in 2005.

Researchers on SBRs are aware of the efficiency gains of the price mechanism, but this is farfetched in LDCs; rather, market failures and collective action problems loom high in these economies. The major issue raised by SBRs in the literature is: why does a sovereign state engage with private capitalists who pursue their own interests, and why does it engage the way it does? Despite the importance of this question, answers remain few and far between, first requiring an agreement on a theoretical framework that links SBRs to a broader domain of the political economy (for example, see Whitfield and Therkildsen, 2011; Whitfield et al., 2015; Haggard and Maxfield, 1997; Haggard et al., 2018).

The justification for the lack of emphasis on the political economy theory of SBRs is related to how empirical studies on the effectiveness of these relations focus on how they are configured in the process of implementing a specific policy rather than on why and how the policy itself is formulated (for example, see te Velde, 2010, 2010, and 2013; Haggard et al., 2018). Nevertheless, Leftwich (2009), Whitfield et al. (2015), and Haggard et al. (2018) point to the importance of the political economy conceptualization of SBRs and argue that the success (or failure) of these relations depends on the formal and informal political institutions characterizing the distribution and organization of political power within a given state. In particular, Whitfield and Therkildsen (2011) survey the development economics literature in search of a coherent political economy theory that could guide the analysis of SBRs. The authors note that after reviewing many but disparate arguments, the conceptualization of SBRs that builds on the most convincing insights to date could be based on three interrelated propositions: i) political survival is the key incentive for state rulers to coordinate with the private sector; ii) the ruling elites share a mutual interest with relevant private sector entrepreneurs; and iii) they are able to create “pockets of efficiency” in the bureaucracy in charge of implementing the chosen “state-led industrial policy project.” The stylized facts established by the authors from the country case studies show that the larger the number of actors involved in SBRs, both on the political and business elite sides, the higher the costs for rent sourcing from unproductive sectors, including rent-seeking, corruption, and predation by politicians and their cronies.

However, studying how rulers finance their survival and how the state is deployed to create concrete industrial deals with the private sector for rent production could reveal much insight by introducing the state as a sovereign territorial domain that is also endogenously determined in this process (North et al., 2007; North et al., 2013). This is important because state rulers in poor LDCs may pursue a variety of strategies for survival in unproductive activities besides cooperating with the private sector to create productive rent depending on the type of state they operate, which determines the milieu of the effectiveness of their rule of law and business zone of influence (for example, see North et al., 2009; de Waal, 2014a).

We use a two-step method of analysis. The first step links SBRs to the broad theory of political economy of the “social orders “development advanced in North et al. (2006, 2007, 2009; North, Wallis, Webb, and Weingast, 2013 (henceforth, NWWW)). The NWWW theory separates the role of the organization of the state from the role of the organizations of SBRs. A major

assumption of this theory is that violence is a shared feature of all human societies and its control depends on the structure of the social institutions and incentives created for the organization of rent production that deters the use of violence. The problems of violence control and economic rent production are key axes in this theory. Ascending the space of social orders defined by these axes depends on the presence of incentives for the collaborative deployment of state power for progressive structural transformation, which is the key developmental challenge. The authors apply this theory to the recorded history of mankind and identify and discuss three types of social orders that ruled in the world: the ‘foraging order’; the ‘limited access order’ (LAO); and the ‘open access order’ (OAO). They further identify three interrelated taxonomies of states within the LAO, which are the fragile, basic, and mature states. In the same vein, Acemoglu and Robinson (2020) develop a political economy theory describing the evolution of the power of society and the power of the state, as well as the various possible trade-offs that may or may not lead to progressive structural transformation that strengthens both the state and society. In one extreme, when the state dominates, authoritarianism becomes the norm and rulers decide for society. On the other extreme, when the state is fragile, a complex set of informal traditions become norms for regulating an individualized society that does not trust the rulers. The authors apply the theory to recorded mankind’s history to provide an answer to one key question: why have some state rulers achieved better outcomes than others?

A major consensus in the comparative political economy of development and industrial policy literature is that the emergence of powerful elites who coordinate rather than fight is crucial for coercing SBRs that are also decisive for transitioning up the spectrum of the LAO types of states, including for higher social orders. Accordingly, the typical state in the fragile end of NWWW and Acemoglu and Robinson’s (2020) taxonomy of states is used here for benchmarking. The rulers of these states barely control their national sovereign landmass and are not fully able to maintain themselves in the face of internal violence and external pressures. Thus, the method of analysis assumes that the control and expansion of the sovereign landmass, including its business zone of influence, significantly reduces the transaction costs related to policing, the external security of property rights, and contract enforcement that, in turn, boosts trade and crowds-in the private sector. Accordingly, the effectiveness of the “state” is qualitatively represented in two coordinates networking a sovereign space represented by transaction costs in the horizontal axis and sovereign landmass in the vertical axis. In a cooperative solution for the violence problem, state rulers and private actors would be better off moving toward the origin by expanding the state territory, reducing transaction costs, and enhancing free trade sentiments and more inclusive market-based solutions. In contrast, in a conflictive contestation of the state and society, the configuration of rent production moves away from the origin reflecting i) the shrinkages of sovereign landmass that also raise transaction costs and weaken the “externality-effects” of the sovereign on protecting private property rights and trade; ii) the inability to control violence and even the national sovereign territories; and iii) high political and economic risks that, in turn, feed a process of circular and cumulative causation favoring the status quo, even if inferior and unsuitable.

The second step draws from SBR literature to establish the qualitative scoring of the effective deployment of the state that results in transformative productivity growth. That is, a notable shift in path-dependent SBRs features a move of rulers' preferences toward the origin of the space, defined by sovereign landmass and transaction costs space. As documented in this literature, leveraging SBRs into pockets of high economic productivity requires the presence of tripartite simultaneous conditions: i) the political incentive to develop a new source of economic rent; ii) the ability to deploy the 'state' and mobilize the private sector into the project; and iii) state rulers' backing up of professional bureaucrats who know how to negotiate the chosen SBR policy on the ground, implement it, and distribute the produced rents.

As in North (1990) and Capoccia and Kelemen (2007), the critical juncture approach to the theory of path dependence is used to highlight historical peculiarities, including the antecedent conditions that preceded the implementation of notable SBR policies. Following the authors, the juncture is defined as a moment of notable organizational fluidity relative to the path, and the briefer a juncture relative to the duration of the path-dependent causal process that it instigates, the more critical it is. As in NWWW, the state is taken as the basic unit of analysis. Thus, in terms of the representation of sovereign landmass and transaction costs space, changes in state and the modifications of the underlying SBR are assumed to occur simultaneously during a critical juncture due to unanticipated consequences of choices in response to internal or external (e.g., colonialization) shocks. With this in mind, the issues reviewed during the juncture include: who the dominant state-rulers are; what their "implied" SBR policy for rent production is; why the selected policy triumphed; how the private sector is impacted; and, more importantly, what the sources of the major head and tailwinds associated with the chosen state-business policy relation are. Since observing major changes against a backdrop of a clear juncture of structural fluidity takes time, the review period covers the years 1821-2018.

Information is drawn from secondary sources, mainly published studies, to establish qualitative performance indicators in terms of the doorstep conditions governing the transition between NWWW's types of state institutions denoted as fragile, basic, and mature, and the threshold conditions for the successful deployment of SBRs that relate to rulers' ability to mobilize the state. This also includes people and resources in support of the chosen SBRs, including the ability to enforce contracts and protect private property rights. The *Al Funj Sultanate* (1504-1820) is briefly highlighted in the background for benchmarking performance. For centuries, this state ruled a landmass four times greater than the received landmass after *Al Ingaz* in 2019. Most of the influential institutions of the state were aligned with the standards of the Ottoman Empire. The economy was dominated by a vibrant private business benefiting from the clarity of the rules of the game and the well-trodden trade roads to the dynamic markets in North and West Africa, including the adjacent Eurasian landmass. The next section highlights the major results.



## 1.2. Summary and policy conclusions

### 1.2.1. Summary

In light of states' rating in the NWWW framework and the measurements of SBR effectiveness, the findings identify five major shifts in the "industrial policy deals" after the Al Funj Sultanate. These changes are identified based on (i) the differences in the sources of economic rents; (ii) the organization of the SBRs, including the mobilization of the political and economic actors; and (iii) the mechanisms that perpetuated the stability of these relations. Each change represents a relocation away from a previously better path-dependent configuration of these relations, reflecting a shrinkage of territorial sovereignty and a swell in transaction costs that heavily weigh on the development of the private sector (Figure A.1). Since landmass is used for measurement, each change in the SBRs is linked to a unique state-territorial label in chronological order: the Turco-Egyptian (1821-85); the Mahdist (1886-98); the Anglo-Egyptian (1899-1955); post-colonial-cum-Al Gezira Scheme (1956-88); and Al Ingaz (1989-2019). The ways in which the rulers of these states concert their rent extraction plans were determined by the combined effects of the specific antecedent conditions they faced, the method of the private sector mobilization, and the engendered head and tailwinds associated.

Two broad conclusions could be drawn from the analysis relating to the key sources of continuities and discontinuities of the economic norms governing the rulers' organization of the rent extraction business. Firstly, one source of continuity follows the observation that all the elites who ruled Sudan over the reviewed period resorted to Islam for legitimacy and for establishing laws, including for citizens' mobilization. Despite the different strategies used for the allocation of business ownership rights and rent-generating activities, the economic governance institutions were aligned with Islamic traditions for centuries, as exemplified by the imperial treasury of *Al Funj Sultanate* and *Bayt al-Mal* of the Mahdist state that was inspired by *Bayt Mal Al Muslimeen* created in 620. Both adopted the best practices set by the empire's standards at the time for the fiscal governance of the economy. These norms are, at least, transparent rules of the game known to all actors.

The other source of continuity is associated with the *Al Musharaka* institution.<sup>4</sup> The Turco-Egyptian and Anglo-Egyptian colonizers formalized *Al Musharaka* and used it in the development of large-scale, state-led irrigated cotton production. The labor-intensive state-private tenants *Musharaka* (henceforth referred to as the state-led PTEA) became iconic in Sudan and was articulated in the infamous *Al Gezira Land Ordinance* of 1921 that governs land uses to date. The state-led PTEA survived in the post-colonial period (1956-88) despite the numerous changes of governments and rulers, suggesting that this state-led capitalist development model featured a path-dependent process and locked in the SBRs initiated by the early colonizers. Moreover, the *Al Gezira Scheme* model became an ancestor of large-scale public-private dam-irrigated agribusiness in sugar and wheat as well as for private agricultural entrepreneurship in semi-mechanized, rainfed, large-scale agricultural schemes. Through the

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<sup>4</sup> *Al Musharaka* is a private business relation invented since the Al-Funj Sultanate to mitigate investment risks in the fertile riverain lands subjected to heavy ownership fragmentation under the Islamic inheritance rule.

lens of the industrial policy approach, the major sources of the tailwinds that supported the continuity of the state-led PTEA related to:

1. Strengthening the existing institutions of private property rights against uncompensated up-takings by the government, including boosting monetization that, in turn, expanded trade and the networks of commerce and credit.
2. Incorporating diverse farmers and wage laborers as tenants into the state-led export agricultural project, which was over time organized under the Sudanese Farmers Union, one of the most powerful community-based federations in Sudan's history.
3. Rulers' backing up of the state bureaucrats who were able to negotiate and apply the state law on the ground and discipline agricultural sector operations, including networking loyal rural clients to ensure a cheap supply of labor and food, which are among the important sources of the comparative advantage of cotton production for export.

Al Musharaka also facilitated the uptake of the full switch to the Islamic banking system in 1983, where the Al Musharaka contract became the base for the banking business.<sup>5</sup> More recently, Al Musharaka is used as a base for contractual agribusiness to organize production relations between owners of farms and formal large-scale private companies. This burgeoning private-private-led business relation has benefited from the experience of the contractual model of the Al Gezira scheme.

By the very nature of the destructive creation process, the establishment of the state-led PTEA significantly modified the antecedent pre-colonial commodity economy, with gainers and losers. The gainers comprised the various groups that included the notables, the bourgeois of Al Funj Sultanate, and *Al Jallaba* (the local judges and workers who served in the army, the police, and the administration of the colonial states). However, this class of people is often described in subsequent political discourse as colonial collaborators and remnants of the traditional authorities. Besides this group, the private sector, especially in the Nile valley, significantly boomed on the back of the colonizers' need to develop labor-intensive irrigated agriculture. On the other hand, the losers include diverse unorganized small- and medium-scale private actors outside the zone of influence of irrigated agriculture who lost the protection of the pre-colonial system, including those with less access to the colonial institutions. Over time, they became increasingly dependent on the most privileged ones.

The second conclusion is associated with the observation that the major discontinuities of the state-led PTEA occurred during the rule of the Mahdist and Al Ingaz states. However, the antecedent conditions that preceded each break in this legacy, including the ideation of the state rulers, the alternative rent sources put in place, and the ways of mobilizing the private sector, completely differ. These differences are highlighted below.

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<sup>5</sup> Although Musharaka is the prima facie reason for adopting Islamic banking, it remains of little interest to the Sudanese banks. As reflected by Figure A.6, Musharaka accounted for only 9.4 percent of the total flow of banking finance in 2014.

Firstly, the Mahdist movement followed a bottom-up approach for rallying under Islam to unify people against the exploitative Turco-Egyptian colonializers. After the idea triumphed, the state rulers exited agricultural exports due to sour relations with Egypt, the ex-colonizer and main destination market. However, the revolutionists effectively deployed the human and physical infrastructures of the state-led PTEA in state building. More importantly, the fiscal and monetary authorities were aligned with *Tanzimat's* standards of the Ottoman Empire's monetary standards that significantly released the private sector from the burden of exploitative colonial taxation. Above all, the state banned slave trade to boost the labor supply for the military and agriculture. In turn, this measure accelerated the process of transforming a slavery mode of production into a wage-based one. Hence, income from work became an important source for financing households and private business activities. Despite the gains from these policies, there were losers whose interests cannot be sidelined. The disruption of foreign and domestic trade, including the ban on slave trade, provided a strong case for the resistance of northern business communities to the Mahdist state, which compounded the already mounting internal conflicts on the state leadership as well as the external challenges (Tignor, 1987). After the Mahdist state, the second colonizers revived the state-led PTEA, benefiting from the experiences of the first colonizers and the slave trade ban introduced by the Mahdist state that contributed to labor market development.

Secondly, and in contrast, Al Ingaz followed a top-down approach to rallying under Islam; the idea of the state was inspired by the desire for the renewal of religious understanding. As noted by Al Turabi (2010), the choice of the year 1989 was not a coincidence; it enshrined the end of one century since Al Mahadi, the leader of the Mahdist revolution. Al Ingaz's project triumphed over the alternative program of the democratic government developed in the context of the IMF and World Bank negotiations for economic stabilization and funding the revival of the state-led PTEA and rainfed agriculture. However, the Al Ingaz state won power through a military coup. Accordingly, the *Al Tamkeen* strategy was used for the implementation of the state's plans. The strategy was based on:

1. Networking security (military and police), economic, and religious organizations for consolidating support and strengthening ties with loyalists across these organizations (Stokes, 2005; Baldo, 2016; Kostelyanets, 2021).
2. Shifting the political budget funding from the state-led PTEA toward rent extraction from three sources tapped in sequential order:
  - a. Policy distortions and privatization favoring cronies (Suliman, 2007).
  - b. The exploitation of oil reserves discovered in 1974 and the establishment of "gray companies" for capturing and distributing rents triggered by upstream and downstream oil businesses (Gaafar, 1995; Freedom House, 2015).
  - c. Rents from a multiple exchange rate system (de Waal, 2014a).
  - d. Leasing rents from *Mashrou Al Nahda Al Zeraya* 2000 and *Mashrou Al Nufra Al Zeraya* 2005 (MNZs) (Verhoeven, 2012; McGinnis and Mugira, 2019).

According to the NWWW theory, Al Ingaz's funding and rent distribution strategies are common in the LAO range of states. Rent extraction by those methods, including by imposing limits on access, are integral components of the incentive structure that holds together the agreements between the organizations and their leaders in these states (North et al., 2007). Thus, the question is not only why Al Ingaz has arguably regressed from the "basic state" inherited in 1989 to the fragile one, but why the state itself disintegrated in 2011. A full answer to the question would require additional studies. However, the following points could inform the learnings from Al Ingaz's experience:

1. Al Ingaz's rulers conflated Sudan's territorial identity; the jure sovereignty and the de facto state's sovereignty. The Comprehensive Call for Islam motto and the resurgence of *Al Jihad* under Pan-Islamism created serious conflicting sovereignty gaps. The sovereignty gaps are often seen by the international community as a serious obstacle to global peace, a challenge to global law and norms, and in the Al Ingaz case, they generated a considerable anti-Washington Consensus sentiment. Hence, the international community responded with a flurry of sanctions. In 1993, Sudan was enlisted among the states sponsoring terrorism (SSTL), followed by accusations of genocide and crimes against humanity. Also, multiple sanctions were imposed by the USA, the EU, and the UNDP, including a shutout from the Society for Worldwide Interbank Financial Telecommunication (SWIFT). These developments were unprecedented in the contemporary LAO range of states. Despite the bailout of oil rents in 2000-10, the triggered negative circular and cumulative causation significantly inhibited economic stability and the growth of businesses and the private sector over time. Hence, Sudan topped the rank of the fragile states in 2006 according to the Fund for Peace's Fragile States Index. Elbadawi and Alhelo (2022) also apply the "narrow corridor" model of Acemoglu and Robinson (2020) to Sudan and show that Al Ingaz pushed the state out of the "narrow corridor" from basic into the fragility zone (Figure A.4).

2. The state rulers' modernization project expounded catchphrases like *Al Mashrou Al Hadari* (1991) and *Mashrou Al Dawa Al Shamla* (1992), which signified the departure from the path-dependent norms. It is notable that all rulers since the Al Funj Sultanate inspired key institutional arraignments from Islam that stabilized their governance and contributed to the expansion of their sovereign landmass and business zone of influence. Although a narrow-based bourgeoisie capitalist class was created during Al Ingaz on the back of ideology-induced policy distortions, privatization, oil rents, and the MNZs, it failed to bail out the state's survival. The alternative rent sources put in place involved the displacement of the broad-based state-led PTEA, which is the historic source of collective security to small-scale businesses in irrigated and dry sub-agricultural sectors. In addition, the labor-intensive railways, the backbone of the agricultural exports' infrastructure, were brought into decline. Labor released from agriculture and related infrastructures largely entered low-productivity activities and joined the combatants against the state or the pool of the unemployed, mainly in the urban areas that over time formed strong constituencies pressing for expensive food and energy subsidies. These developments have forced the rulers to push fragility to the limit and trade off their survival against the loss of sovereign landmass, which is an unprecedented policy deal in Sudan's history. This outcome supports NWWW's conclusion that religion matters to the

extent that it is deployed by elites to promote competitive collaborations or block competitive solutions.

Overall, the comparative analysis shows that i) all the SBRs that bourgeoned in Sudan relied on policy controls that were inimical to free markets and involved gainers and losers, at least in the short to medium term; ii) all these relations were based on existing business norms to build trust for internalization and citizens' mobilization; and iii) they were all headed by broad-based policies that promote business in general. More importantly, the Sudan experience showed that rulers' commitment to the transparent rules of the game is crucial for softening the negative externalities of the state rent extraction policies as well as ensuring the stability of the policy environment.

### **1.2.2. Policy conclusions**

From the outset, SBRs targeting import substitution or export-oriented industrialization need to be clearly articulated in a visionary strategy. So far, the 25-Year National Strategy 2007-31 fills the void but requires revision. It is designed for old Sudan and envisaged its unity that did happen. The hitherto prioritization of the revolutionists of power sharing and democratization over a visionary (such as national development agendas (NDAs)) would feed the illusion of an imagined state and politics of an inefficient and corrupt network for the distribution of the state's patronage no different from Al Tamkeen. It should be noted that in a typical democratic solution, politicians and governments are shortsighted by design. Hence, the presence of well-designed NDAs will safeguard against policy myopia and raise the costs for rent-seeking, corruption cronyism, and predation by politicians. Sudan's experience shows that in the absence of a workable NDA, Sudanese politicians and the international community would step in anyway and impose solutions that could complicate the process of economic management and state building. Al Ingaz is an example of the Sudanese politicians' own plots; more importantly, the multiple sanctions imposed by the global communities as a solution for Al Ingaz's choices provide another example. As a result, the revolutionists faced grave challenges in dismantling Al Tamkeen, exiting the SSTL and the SWIFT's embargo, and fully normalizing with global communities. Also, as revealed by experiences, party building and democratization are very expensive, requiring a hefty budget as well as durable and diversified public and private organizations that are also less bound to personal power. While an updated NDA remains important for the design of structural policies, the following key easy-stage broad-based policies could be executed to close economic slacks, including combating the underutilization of capacity and leakages of resources.

Firstly, in the face of the outstanding sovereign debt default, re-engagement with the Heavily Indebted Poor Countries Initiative (HIPC) process becomes a crucial seal of approval for the health of the business environment and climate. The HIPC process is also expected to expedite the graduation of the country from fragility, inclusion in the SSTL, and the SWIFT's embargo to normality, which is a *sine qua non* condition for the success of any SBR. Also, the stabilization of a policy environment is imperative. In this context, the relief HIPC could

provide a valuable exchange rate anchoring of hyper and high inflation. However, the delay in the implementation of the stabilization policy negotiated in 2021 provides an example of the incompatible configuration of the political schools of thought on the reform agendas. As in the case of SBRs, the success of even the easy-stage short-term reforms requires the combined presence of tripartite political trains of interests in the policy, the power to commit to the policy, and the know-how to implement it. However, the policy voids have generated an additional conditionality for the envisaged reform, whereby the international community conditioned the resumption of normalization under the HIPC's upon a political agreement on returning to a transitional path. There is no free lunch; the revolutionist reform should not sidestep the compensation of the losers from the reform and the tightening of policy holes, and their interests should be negotiated upfront in the policymaking process.

Secondly, land reform is another easy shortcut policy that could play a decisive role in citizens' mobilization as partners of the envisioned NDAs. Land is the most abundant resource, and the state currently owns around 95 percent of it. The reform should benefit from the historic Musharaka intuitions for the communal management of land usufructs and hence separate land ownership from land fruits to promote specialization and land productivity growth. It should be noted that land reform was recommended by the 2005 Comprehensive Peace Agreement (CPA) but was delayed due to the fear of awakening the conflicting interests and unresolved land claims that could lead to unpredictable consequences. Thus, the reform should be perceived as a national land-based investment in infrastructure and green development in Sudan rather than a simple delegation of the state's land ownership to people (see Elbadawi et al., 2022).

Thirdly, the Sudan experience shows that the articulation of reform agendas by political actors and popular discourse is not enough; marshaling the political will and the state power remain major determinants of the reform implementation. Policy enactment requires the full authorization of state bureaucrats who know the policy agendas and the methods of negotiating and coordinating the execution process. Examples of such 'pockets of bureaucratic efficiency' tolerated by rulers for policy operations include the bureaucrats of Bayt al-Mal during the Mahdist state, the Sudan Political Civil Service during the Anglo-Egyptian colonial rule, and the Al Gezira Board during 1954-88.

Fourthly, restructuring the banking sector remains essential for the development of a dynamic private sector, but even the easy reform recommended by the CPA is delayed. In the short run, the microfinance facility, currently managed by the Central Bank, should be changed to the contractual agriculture credit facility and entrusted with bonuses to the commercial banks. Since the banks are less interested in microfinance, the new facility could target the formal private business entities that managed to partner with the associations and cooperatives of small-scale farmers and related agribusiness operators. Also, raising bank financing for infrastructure would enhance land utilization and the coordination of diverse patterns of the habitats that matter most for the stabilization of subsistence agriculture. Moreover,

strengthening mobile banking and e-money could help business communities through boosting exchange, cash management, and updating on firms' health.

Finally, anchoring the perpetual alternation of civilian and military rules requires strategization and should be aligned with Sudan's NDAs. The easiest policy lever is to affirm the military symbolization of "National Identification" in the context of national business image building and exiting the wicked triangle of fragility: the SSTL, the SWIFT's embargo, and improving the perception of the state authority.

The rest of the paper is organized as follows. Section II reviews the related literature and highlights the framework of analysis. Section III contains an overview of SBRs and the private sector development in Sudan, and section IV provides a summary of the findings and highlights their policy implications.

## **II. Literature review and analytical framework**

### **II.I. A brief review of SBR literature**

The empirical studies of SBRs in LDCs have only emerged recently, with notable contributions starting in the mid-1990s, developing further in the 2000s, and gaining more general acceptance in the 2010s (see Lemma and te Velde, 2015 for further discussion). However, this emerging literature is repleted with conceptual terms connoting SBRs: e.g., government-business relations, government-private relations, public-private partnerships, state-market mix...etc. These terms involve a political economy conception of the state and business. It seems that there is no unanimity on a coherent framework that links these terms to the broader domain of a theory of political economy (see e.g., Haggard et al., 2018 for more discussion).

Aside from the terminological issues, SBRs, defined as concrete industrial policy deals involving the state and private businesses, date back to at least Britain's manufacturing policy through 'import substitution' during the fourteenth century, which saw value added to British wool by spinning it into woolen cloth and garments (Reinert, 2020). Between the 1950s and the 1980s, the structuralists echoed a similar state-led industrial policy of import substitution aiming to promote heavy manufacturing and reduce commodity dependence following Singer (1950) and Prebisch's (1950) recommendation, for example. Whilst the rationale for the import substitution industrialization (ISI) policy is the same as in the case of Britain and the implantation strategy involves control, the outcomes differ. The success of Britain's ISI policy is achieved by raising export duties on raw wool, making English wool cheaper for domestic manufacturers than for foreign ones. In contrast, some of the countries, mainly Latin American and African, subsidized the ISI program, raised imports taxes, and subsequently reported unsatisfactory growth, whilst others that followed the opposite policy programs, i.e. the subsidization of export-oriented industrialization (e.g., the Asian countries), grew rapidly. By the 1980s, it had become clear that the ISI had led to a grave debt crisis.

The Washington Consensus emerged as an alternative to the industrial policy focusing on ISI and is based on key market reforms aiming to redress the path-dependent protection and control policy that anchored the ISI (Reinert, 2020). The World Bank's World Development Report (2005) contained a range of investment climate reforms focusing on improving the prospects for the development of more dynamic private sectors. Nonetheless, the implementation of Washington Consensus policies has been singled out in the literature as the major cause of economic stagnation in many post-ISI countries, especially in sub-Saharan Africa. According to this literature, many of these countries have pursued neoliberal reforms premised on an idealized textbook perception of market systems, which resulted in implementing policies that led to the deindustrialization of existing ISI-oriented manufacturing and the neglect of agriculture and private sector development. Moreover, it has been argued that IFIs and donors have increased their impact on policies in these countries and the state rulers are, in essence, implementing donor-driven agendas (see e.g., Anghie, 2002). Although the anti-neoliberal approach underscores the limitations of the policy prescriptions in post-ISI countries, it overlooks the role of domestic politics in shaping the incentives facing state rulers and how donors' relations and domestic politics interact (see North et al., 2007 and Whitfield and Therkildsen, 2011).

For example, the literature focusing on the role of domestic politics in the case of Africa posits that neopatrimonial politics have significantly contributed to economic stagnation and the undermining of prospects for the development of a dynamic private sector (Hyden, 2006). As an analytical concept, neopatrimonialism emphasizes the role of ethnicity, political culture, and the legitimacy of state rulers as the sources of the circular and commutative causation that explain the perpetuation of the traditional informal institutions. However, the analytical utility of neopatrimonialism has been questioned (see e.g., Pitcher et al., 2009).

Bates (1981) uses a rational choice approach to explain the economic failures of state-led industrialization, mainly via ISI, in Africa. The agricultural marketing boards (AMBs) are the major mechanisms for rent extraction for funding the state budget and programs. However, the export, import, and domestic trade price controls due to the ISI have unfolded in rent-seeking and corruption networks. Bates shows that boosting rent extraction through the AMBs from agriculture dominated by politically unorganized private small-scale farmers acting individually to the politically-connected firms has jeopardized the long-term growth prospects of African countries and contributed to the deindustrialization process.

The state-led industrialization in Japan and Northeast Asian countries is based on rent extraction from agriculture, as is the case in Africa. However, in contrast to the African countries, agricultural productivity is significantly enhanced by land reform in most of the Asian countries to begin with. The literature on the Asian Miracle suggests that these countries pursued a non-neoliberal policy alternative featured by collaborative SBRs involving the alliances of the state rulers, the industrialists' actors, and bureaucrats working together to solve problems for growth and investment (see Whitfield et al., 2015). Several concepts have been coined for these SBRs in the context of describing the political underpinnings of



industrialization in East Asia. For example, Doner (1992) introduces the concept of growth coalition, while Evans (1992) coins the concept of ‘embedded autonomy’ as well as the term ‘policy networks’ (see Whitfield and Therkildsen, 2011).

Anghie (2002) posits that imposing neoliberal policies on developing countries has often aggravated unemployment and indebtedness in the long run and has, at times, even reinforced social tensions and ignited interethnic conflicts. There is now a consensus in the literature on the political economy of development that LDCs are not ready to adopt a neoliberal policy package emphasizing free markets, privatization, an individualistic interpretation of civil and political human rights, and certain forms of democracy – and, if adopted, will function very differently (see North et al., 2013 and 2007 for further discussion). The major reason cited is that the social dynamics of these countries fundamentally differ from those of Western countries; hence, donors, the IFIs, and policy practitioners should search for the deep causes that drove these countries to adopt suboptimal policies in the first place (see e.g., North et al., 2012 and 2007; Tilly, 1990; Landes, 1998). In this case, the configuration of SBRs for rent extractions from productive sources should play a strategic role in the social dynamics of LDCs and is used by North et al. (2013), for example, to form a spectrum of social orders along which the organizations of SBRs become more durable, competitive, and less bound to the dominant political elites.

The literature on SBRs focusing on Sudan is rare. However, Elnur (2009) examines how private businesses are affected by the policy reforms that were implemented through the nationalization and confiscation programs in the 1970s. Although these reforms have negatively affected large private businesses, they have significantly reduced foreign domination in banking, finance, insurance, and international trade, which paved the way for the ascendancy of Sudan’s private business class. Notwithstanding, both policy programs are not broad-based. As Fatima (1985) argues, the complicity between the political parties, the private business class, and state bureaucrats significantly undermined broad-based capital formation in Sudan.

Suliman (2007) documents how the massive privatization in the 1990s favored Al Ingaz’s cronies. Although the official discourse asserted the efficiency benefits and public finance imperatives of the business of the reform, the program has been implemented amidst rudimentary public capital markets and the absence of accountability and institutions that could ensure broad public participation. The program is enacted largely through self-dealing by invitation, reflecting the non-competitive and unclear bidder selection processes. In many cases, enterprise shares were sold by invitation to specific personalities. Eventually, all the potentially profitable enterprises were affiliated with the ruling coalition (Suliman, 2007).

This paper intends to add to the information on SBRs in Sudan by exploring the political economy considerations of these relations, including the documentation of the mechanisms in which they play out in recent history. The analysis focused on contrasting the historical

experiences of the major configurations of the SBRs sealed by the state rulers and the consequences of these policy choices on the private sector, including the impact of these relations on the state nominal domain. The comparative analysis of these historical policy experiences is hoped to highlight the envisioned revolutionist reform of SBRs, i.e., what worked, what failed, and why.

## **II.II. The analytical framework**

As reflected in section II.I, numerous concepts have been coined for describing SBRs, but it seems that there is no consensus on a sound framework that links these terms to the broader domain of a theory of political economy (see Whitfield and Therkildsen, 2011; Whitfield et al., 2015; Haggard et al., 2018). The standard neoliberal theory (since Adam Smith, 1765) is often referenced for benchmarking the evaluations of performances and the anticipations of future performances. This theory upholds that SBRs, if ever needed, should be short-term interventions. Further, if the political interaction between the state and private actors is modeled at all, it tends to take a spare, game-theoretic form (Haggard et al., 2018). Whitfield and Therkildsen (2011) point out that there is a rationale for SBRs where the collective action problems loom high within industries. Here the question ensues: why are dominant elites willing to engage with private business, and why did they engage the way they did? The authors proposed a conceptual framework for SBRs drawing from the experiences of developed countries as an alternative to the political economy approaches focusing on neopatrimonialism and ethnopolitical cleavages that have dominated studies on SBRs, especially in Africa. The framework drew on the historical institutionalist approach and posited that for successful industrial policy, tripartite simultaneous conditions need to be in place: i) the presence of dominant state rulers who have incentives to extract rents from the productive sector; ii) the ability to deploy the ‘state’ to coordinate and involve the private capitalist entrepreneur into the rent extraction project; and iii) political backing for state bureaucrats who know how to coordinate project implementation with the private capitalist and are able to translate the new policy into effective solutions and enforce it (see Whitfield and Therkildsen, 2011; Buur and Whitfield, 2013; and te Velde, 2010 and 2013). These elements are used for unpacking the implied industrial policy deals that perpetuate successful path-dependent outcomes in Sudan.

The outcome is expected to contribute to the understanding of why some ruling coalitions contributed more than others to the development of SBRs in Sudan. As noted earlier, examining why and how specific SBR policy is formulated requires a broader political economy conception of the state and the business organizations that shape the incentives facing state rulers. To this end, the analysis drew from Adam Smith’s (1765) thoughts on the state, the market, and business, as well as on the more recent neo-institutionalist theory due to NWWW and Acemoglu and Robinson (2020) to establish a broader political economy view of SBRs in Sudan. Generally, the study of SBRs is often traced back to Smith, who laid the basis of the laissez-faire theory in the system of natural liberty where the state, acting as sovereign, has only three duties to attend to: defense, justice, and infrastructural services.

The legendary invisible hand is the origin of the laissez-faire theory, which sets a benchmark for a sensible comparative analysis. In this regard, Smith distinguishes between two alternative policies related to the mercantilist system, defined as the system based on “encouragements and constraints” and the free market system, defined as the system of natural liberty. As argued, however, the primacy of individual freedom is the essence of the natural liberty system, and self-interested individuals can promote the general benefit of society at large as long as they do not violate the laws of justice. Against this backdrop, Smith discussed the strong and weak points of the market and the state as social institutions molded within the historical development process. He also notes that violence, injustice of the ruling political power, misconduct of public officials, and the impertinent rapacity of merchants and manufacturers have occasionally suppressed the freedom of trade and legislature and hence contribute to undermining the system of natural liberty. Smith’s rationales for rejecting state interventions in business are based on the following: i) intervention via various regulations and controls would misallocate private capital and crowd-out productive activities; ii) in contrast to market systems, the state lacks sufficient knowledge and information about the economy, and so any policy intervention is bound to be miscalculated and ends up with an inefficient and suboptimal outcome; and iii) historical experiences show that public prodigality and misconduct have played an important role in impoverishing the great nations (see Smith, 1976).

NWWW developed a new framework, the access order theory, drawing on the standard classical economic theory and from the new institutionalist approach to social science, in the context of path-dependent critical juncture equilibria. As noted by the authors, their framework is built on the growing consensus that the world has witnessed many development failures despite abundant capital, natural resources, and educated populations, who emigrate or stagnate if institutions are not put in place. As in Smith (1976), the framework is premised on the standard laissez-faire assumptions that growth will occur whenever profitable opportunities present themselves, unless markets are fettered by political or social powers. However, not all societies achieved a laissez-faire equilibrium; hence, the society resorts to “encouragements and constraints,” which, as discussed by Smith, are suboptimal solutions inclined to suppress free exchange and undermine natural liberty. Therefore, the burden of controlling organized violence weighs heavily on private sector development.

Also, the NWWW framework assumes that no single organization, institution, or individual ever holds a monopoly on violence; instead, the ability of violence is a shared feature of both disordered and ordered societies. The solution to the violence problem within all human societies depends on the structure of the social institutional arrangements and the incentives that these institutional arrangements create. Thus, social arrangements are needed to deter the use of violence by creating incentives for powerful elites to coordinate rather than fight. The dynamics of these social arrangements differ from those described in neoliberal models, and this difference reduces the value of these models for understanding the problems of development in LDCs.

The state is the most durable establishment in the NWWW framework and is defined as an institution networked by the military, the army, the police, and economic and religious organizations; it is endogenously determined by elites' contestations, which could result in the varied taxonomy of state institutions, reflecting different elites' preferences for sourcing economic rents in the process of violence control (see e.g., North et al., 2007). The authors used the framework to examine the historical records and experiences known to mankind and open new ways of thinking about the pressing political and economic development challenges facing the world of today. Three types of social orders are identified: the 'foraging order' that governed approximately 10,000 years ago; the 'limited access order' (LAO) that has been predominant since then; and the 'open access order' (OAO), which was developed only some 200 years ago in a handful of western countries. Both the LAO and OAO have arisen out of foraging order as solutions to the problem of endemic violence. Progress from the LAO to the OAO is related to boosting rent production because elites can be better off if they manage to retain power while moving up the ladder of these social orders. However, the frequent outbreaks of violence in the LAO reduce the rents, which motivates the state rulers to divide the control of the economy and the rents and to be peaceable most of the time. The adequate stability of rents and social order requires limiting access in these social orders, even if the outcome is a suboptimal equilibrium with inferior payoffs compared to the laissez-faire potential outcomes driven by a Weberian type of state. Accordingly, the LAO is based on a fundamentally different rationale than the OAO; hence, transferring institutions and policies that worked in the latter may not work in the former, and if they do, they will function differently (North et al., 2007).

Although the LAO/OAO distinction reflects a fundamental difference in the dynamics of social orders, the stylized facts established in North et al. (2006, 2007, and 2013) show that these orders form a spectrum along which organizations, both public and private, become more durable, more complex, less bound to personal power, more numerous, and less dependent on the dominant political coalition with the increasing central control of violence. Thus, based on the nature of organizations that a society can sustain, which defines the dimensions of this spectrum, the three ranges of LAO states are identified as fragile, basic, and mature. In this regard, North et al. (2013) posits that the experiences from the history of the first societies that ascended the ladder to the OAO contain valuable information for the elites in the LAO states. In particular, the experiences and case studies reveal that three doorstep conditions significantly influence the dynamics of transitioning along the continuum of fragile, basic, and mature to more open societies, which include: i) rule of law for elites; ii) support for perpetually lived elite organizations, both public and private, including the state; and iii) consolidated political control of the organizations with violence capacity (mainly the military and police forces). Historically, the doorstep conditions build on one another and over time make impersonal relationships among elites possible. However, reaching the doorstep conditions, which ensures a complete transition to OAO, takes time and is case-specific. In this process, the comparative analysis shows that the LAO state may improve, stagnate, or even regress (North et al., 2007 and 2013).

In the same vein, Acemoglu and Robinson (2020) develop a political economy theory for understanding the evolution of the power of society and the power of state rulers and the various tradeoffs that may or may not lead to a mutually beneficial progressive structural transformation that strengthens both the state and the society. In one extreme, when rulers dominate, authoritarianism becomes the norm and rulers decide for society. On the other extreme, when the state is fragile, a complex set of informal traditions become norms for regulating an individualized society that does not trust the rulers. Assuming that both a powerful state and society are “normal goods,” all will be better off by moving up through what the authors term “the narrow corridor” and hence maximize their social welfare. The authors apply the theory to recorded mankind’s history to provide an answer to one key question: why have some state rulers achieved better outcomes than others?

A major consensus in the comparative political economy of development and industrial policy literature is that the emergence of powerful elites who coordinate rather than fight is crucial for coercing SBRs that are also decisive for transitioning up the spectrum of the LAO types of states, including for higher social orders. Accordingly, the typical state in the fragile end of NWWW and Acemoglu and Robinson’s (2020) taxonomy of states is used here for benchmarking. This group of states fell or is on the verge of falling into the fragility trap. The major challenges confronting the elites include, first and foremost, a formal, durable state networked by specialized military, economic, and religious organizations, which hardly exists. There are no clear boundaries between these commanding heights organizations, and all are involved in elites’ contestations for funding the political budget, which could also be shared with influential organizations of warlord elites. That is, there are no powerful elites able to deploy ever-larger financial power to tip the military balance in their support. Organizations are contested and closely identified with the personality of their leaders, who are individually connected in the dominant coalition. Second, the dominant coalition can barely maintain itself in the face of internal and external violence and control its national sovereign land territory. Third, the chosen “encouragements and constraints” strategy for the allocation of rent-generating activities in the economy is inclined to suppress the free markets and undermine the persistence of formal institutional rules that govern the interactions of different elites’ organizations. Fourth, the state institution is identified by the dominant elites’ coalition who founded it.

In addition, political elites in fragile states typically pursue a variety of funding strategies for survival. Many scenarios are discussed in the literature. For example, the state rulers and the private sector may face incentives to collaborate, predate on each other, or even collude to prey on others. Alternatively, the state rulers may not need the private sector and source funds from extractive resources through bleak state-owned enterprises and crony businesses, including leveraging the country’s locational rents through quasi-legal or even illegal cross-border deals (see e.g., North et al., 2009; de Waal, 2014a). Also, a variety of increasing and decreasing returns processes are at work, but exiting fragility depends on the desire of the rulers to modify the existing institutional structure to further their interests and effectively break the self-reinforcing (i.e., path-dependent) process of fragility (see also Rixen and Viola, 2015).

In contrast, in the basic LAO range of societies, a formal state institution is well-established and networked by an array of government organizations that continue beyond the lives of the elites who create them to reinforce the rule of law, property rights, and contracts. However, the capacity for violence usually remains dispersed among government organizations.

While North et al. (2007 and 2009) highlight the importance of rents from unproductive sources in LAO states, e.g., cronyism, corruption, and rent-seeking driven by policy distortions, the updated conceptual framework in NWWW (2013) focuses on productive rents that reflect progressive structural transformation, i.e., shifting factors of production to the more productive sector. Recent development literature shows that the choice of the sector driving economic growth matters. For example, evidence shows that industry, mainly manufacturing, is an effective escalator for sustained growth and progressive structural change due to specialization, technology, discipline, and the need for standardization. Thus, productivity in this sector tends to converge unconditionally, regardless of the prevailing institutions or overarching state policy environment (Rodrik, 2013). In contrast, agriculture-driven growth is found divergent but, like countries, it tends to converge conditionally. That is, sustainable rent extraction from agriculture requires positive synergy between the state and business rather than collusion between the two, leading to pervasive rent-seeking, state capture, and predatory behaviors by the business and state rulers (Diwan et al., 2011).

As noted earlier, the analysis focuses on SBRs in the productive sectors that created influential long-term changes. Alterations in the state's path dependence, including the modification of the underlying SBR, are assumed to occur during a critical juncture due to unanticipated consequences of choices, external effects, and even because of forces exogenous to the analytical framework (North, 1990). Since observing the path-dependent organization of SBRs against a backdrop of organizational fluidity takes time, the review period covers 1821-2018.

The critical juncture postulate is used to highlight the historical peculiarities, including the antecedent conditions that preceded the implementation of a specific SBR that, in turn, created an influential historical legacy. As in the NWWW framework, the separation of roles assumption implies that the state is the institutional milieu; landmass and business zone of influence could reduce transaction costs and enhance more inclusive market-based solutions or otherwise. Actors are assumed to choose as if maximizing rent production is subject to the limits set by these conditions. Therefore, the specific SBR searched for corresponds to a specific state defined by territorial geography and transaction costs as a homogeneous unit of analysis, since land is the most abundant resource and is more important than capital and labor in Sudan. It follows that the protection of sovereign landmass will significantly reduce transaction costs related to policing, the external security of property rights, and contract enforcements that, in turn, crowd-in private firms and boost trade. Accordingly, the effectiveness of the "state" could be qualitatively represented in two coordinates networking a sovereign space represented by transaction costs on the horizontal axis and landmass on the

vertical axis. As per the NWWW framework, in a cooperative solution for the violence problem, the powerful rulers and economic actors would be better off by moving toward the origin by expanding state territory and reducing transaction costs, which enhance free trade sentiments and more inclusive market-based solutions. In contrast, in a conflictive contestation of competing powerful elites, the configuration of rent production moves away from the origin, reflecting the shrinkage of the business zone of influence of the sovereign landmass and implying high costs of protecting private property rights and trade, including the inability to control violence and even the national sovereign landmass, which are major features of fragility.

### **III. Review of SBRs development in Sudan**

In view of the NWWW framework, and as confirmed by case studies, the presence of a perpetually lived state institution and elites' organizations is critical for the emergence of dynamic private organizations capable of bargaining over policies and their implementations. Other supporting conditions relate to the specialization and division of labor between and within the organizational structure as well as the consolidation of the organizations with violence capacity under the control of civil rule. North et al. (2013) apply the framework to highlight the dynamics of the LAO spectrum types of states by example (see Table 1.1, p. 14). As shown in the Table, the LAO is not a static equilibrium. The state in this order of societies may improve, stagnate, or even regress. Alterations in the state's path dependence occur during a critical juncture due to unanticipated consequences of choices, external effects, and sometimes because of forces exogenous to the analytical framework (North, 1990). Thus, the analysis focuses on the major changes in the organization of the state and the SBRs, which, combined, define the state progression or regression through the lens of the NWWW development theory. Rent extractions from less productive sources also matter the most in shaping elites' incentives at the early stages of transitioning from the fragile end of the LAO spectrum but are not discussed here.

Thus, the critical juncture searched for here relates to changes in the organization of rent extraction from productive sectors involving progressive structural transformation, which reflects the specialization of factors and progress along the continuum of the LAO types of states. Following the SBR literature, the industrial policies that could create path dependence need coordination and coercion by state rulers. Issues reviewed at the juncture include identifying the dominant elites, their "implied" industrial policy idea, why the selected policy triumphed, and what the consequences and sources of the associated increasing or decreasing returns are.

In light of the rating in NWWW's LAO taxonomy of states and the indicators related to the measurement of SBR effectiveness, there are five major breakpoints that resulted in long-term (i.e., path-dependent) changes in the rent sources, including the territorial identity of the state. These changes are identified based on the differences in i) the sources of economic rents; ii) the organization of the SBRs, including the mobilization of the political and economic actors;

and iii) the mechanisms that perpetuated the stability of these relations. These states in chronological order are the Turco-Egyptian (1821-85); the Mahdist (1886-98); the Anglo-Egyptian (1899-1955); the post-colonial-cum-Al Gezira Scheme (1956-88), and Al Ingaz (1989-2018) states (see Figure A.1 and Tables A.1 and A.2). The following sections summarize the major policies related to the organization of SBRs for rent production, including highlighting their impact on the dynamics of the private sector.

The Turco-Egyptian state (1821-81) emerged in the backdrop of historically one of the strongest private sectors in the Middle East (Tignor, 1987). The capital of the precolonial Al Funj Sultanate is Sinnar, located in a strategic trodden crossroads of trade and pilgrimage routes. Most of the influential organizations, e.g., the fiscal and monetary authorities, were aligned with the Ottoman Empire's standards. The economy is operated by vibrant private entities and businesses working in nomadism and agriculture, including trade in cotton and textile activities benefiting from the geographical location and proximity to dynamic markets in North and West Africa. The sultanate used a decentralized system of land tenures administrated by *Al Nazirs*, *Omdas*, and *Sheikhs*. Al Sheikh, in the lowest rank, is supported by *Al Sultan* to provide varied services to local communities, including policing facilities to enforce compliance with community norms and the resolution of land disputes. The state police, *Al Junod*, managed the markets and provided intelligence services. Military organizations hardly existed and the army seldomly called for war by the central state. Private activities and businesses were organized along family-tribal cum communal lineages, which are major sources of protection and risk sharing. A class of *Al Jallaba* effectively networked domestic and cross-border trade (Doornbos, 1988; Walz, 2018).

The key antecedent conditions that encouraged the Turco-Egyptian colonization were the need of Muhammad Ali Pasha, the ruler of Egypt, for resources to modernize his country, as well as the success of private ventures under the loose decentralized rule of the sultanate (Tignor, 1987). The colonizers utilized the precolonial links of Sudan with the Ottoman Empire for internalization and legitimacy during the *Tanzimat* (lit. disciplining) of the empire. They were the first who institutionalized the central army and bureaucracy for the administration of the state and the implementation of state-business plans. Courts continued to use Islamic jurisprudence as the legal framework for handling suitcases, including resolving private property disputes with all the judges appointed from local staff. The most important policies imposed, in turn, significantly changed the precolonial commodity economy related to the modification of tax and land tenure systems to open the country for investment in peasant export agriculture.

The colonizers inherited an economy where cultivators pay taxes in kind and expected the sultanate to exercise a redistribution function to alleviate seasonal hardships and control the abuse of speculation (O'Fahey and Spaulding, 1974). This system was of less interest to them and was simply replaced by tax assessment upon agricultural land in coins and slaves. The created demands for coins behooved people to reevaluate the economic resources of their society in monetary terms. The adjustment to state demand is supported by the emergence and



consolidation of specialized markets in lands fruits, slaves, and other forms of wealth subject to tax, e.g., real estate. The other major integral colonial policy relates to a comprehensive modification of a land tenure system from a wieldy traditional pre-capitalist communal tenure arrangement, where land ownership is linked to the residential community, to one based on the concept of private property (Spaulding, 1981).

The conditions that prevailed before the conquest provided colonizers with the means to implement their policy plans and establish their rule. The institutions of the nascent bourgeois community in the Al Funj Sultanate under Islamic rule softened the resistance to modifying tax from in-kind to in-coins and introducing private property rights in agricultural and other lands. Subsequently, northern Kordofan and Darfur were considered Islamic and subjected to colonial rule. The court system in these regions also followed Islamic jurisprudence, where claims to private property in general were respected (O'Fahey and Spaulding, 1974). The ensuing commercialization of land and land fruits expanded the networks of commercial and credit institutions largely operated by the bourgeois community and dominated by the merchant class, *Al Jallaba* (Doornbos, 1988; Walz, 2018). Private cultivators with less access to these institutions, including those who lost the protection of the pre-colonial system, increasingly became dependent on the most fortunate ones (Spaulding, 1981).

Since its early days, the state developed business relations in peasant agriculture for cotton production targeting the European markets (hereafter referred to as state-led private tenants export agriculture). In addition to cotton, new commercial crops were introduced that included sugar cane, indigo, and a variety of wheat and corn. The process of commoditization is significantly accomplished by monetization and private property rights policies. In particular, the separation of land ownership from land usufructs and rights to land fruits had strengthened the Musharaka based on *Al Saqiya*<sup>6</sup> irrigated land traditions. The irrigation technologies were also updated based on the *Al Saqiya* system. In addition, the state operated its own farms using slaves, including labor services in lieu of ducking cash tax payments. In addition to agriculture, state-led industrialization was pursued in mining and metal fabrications, which were among the major causes of colonization.

The implementation of the policies imposed by the colonizers was based on the participation of much broader segments of citizens beyond the colonial administrators and the domestic collaborators serving in the lower echelons of the administrative staff. Folks' mobilization into the state policy programs was largely achieved by, firstly, the new land measure that expedited the displacement of the precolonial society, which is the source of collective security for the traditional class of cultivators. Secondly, by enhancing monetization to stimulate commodity commercialization and market-based competition to broaden the tax base.

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<sup>6</sup> Bullock-driven water wheels largely in the riverain land north of Khartoum.

The domestic private sector in the Nile valley north of Khartoum significantly boomed on the back of the colonizers' need to develop a large-scale, labor-intensive, and state-led PTEA. The state projects for cotton and other commercial crops led to the substantial growth of domestic and foreign private businesses in Al Saqiya-related cottage industries, including the production of agricultural tools and boat building to enhance river export transportation. After abandoning the periodic raids for slave collection in the 1830s because of the low yield, slave trade was left to private sector concessionaires who agreed to work in zones specified by the colonizers. However, the slave ban in the 1860s was severely resisted by those displaced by the policy. Although state-led development via industrialization had failed, the venture had contributed to the expansion of the state bureaucracy, including the internalization of foreign private businesses in agriculture and mining as well as skilled entrepreneurs and workers.

Outside the Nile valley, private businesses continued as usual in nomadism, agriculture trade benefiting from actors, and knowledge and adaptation to the difficult and hostile land terrains mostly abandoned by the colonizers. In some cases, the colonizers deserted lands already under control. For example, in the 1830s, death crept in and ended missions operating in eight iron foundries established by British-based manufacturers in the White Nile (Hill, 1959). Some of the entrepreneurs working in agriculture and trade who were negatively impacted by the colonial policies found refuge in these unincorporated rural regions.

However, the Turco-Egyptian rule was known for its high tax burden and heavy penalties for non-compliance and evasions, which led to increased anger and resentment among the nomads, especially in the remote regions of western Sudan, who were negatively affected by colonial commercialization policies and eventually joined the Mahdist movement and formed the bulk of its army. The control imposed by the colonizers on foreign and domestic trade, including the suppression of slavery in the 1860s, also caused a large number of traders and entrepreneurs to support the revolution. Above all, the weakness of the Turco-Egyptian administration and the inability to control the growing resentment and the armed resistance organized by Al Mahadi in the remote and hostile regions were major headwinds that contributed to the downfall of the state (Holt, 1977; Holt and Daly, 1988; Hill, 1959).

The ideation of the Mahdist movement (1886-98) resorted to the rally for rights under Islam to unify people, as owners of the land, against the exploitative Turco-Egyptian colonizers, who were also governed by Islamic Codes and assisted by the *Ulama* Council (literally Islamic scholars). These state rulers annexed Sudan under the pashalik of the Ottoman Empire. While the idea of Al Mahdi is no stranger in Orthodox Sunni Islam, the official religion of the empire, the Mahdist movement faced grave struggles by the Ulama who supported the Turco-Egyptian rule (Ibrahim, 1994).<sup>7</sup> Notwithstanding, the movement triumphed, and the state was born in a time of intense empire rivalries for colonization and economic resources. At that time, fragile

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<sup>7</sup> The coming of Al Mahdi is narrated in the Hadith due to Abu Dawood (No. 42910).

states would simply be swallowed by the empires.<sup>8</sup> Accordingly, the state policy focused on supporting strong central military organizations based on available resources, which created the major tailwinds that maintained the state. The major institutions created by Al Mahadi himself, e.g., Bayt al-Mal, and the structure of the leadership relating to the appointment of Khalifas and their hierarchy were major elements of continuity. During the rule of the first Khalifa, Khalifa Abdullahi, the state identity remained linked to the leader of the movement (Al Mahadi) and Bayt al-Mal continued to serve as the major central fiscal institution with diversified functions that included industries, agriculture, and financial services; the other major source of continuity related to the effective deployment of the human and physical infrastructures of the Turco-Egyptian colonizers in state building. In the tradition of early Islam, there was no central money printing authority, however, Bayt al-Mal tolerated defector currencies, e.g., the Ottoman riyal *al majidi* and the Spanish dollar, aiming to enhance monetization and trade. Basic components of Bayt al-Mal were operated as sub-treasuries cum military units carrying the name of the function. To win a side in the empires' battles, the fiscal system and traditions of the Ottoman Empire were also adopted in compliance with Tanzimat's standards based on Islamic rule. Another element of continuity that sustained the state budget related to the effective utilization of the rent-generating activities inherited from the Turco-Egyptian state, which included mining, cottage industries, irrigation systems, physical infrastructures, and leased rents from lands confiscated from the colonizers. Moreover, the fiscal discipline espoused the domestic tradition of the imperial treasury of the Al Funj Sultanate. Although the military and religious organizations were not separated, the organization and management of the state budget, the dominant rent source, were largely outsourced. Around one-third of the state finance bureaucrats were expatriates contracted on merits by the head of the state. Records confirmed that the fiscal system of the Mahdist state operated on a monthly budgeting basis (Abushouk, 2006). Despite the mounting internal violence and conflicts, the Khalifa managed to build a centralized bureaucratic state based on Bayt al-Mal and even successfully expanded the state territories beyond the boundaries inherited from the Turco-Egyptian state (see Figure A.I).

The dynamics of the private sector were generally shaped by the state's commitment to the resistance of colonization and the associated need for military mobilization. However, the demand for workers in the army and agriculture accelerated the process of transforming a slavery system of production into one based on the wage labor force, which significantly boosted private activities. Bayt al-Mal, the fiscal institution of the state, adopted two major policies, which at least bound to level the playing fields and hence lift all boats. The two policies featured a turn back to the fiscal and monetary system, the old normal of the Al Funj Sultanate that ruled since the 1500s. First, Bayt al-Mal replaced the Turco-Egyptian tax system with Islamic alms that significantly released the private sector from the burden of exploitative colonial taxation. In addition, it adopted a multi-currency system based on the Ottoman Empire

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<sup>8</sup> North et al (2007) show that at the time of the Mahdist state (1600-1800), the fragile states of today would be simply swallowed by the empires. However, they survived because the world of today collectively follows the LAO logic, where the dominant "coalition of nations" tolerates the assistance of these states – however inefficiently targeted – and used this aid therein with the main goal to keep violence at bay.

monetary unit, *alriyal al majidi*, as in the Al Funj Sultanate. Hence, the supply of money was determined by the level of trade, which is dominated by the Al Jallaba<sup>9</sup> class. Networking trade routes require upfront heavy investments in vehicles and security, which require deep knowledge of the vagaries of trade routes that became a source of entrepreneurial talent. In addition to the contribution of Al Jallaba to the sourcing of the needed foreign currencies from trade, they also played a key cultural agency role needed for enhancing collective security, a process termed by Doornbos (1988) as “Sudanization” (see also Walz, 2018). While Bayt al-Mal policies are bound to level the playing field and lift all boats, the interests of the losers cannot be sidelined. Lucrative private activities in peasant export agriculture and foreign trade came to a halt because the Mahdist movement sought to dismantle relations with Egypt, the co-ex-colonizer, including breaking economic ties with the outside. The disruption of foreign and domestic trade, including the ban on slave trade, provided a strong case for the resistance of northern elites to the Mahdist state, which compounded the already mounting external challenges (Tignor, 1987).

In the context of the Anglo-Egyptian state (1899-1955), the antecedent conditions that encouraged the second colonization related to the growing competition for resources by the empires and the escalating internal conflicts that weakened the Mahdist state. If the British did not conquer Sudan, then the French or Italians would. More importantly, the success stories of the commercial production of cotton by the Turco-Egyptian state were among the major causes of British colonialism in an attempt to compensate for the disrupted cotton trade with America. The second colonizers learned from the experiences of the first ones and from the causes of the Mahdist movement that taxation would be resisted and could instigate grave political instability (Tignor, 1987). Accordingly, their idea for sourcing rents focused on reviving the state-led PTEA, benefiting from the success stories of commercial crop production and the commoditization of agriculture initiated by the first colonizers, which were the main sources of continuity that enhanced state building. Between 1900 and 1925, a number of major projects were completed to open up the country for specialized large-scale production. The most strategic include the construction of the dam-based irrigation infrastructure for Al Gezira to produce high-quality cotton for exports and the construction of railways networking Al Gezira and linking the Scheme to Port Sudan, the outlet to the sea. In addition, Gordon Memorial College was established for training local administrative staff.

Like the first colonizers, the implementation of the new policy idea involved the mobilization of much broader segments of the population beyond the colonial administrators and their collaborators. The cotton venture was formalized by a comprehensive land reform measure, the Al Gezira Land Ordinance of 1921, which delineated the tripartite corporate *Musharaka* involving private tenants, the state, and Sudan Plantations Syndicate Ltd (SPS Ltd), which was a corporation formed in London for prompting private entrepreneurship in cotton production (Gaitskell, 1959; Simon, 2020).

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<sup>9</sup> *Al Jallaba* denotes the private actors in domestic and foreign trade organized on family-tribal cum communal lineages as a major source of collective security.

The Al Gezira Scheme featured a precedent of the successful separation of the state's role as an overarching institutional milieu governing the implementation of the 1899 Condominium Pact from the role of the organizations of the state business, which is left to local private tenants under SPS Ltd (see Simon, 2020 for a discussion). Under the pact, the sovereignty of Sudan's state was defined over the territorial borders inherited at independence in 1956. All lands' usufructs uncovered by the 1921 Ordinance, and hence outside the Al Gezira partnership, were organized under the Dars system (literary habitats networked by homogeneous lineage groups). The colonialists reconfigured the *Al Nazir Omda Sheikh* administrative system of the Al Funj Sultanate and deployed it into the governance of the country. They delegated substantial judicial powers and financial support to the sheikhs to preside over local courts and settle land tenure disputes (Collins, 1972; Daly, 1986).

Since the late 1900s, Sudan was relatively quiet and the colonizers favored the implementation of their policies through civil rule, i.e., indirectly, building on the existing socioeconomic structures (Collins, 1972; Kirk-Greene, 1982; Holt, 1988). As in the case of the first colonizers, the courts, laws, and jurisprudence were largely unchanged, and considerable judicial powers were delegated to the sheikhs to enable them to resolve local disputes and administer the local government courts. On top of the legal and judicial hierarchy presided the British governor-general, who had "supreme military and civil command of Sudan" and was the supervisor of the implementation of the Condominium Pact (Daly, 1983).

Aware of Sudan's vagaries, the British governor-general requested young and highly competent civil servants (who also speak the language of the county and know its culture) to run the government and network SBRs. The governor-general recommended athletes, not shorter than 5.5 feet tall, men with brains in their heads as well as fire in their bellies, and not the chew-or-walk 'first-class hearties with third-class minds' of the stereotype image. He noted that "their real education only begins when we take them in hand in Sudan" (Kirk-Greene, 1982, pp. 27 and 45). Around 394 men were selected, and usually around 100 at a time ran the government. Lord Vansittart, who supervised the selection of the required state bureaucrats, commented, "I have never wavered in my conviction that the Sudan Civil Service was the finest body in the world" (Kirk-Greene, 1982, p. 48).

Daly and Hogan (2005) provide photographic sources for the outposts of the British Empire in Sudan. Figure A.2 contains the authors' book cover photo of a member of Sudan's political service with a group of local administrators in the Nazir Omda Sheikh administrative system.<sup>10</sup>

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<sup>10</sup> The domestic perception of Sudan's Political Civil Servants remains to be studied. An example could be echoed in the vernacular of popular Arabic folklore of West Sudan:

الْخُذْبُ وَ غُضْبُ غَرَانِيقِ أَلْمَى --- عَيْنًا مَا شَافْتَكُو أَرَيْتَهُ بِالرَّمْدَى

The author is unknown, however, they literary described these officers as, "tall but bend to listen—they are Mermen—an eye that hasn't seen them, I hope it contracts disease."

The concurrent presence of a dominant ruler who has the incentive to develop a new rent source and the ability to mobilize the private tenants and capitalist entrepreneurs under SPS Ltd., including the backing up of the British Political Civil Servants by the British governor-general significantly contributed to the effective implementation of the state-led PTEA. Cotton production spread like an oil stain to its surroundings by incorporating the adjacent wage laborers as private tenants, and subsequently became the mainstay of the economy during 1930-55 (for example, see Brausch, 1964).

Through the lens of industrial policy, the state-led PTEA in Al Gezira succeeded because it was planned like an “industry” based on the standardization and regimentation of dam irrigation technologies and the strict disciplining of agricultural operations. In addition, the implementation of the state-led PTEA policy was preceded by comprehensive land measures for enhancing the productivity of available agricultural resources and by the judicious selection of the state bureaucrats, who were educated to govern the country and apply the law and the state’s plans.

The dynamics of domestic private business were shaped by the development of the state-led PTEA. The major developments firstly related to the establishment of a commercial legal framework for Sudanese private businesses. Between 1916 and 1925, the state issued a series of directives that culminated in the issuance of the Partnership Ordinance in 1926 (Tignor, 1987). Subsequently, the Ordinance served as the foundation for private business activities in post-independence up to 2015. Secondly, while private businesses in foreign trade and domestic finance were dominated by large British companies, the state encouraged private ventures in sorghum in rainfed agriculture to stabilize the supply and price of staple food. The abolition of slavery was continued, which boosted the supply of private wage work. The Dar system provided durable mechanisms for land conflict resolutions in the uncovered lands’ usufructs, mainly in the rural areas. This, in turn, stabilized the rural sector and enhanced its contribution to the economy through integration into the staple food supply and demand value chains.

During the period of the post-colonial-cum-Al Gezira Scheme (1956-88), the state-led PTEA survived the changes of numerous governments and ruling political coalitions supporting different ideologies, suggesting that this modality of development featured a path-dependent process, i.e., a case of locking in the inherited SBRs. The mechanisms that created the tailwinds related to:

1. The lumpier capital investments committed in irrigation infrastructure.
2. The continued separation of the organization of the state from the organization of the SBRs, which, in turn, contributed to the backing up of independent bureaucrats who knew the “industry,” as symbolized by the Al Gezira Board during 1954-88, which efficiently administered the largest irrigation scheme in the world (de Waal 2014a).
3. The persistence and acceptability of the Musharaka institution that ruled rent distribution based on the shares of factors inputs.

Subsequently, the state-led agricultural model became the ancestor of big public dam-irrigated sugar and wheat projects and private agricultural entrepreneurship in semi-mechanized rainfed large-scale agricultural schemes.

The period also witnessed a remarkable engagement of the private sector in cotton pump schemes, textiles, light manufacturing, and finance. Private businesses significantly benefited from the nationalization and confiscation measures implemented in the 1970s. These measures were driven by the socialist orientation of the May 1969 regime and were meant to ensure state hegemony over the commanding heights of the economy. Although the reforms disrupted the business community and negatively affected large private enterprises, e.g., Osman Salih Group, their overall effects paved the way for the ascendancy of Sudan's private business class in foreign trade, banking, and finance, which were previously dominated by foreign companies and expatriates. In addition, the measures boosted public revenues in the immediate post-nationalization years (Elnur, 2009).

Notwithstanding, the combined effects of several factors raised the per unit cost of the Al Gezira scheme, which, in turn, triggered a decreasing return stage of the state-led PTEA. The major factors that created the turbulent headwinds include i) the worsening of economic performance over time; ii) the institutionalization of the Islamic Sharia laws in 1983, which led to the outbreak of the second civil war in South Sudan in 1983 (Hamid, 1984); iv) the abolition of the native administration; and v) the successive drought shocks in the mid-1980s. The insecurity and violence that ensued in Darfur and south Kordofan since 1987, in addition to the ongoing war in South Sudan, significantly eroded food production in dry agriculture and disrupted the sources' cheap labor supply for the state-led PTEA, which were the major external source of increasing returns (Suliman, 2016).

The subperiod 1985-88 witnessed mounting institutional fluidity as reflected by several changes in the governing coalitions. After the popular protest that overthrew the May regime in 1985, the interim military government that ruled the transitional period 1985-86 was followed by a short-lived democratic government during 1986-89. Notwithstanding, the major policy ideas over the period focused on the importance of economic stability and the restoration of rents from productive sources, mainly through the revival of the agricultural sector focusing on the development of the irrigated, rainfed, and animal husbandry subsectors (see Ministry of Finance and Economic Planning, 1988 (MFEP)).

Al Ingaz (1989-2018) was born at the juncture of heated discussions on sequencing the implementation of the four-year Salvation, Recovery, and Development Program (SRDP) (1988/89-1991/92) developed by the democratic government in collaboration with the IMF and the World Bank.<sup>11</sup> However, Al Ingaz was motivated by different terrains of ideas and was

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<sup>11</sup> For details on the SRDP, see MFEP (1988).

inspired by the desire for the renewal of religious understanding. As noted by Al Turabi (2010), the leader and ideologue of the Islamic salvation state, “the key driving idea of Al Ingaz is the renewal of religious understanding.” He also noted that the choice of the year 1989 itself to incept the state was not a coincidence; it enshrines the end of one century from Al Mahadi, the initiator of the Mahdist state. The idea of the renewal of religious thoughts is well known due to the Hadith stating that “every century Allah will send to this *Ommah* someone who will renew its religious understanding,” Abu Dawood, No. 4291. Citizens’ mobilization is based on *Mashrou Al Dawa Al Shamla*, literally the Comprehensive Call for Islam and the resurgence of Al Jihad under Pan-Islamism and *Al Mashrou Al Hadari*. Al Tamkeen, which aims to empower the ruling coalition, was utilized for networking security (including the military and police), economic, and religious organizations for consolidation of support and strengthening ties with loyalists across these organizations (Stokes, 2005; Baldo, 2016; Kostelyanets, 2021). The motto of the Comprehensive Call for Islam intended to build synergies with *Al Dawa Al Shamla* Organization, which is an international non-governmental charity organization registered in Khartoum in 1980. More importantly, it envisages support from the breakthrough of the Pan-Islamist movements in Egypt, Tunisia, Algeria, and Yemen.

Al Ingaz’s economic program was based on a homegrown salvation plan expounding neoliberal policy, including privatization and the streamlining of the banking and financial sector. The program triumphed over the SRDP by the force of a military coup rather than in the ballot boxes. The state’s funding involved different sources tapped in sequential order, starting with the introduction of a Central Bank Act in 1991 for rationing cash withdrawals from banks, which significantly eroded the capacity of old elites and drove influential private firms out of business (Elnur, 2009). Between 1993 and 1997, large-scale privatization was carried out through self-dealing favoring cronies (Suliman, 2007). In 1993, the ruling coalition sealed deals with China for oil production in the context of the Eastern orientation of the Islamists that started in 1987 (see Gaafar, 1995). The contribution of oil revenues to the state budget peaked over 2000-11, averaging around 55 percent.

After the secession of South Sudan in 2011, funding was sourced from speculation in the gold and banking markets, including from multiple exchange rate systems and an inflation tax (de Waal, 2014c, 2019; Kostelyanets, 2021). Also, rents from the MNZs agricultural resonance project became an important source of funding. The MNZs involved heavy investments in dams and irrigated agriculture in the land triangle where Al Gezira is located, networked by the Dongola-Kordofan-Sinnar axis that became known as the “Hamdi Triangle” (see Figure A.3). As shown in McGinnis and Mugira (2019), an 890 thousand feddan venture in capital-intensive vertically integrated irrigated agriculture was contracted in the state-private business under MNZs with about 2.4 million feddans in review for business contract approval. Irrespective of the rent sources, distribution was largely contingent on political support to ensure the “perverse accountability” designed to operate a personalized state organization managed by a suboptimal political market system for the management of fragility, enlisting in the SSTL, and the SWIFT’s embargo (see Stokes, 2005 and Thomas and de Waal, 2022).



According to NWWW theory and evidence, Al Ingaz's funding and rent distribution strategies are very common in LAO states. Rent extraction by those methods, including controlling the center, selectively incorporating the rural peripheries, limiting access, and eliminating rivals, are part of the incentive structure that holds together the agreements and business relations between the organizations and their leaders in these states. Thus, the question ensues: why did Sudan regress from the basic state during 1956-88 to the fragile end of the LAO spectrum of states during Al Ingaz's rule? The full answer to the question would require additional studies. However, the following points could provide some explanation of the Al Ingaz collapse.

Firstly, in official speeches, Al Ingaz was presented as a state on a salvation mission, the literal English meaning of the word. Citizens' mobilization was based on the motto of Mashrou Al Dawa Al Shamla, literally translating to the Comprehensive Call for Islam, and the resurgence of Al Jihad under Pan-Islamism, largely in reaction to Western domination. The replacement of the national identity bounded by Sudan's territorial entity by a global pan-Islamism Al Jihad identity created serious conflicting sovereignty gaps. On the one hand, the *de jure* sovereignty of the state espoused the Sharia codes, including the resurgence of Al Jihad as an alternative to world order and international law aiming to equalize the state with other global powers. On the one hand, the *de facto* sovereignty of the state lacked the social contract for establishing legitimacy of authority and exercise of power over the envisioned state. Thus, the incompatibility of the imagined state and the on-ground state bound by global laws and norms generated a vicious spiral of conflicts between the state and the society; among the ruling coalition; and between the state and the international community. This, in turn, unfolded into indiscriminate violence. The sovereignty gaps were often seen by the international community as a serious obstacle to the creation of global peace and stability, including the assurance of domestic human security and the stability of the state itself. In particular, the restructuring of the military doctrine from national defense toward offensive cross-border warfare was interpreted as a challenge to global law and generated the anti-Washington Consensus sentiment that led to enlisting Sudan among the states sponsoring terrorism in 1993. In 2006, Sudan topped the list of fragile states, and multiple global sanctions were imposed on the country in 2006-12, and in 2012, Sudan was shut out of SWIFT. In 2008, the ruling leader was accused of genocide and crimes against humanity (Rothe and Mullins, 2007). These developments significantly increased the transaction costs that, in turn, negatively impacted remittances, export receipts, import financing, real growth, and, consequently, the ordinary citizens, especially the vulnerable poor, who suffered the most (IMF, 2016). In the year 2000, the ruling coalition split into the National Congress Party (NGP) and People Congress Party. The resulting shift from the broad-based Al Tamkeen toward narrow-base SBRs dominated by NCP cronies led to a significant loss of loyalists' support and further complicated the management of the economy, diversity, and fractionalization of the Sudanese society. In 2011, the Sudanese national sovereign landmass shrunk as a result of the secession of South Sudan, reflecting the inability of state rulers to effectively leverage social diversity for progressive economic transformation. Further, Elbadawi and Alhelo (2022) apply the "narrow corridor" model of Acemoglu and Robinson (2020) to Sudan and show that the institutions deployed by

Al Ingaz's modernization project problematized Sudan's governance and eventually pushed the state from basic into the grip of fragility (see Figure A.4).

Secondly, Al Ingaz's modernization project expounded catchphrases like *Al Mashrou Al Hadari* (1991) and *Mashrou Al Dawa Al Shamla* (1992), which signified the departure from path-dependent norms. It is notable that all rulers since the Al Funj Sultanate inspired key institutional arraignments from Islam that stabilized their governance and contributed to the expansion of their sovereign landmass (see Figure A.1). Despite the brutalities and exploitation of the colonialists, they consolidated their extractive institutions by deploying the existing domestic traditions and private property norms for trust building, internalization, and organization of rent production and sharing as featured by the Al Gezira Scheme. The deflection from norms forced the Al Ingaz rulers to push fragility to the limit and trade off their survival against the loss of sovereign landmass, which is unprecedented in Sudan's history. Although a narrow-based bourgeoisie capitalist class was created on the back of ideology-induced policy distortions, privatization, and the MNZs, it failed to bail out the state's survival. Accordingly, ruralities outside the state-led MNZs investment zone became a source of increasing violence and a land field for internecine civil wars. Even worse, the ensuing shrinkage of subsistence farming and the increasing centralization of food chains were involved by the rulers in a hunger game for the political management of loyalists and lethal repression of opponents, which, in turn, reinforced collusive solutions that pushed the state from basic into the fragility trap (Thomas and de Waal, 2022). This outcome supports NWWW's conclusion that religion matters to the extent to which it is deployed by elites to promote competitive collaborations or block competitive solutions.

Ultimately, the cost of displacing the pre-Al Ingaz formations far exceeded the benefits of the rents generated and the institutions put in place. The rise and decline of oil rents in Sudan provide further evidence to the conclusion of North et al. (2013) that whether the introduction of a new rent source is good or bad for economic development and growth is not predictable and largely depends on the personality of the leaders in LAO states.

Moreover, the costs inflicted by enlisting Sudan with the SSTL, including the burden of multiple sanctions and the switch off from the SWIFT, remain to be determined. In 2019, a National Committee for Dismantling the July 1989 Regime and the Recovery of Public Funds was formed but was later frozen in October 2022, and its decisions have been reversed. However, Pichon (2020) estimates that USD 4 billion was recovered from Bashir and his associates, namely the fat cats of the NCP. Al Bashir himself was sentenced to two years in prison for corruption.

The current transitional period (2019-24) faces grave political and economic uncertainties as reflected by the aftermath of the coup d'état against the First Transitional Government (FTG), in 2019-21 and the phenomenal hyperinflation that was not registered in the modern history of mankind (See Figure A.5 and Fischer et al., 2002). Sudan's own experience with the transition

to democracy in 1954-55, 1964-65, and 1985-86 revealed that all these junctures failed to create a path-dependent process leading to democratization. Like the previous arrangements, the current transitional period is based on a power-sharing agreement articulated in the 2019 Transitional Constitutional Document (TCD). In general, power sharing is an ambiguous term that requires definition and theory-based analytical framework. The ambiguity provoked disagreements, disputes, and accusations of hijacking the transitional period within and between the two parties of the TCD. The ongoing discourse focusing on who should rule has contributed to political instability, as reflected by the change of the FTG, and delayed the implementation of the agreed-upon state economic reform plan. More importantly, the transitional period was born amidst a break in the historic source of economic rents after passing the 2005 Act that repealed the state-led PTEA. As a result of the plummeting rents from productive sources and the almost stalled donors' assistance, funding the state's political budget and programs become largely dependent on unproductive rent activities that are the breeding grounds for corruption, rent-seeking, cronyism, and quasi-legal cross-border financial flows. De Waal (2014c and 2019) discusses the various funding mechanisms that maintain the status quo and perpetuate the suboptimal political market system dominated by personalized money exchange for political support, which reinforced the state's fragility. The author posits a question: "is there a process whereby such a political marketplace does transform into one that can produce public goods and enhance the development of a dynamic private sector?" (De Waal, 2014c, p. 12). The question remains to be answered. In the same vein, North et al. (2013) show that rents from unproductive sources are abundant and highly valued in LAO states, but the deliberate leveraging of rents from the productive sectors for funding the political budget remains decisive for ascending a spectrum of state types and social orders. The next section highlights the main conclusions and draws the key policy lessons from the Sudan experience that could inform the process of exiting the low equilibrium end of the LAO taxonomy of states.

#### **IV. Conclusions and policy implications**

The broad objective of this paper is to understand the nature and consequences of the major SBR deals for rent production and distribution, which were forged by the dominant rulers in Sudan and resulted in a notable shift in the main source of financing the state's budget. Thus, the specific issues addressed relate to how the policies adopted by the state rulers shape SBRs and why some ruling coalitions achieved better outcomes than others. What are the "implied" industrial policy deals in each case, how are the private farms and firms involved, and what are the policy implications of these experiences for the development of a dynamic private sector in Sudan?

The methods of analysis drew from the recent comparative political economy of development and from the SBR literature to establish a qualitative scoring of "the effectiveness" of state policies on productivity enhancement and the interactions between the political and private actors. In this regard, NWWW's separation of roles assumption is utilized in the evaluation of the state as an overarching institution that conditions the rulers' incentives and the assessment of SBRs that led to the progressive or regressive structural transformation. The path-dependent critical junctures reasoning is used to account for the rise and failure of the chosen SBRs,

focusing on the vectors of forces that shaped Sudan's transition on the LAO spectrum of states. The major conclusions and policy implications that could be established are as follows.

First, all the rulers who governed Sudan over the preview period resorted to Islam for rule of law and legitimacy but adopted different strategies for the organizations of the SBRs and the allocation of rent-generating activities. The Turco-Egyptian, Mahdist, and Anglo-Egyptian states adopted informed bottom-up top-down approaches for citizen and resource mobilization and largely delineated the implementation of state rent policies to professional bureaucrats. However, the prioritization of loyalty over professional delegation in the context of the top-down policy of Al Tamkeen blurred boundaries between security, economic, and religious organizations and eventually pushed the state into greater fragility. Through the lens of industrial policy, successful SBRs are based on: i) political feasibility; ii) the presence of a legal framework for the market-based massive mobilization of broader segments of the population beyond those who control and administer the state; and iii) the political backing up of bureaucratic efficiency. Thus, any plan aiming to transition Sudan's economy, e.g., along the continuum suggested by the NWWW model, should ensure the simultaneous presence of these pillars in the framework that governs the interactions between political and business actors.

Second, Sudan's experience reveals that the separation of the monetary authority from the state finance authority is essential for the health of these institutional arenas and the economy. Currently, banking finance is based on Islamic modes (*Murabaha, Mudaraba, Mogawala, Musharaka, Salam...*etc.). Although Musharaka is the prima facie reason for adopting Islamic banking, it remains of little interest to Sudanese banks. As reflected by Figure A.6, Musharaka accounted for only 9.4 percent of the total flow of banking finance in 2014. In addition, and due to the growing fiscal borrowing, the state virtually owned 50 percent of the commercial banks, which clearly crowded out substantial private business (IMF, 2016). More importantly, under the current banking laws, the Central Bank has no explicit mechanism to separate sovereign debt management from its regular monetary and financial intermediation function, including the stability of the financial market role. Thus, redressing the structural causes of hyper and high inflation requires the separation of the monetary system from the state finance, but this requires changing the banking laws together with the system of banks' mode of operations, which invoke Islamic jurisprudential rules and could raise debates and take time. In the short run, the microfinance facility, currently managed by the Central Bank, should be changed to a contractual agricultural credit facility and entrusted with a bonus to the commercial banks. Under this new partnership, the companies directly and bilaterally contract with farmers to provide inputs and finance, including machinery, irrigation, agri-knowledge, and link-up to the companies' agribusiness as well as with other higher value markets. The companies' cost recovery is aligned with the best practice of economies of scale in production and marketing. The envisioned revolutionist reform should formalize this private sector-led business relation and leverage the Al Musharaka credit facility for financing the subsistence farmers uncovered by contractual agribusiness in the context of the Green Development Partnership for boosting food security and decentralizing food controls.

Third, the Mahdist and Al Ingaz states combined ruled independent ‘Sudan’ over the review period longer than the post-colonial state supported by the state-led PTEA (46 years and 32 years, respectively). Although the Mahdist and Al Ingaz states share common attributes, their policy choices significantly differ, which merits a brief comparison. On the commonalities, both states aspired to Islam and the development of the state-led PTEA stalled during their rule. However, the rationales behind the appeal for Islam and the alternative rent sources and institutions put in place – including the consequences of these choices on the private sector dynamics – completely differ. The Mahdist movement followed a bottom-up approach to rallying for Islam to unify people under flagship against the exploitative colonial state, where there is no unified flag to speak of. Also, the state faced considerable internal and external pressures. As noted by North et al. (2007), in such cases, an army is needed to deal with these threats, requiring at least an economy sufficient to support the military. Thus, born on the front lines of the intense empires’ rivalry for colonization and economic resources, the Mahdist state wasted no time and created a strong central military organization supported by an efficient fiscal institution based on the use of available resources anchored by a macro sociological structure for rent distribution. Though exports were closed due to the sour relations with the colonizers, i.e., the destination markets, the inherited state-led PTEA’s infrastructures were used in the development of the economy. In contrast, Al Ingaz faced no external or internal pressures at birth, and as shown by North et al. (2013), the military plays a mainly domestic role in such places. Hence, the centralized civilian control of violence, i.e., the achievement of the third doorstep, becomes more difficult. Al Ingaz used a top-down approach to rally for Islam in the context of a comprehensive call for Islam and Al Tamkeen, which, in turn, led to serious domestic conflicts and generated a flurry of sanctions. Thus, the envisioned revolutionist reform should craft SBRs on bottom-up, participatory, and top-down strategies of information and power sharing to ensure hand-in-hand management of the competing entitlements and interests. On top of this, enhancing completion laws and market-based solutions, including sustaining economic stability, is bound to lift all boats by promoting business growth and including heterogeneous small-scale operators who are largely informal and politically unorganized communities, including those who would be left out by the state policy focusing on strengthening public-private partnerships per se.

Fourth, in the face of the outstanding sovereign debt default, re-engagement with the HIPC process becomes a crucial seal of approval for the health of the business environment and climate. The HIPC relief, whether driven by international agendas or by homegrown strategy, would release the private businesses and household sector from the burden of hyperinflation, including financing the widening deficit of the political budget. However, sustaining this short-term gain demands political agreement on a social contract based on long-term, state-led NDAs. In a typical democratic solution, politicians and governments are shortsighted by design. Hence, national mobilization into the NDAs will safeguard against policy myopia and raise the costs of rent-seeking, corruption cronyism, and predation by politicians. The envisioned social contract should be about: i) raising the Sudanese voice as a dictator of the codes of their civil and political rights; and ii) tying the hands of the rulers by affirming that

rulers and government exist to serve the nation and enhancing competitive legal solutions for channeling the economic resources for development to improve citizens' welfare.

Finally, agro-industrialization remains the most viable sector that can drive growth and development in Sudan. As in the case of the state-led PTEA, land reform can play a crucial role in raising productivity and citizens' mobilization as partners in the chosen SBR venture, which would soften the conflicting interests relating to the unresolved land claims, especially in the rural areas that remain sources of fear of implementing the overdue land reform per the 2005 CPA. Registered privately owned land accounts for only five percent, while the wide range of land use is governed by customary tenure systems and involves a complex social arrangement with varying degrees of legality and/or illegality. Thus, reform based on the registration of land as private property might not be relevant to the consolidation of the customary tenure systems, where the protection of the habitats' rights matters most. The *Al Sheikhdom* admirative system could play an important role in the effective management of the competing habitats, entitlements, and interests, especially in the ruralities. Notwithstanding the use and abuse of this institution by the colonialists and recently Al Ingaz, a typical Sheikhdom to date counts as a homogeneous primary sampling unit in regular statistical surveys. Also, the state officials depend on Sheikhs in dispute resolution, and they are also the key informant on behalf of diverse mobile nomadic communities, currently accounting for eight percent of the population.

Besides these easy-stage short-term reforms focusing on enhancing policy effectiveness, including combating the underutilization of capacity and leakages of resources, the following structural measures remain imperative levers for SBRs to serve the national development agendas.

First, Al Tamkeen was invented by Sudanese politicians, and in the absence of sanctioned NDAs, the politicians fill in the vacuum with their own contrivances. Thus, dismantling Al Tamkeen should be perceived as an integral part of a sanctioned comprehensive reform and needs to be implemented in tandem with the complementary agendas of the envisioned national strategy for structural policy change and systemic transformation. The recent freezing of the Committee for Dismantling the July 1989 Regime and the Recovery of Public Funds and the reversal of its decisions were clear indicators of the uncertainties that are key continuity-ensuring mechanisms favoring the status quo, even if inferior. Also, the continuing disagreements and disputes on the political governance of the country have delayed the implementation of the 2021-23 economic plan. This outcome indicates that the articulation of reform agendas by popular discourses and political actors is not enough; marshaling the political will and the state power remain major determinants of the reform implementation. Thus, building political trust and will continues to be important for the commitment to even the easy-stage short-term reforms. The envisioned revolutionist reform of SBRs should ensure that forging these relations leaves no one behind and that the associated negative externalities of the state policy are duly compensated.

Second, the hitherto emphasis of the revolutionists on the withdrawal of the military from politics could be misplaced. As experiences show, reasonable separation and networking of the military, economic, and religious organizations provide crucial checks and balances for governing impersonal relationships among contesting elites. The envisioned revolutionist reform should consider how sovereign-individual relations are historically governed in Sudan. For example, the Al Funj Sultanate administered a landmass four times Sudan's size for centuries, received after Al Ingaz was defended by only policemen who also provide intelligence services. The armed forces were decentralized and seldomly called for war. Thus, what matters most is the separation of the military from the organization of the police and security in order to promote specialization and professionalism in both. Despite the long history of administrative experience, the policemen have not been reported to have attempted a coup in the country; perhaps law enforcement dominates their agendas. The Sudanese Armed Forces, which was established in 1956, is mandated with the national defense and the military uniform symbolizes identification with the Sudanese nation. It should be noted that the first coup in 1958 was by invitation from the democratically elected government for caretaking until the polarization mess created by civilian rule was straightened out. To date, all the military offices who usurp power to govern the country cite examples of failed civilian rule. Thus, sanctioning the withdrawal of the military from politics by constitution may not work and requires redressing the causes underlying the military intervention; that is, the weak civilian control of the organizations with a capacity for violence and undisciplined politicians, who in the absence of sanctioned NDAs uncoordinatedly compete to coerce their own agendas. Anchoring the perpetual alternation of civilian and military rules requires a long-run strategization and should be aligned with Sudan's NDAs. The easiest policy lever is to affirm the military symbolization of "National Identification" in the context of national business image building, exit the wicked triangle of fragility/SSTL/SWIFT embargo, and fully normalize with global communities.

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## Appendix A

**Table A.1. Types of state that ruled Sudan over 1821-2018<sup>1</sup>**

State type	Economic Organization (EOs)	Political Organization (POs)	Violence Capacity (VC)
Colonial LAO Turco-Egyptian (1821-85)	All EOs and POs are controlled by the state.		All organizations with VC in the neighborhood are controlled by the state.
Basic LAO Mahdist state (1886-98)	All EOs are linked to the state.	POs are limited and controlled by the state dictatorship. Oppositions are banned and under threat.	The main VC organizations are part of the state and influential non-governmental organizations with VC also exist.
Colonial LAO Anglo-Egyptian (1899-1955)	All EOs and POs are controlled by the state.		All organizations with VC in the vicinity are controlled by the state.
Basic LAO Post-colonial (1956-88)	All EOs are linked to the state.	Most POs are controlled by the state dictatorship. Opposition parties are under threat.	Many VC organizations are part of the state, yet significant non-governmental organizations with VC exist.
Fragile LAO Al Ingaz (1989-2018)	All EOs and POs are controlled by the state.		All existing organizations process VC and civilian and military organizations are not clearly distinguished.

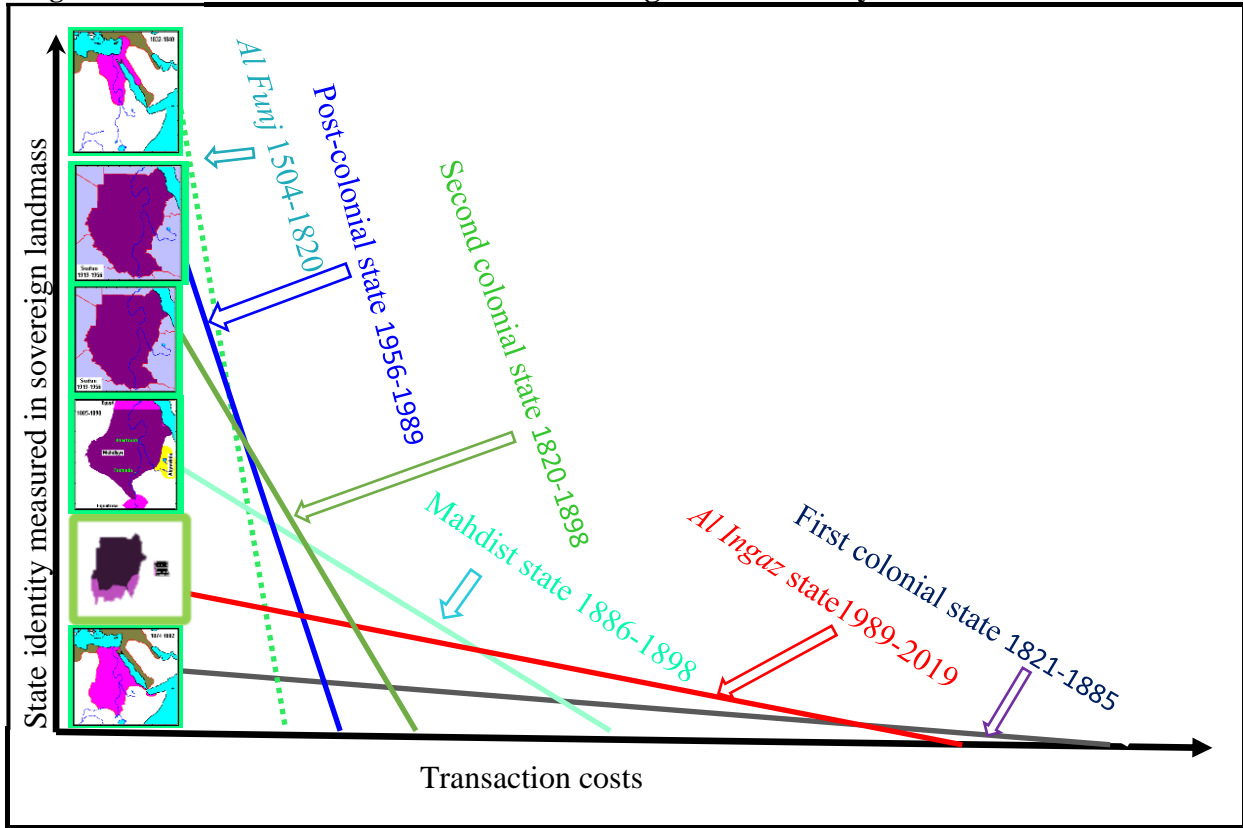
<sup>1</sup> The typology is based on the requirements for ascending the spectrum of state types and social orders while consolidating the state-military power and patronage to safeguard sovereign landmass, security, and territorial integrity, and enhance the development of impersonal relationships including the SBRs. The tabulation draws on North et al. (2013), Table 1.1, p. 14.

**Table A.2. Rent policies and their administration by types of state 1821-2019<sup>1</sup>**

State type	Rent sources for state survival	Concrete policies implemented	Administration of the state rent policies
Colonial LAO Turco-Egyptian (1821-85)	Tax and state-led PTEA.	Change tax from in-kind to coins, introduced land measures, and incepted the state-led PTEA.	Professional Turco-Egyptian officers assessed by local judges and junior staff.
Basic LAO Mahdist state (1886-98)	Alms, gifts, lease rents from lands confiscated from the colonizers and 10 percent tax on cattle and land fruits.	Change tax from in-coins to Islam tax (alms and Kharj on land in kind) and slavery ban.	Mahdist officials assisted by professional expatriate staff (30 percent of the bureaucrats).
Colonial LAO Anglo-Egyptian (1899-1955).	State-led PTEA, monopoly rents form finance and foreign trade and tax on land (equivalent to Kharj).	Land measures, native administration, and slavery ban.	Professional British officers (Sudan's Political Civil Servants) assessed by local judges, native administrators and junior bureaucrats.
Basic LAO Post-colonial (1956-88)	State-led PTEA, monopoly rents from PTEA replicas and indirect trade tax.	Organization of PTEA under Al Gezira Board, nationalization and confiscation measures	Al Gezira board and professional state officials.
Fragile LAO Al Ingaz (1989-2018)	Crony businesses, oil, quasi-legal and even illegal rents.	Al Tamkeen, privatization, and the Act repealing PTEA and Al Gezira Board.	Al Tamkeen prioritized loyalty over professionalism, blurring professional and personal boundaries.

<sup>1</sup> Based on Table A.1., including the information in Section III, and the required threshold conditions for leveraging the SBRs into the pockets of high economic productivity discussed in Whitfield and Therkildsen (2011) and Buur and Whitfield (2013).

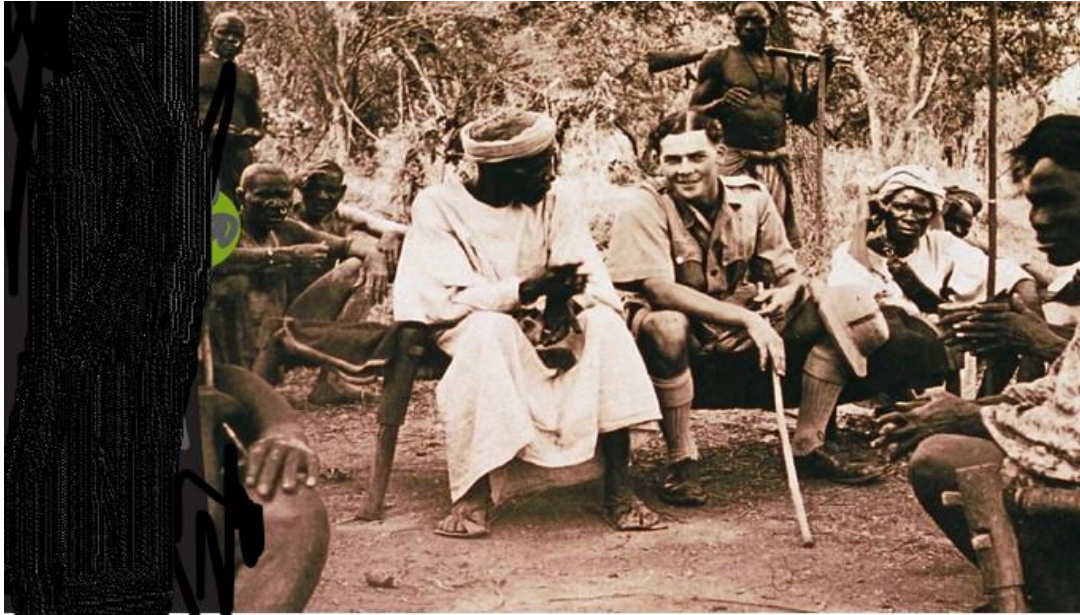
**Figure A.1. The coevolution of Sudan's sovereign land territory and transaction costs<sup>1</sup>**



<sup>1</sup> Land is the most abundant resource in Sudan compared to capital and labor. The representation of the “implied SBRs” for productive rent extractions in the sovereign landmass transaction costs axes is motivated by the observation that, historically, the small-scale private actors who networked Sudan geography resorted to land-intensive methods of production to compensate for the thin capital and credit markets. Hence, as discussed in the text and shown in Tables A.1 and A.2, the rating is based on the rulers’ ability to deploy the state power for productive rents extractions while committed to broad-based measures that softened the negative externalities of these policies. The progressive and welfare maximizing configurations of the SBRs move simultaneously upwards and toward the origin, reflecting gains from sovereign’s business zone of influence and reduction in transaction costs.



**Figure A.2. From the outpost of the British Empire in Sudan**



Despite the brutalities and exploitation of the colonialists, they consolidated their extractive institutions by deploying the existing norms for trust building and internalization of their ideas. The photo is retrieved from Daly and Hogan's (2005) book cover. The outpost is for a member of Sudan's Political Service with a group of administrators in the Nazir-Omda-Sheikh administrative system.

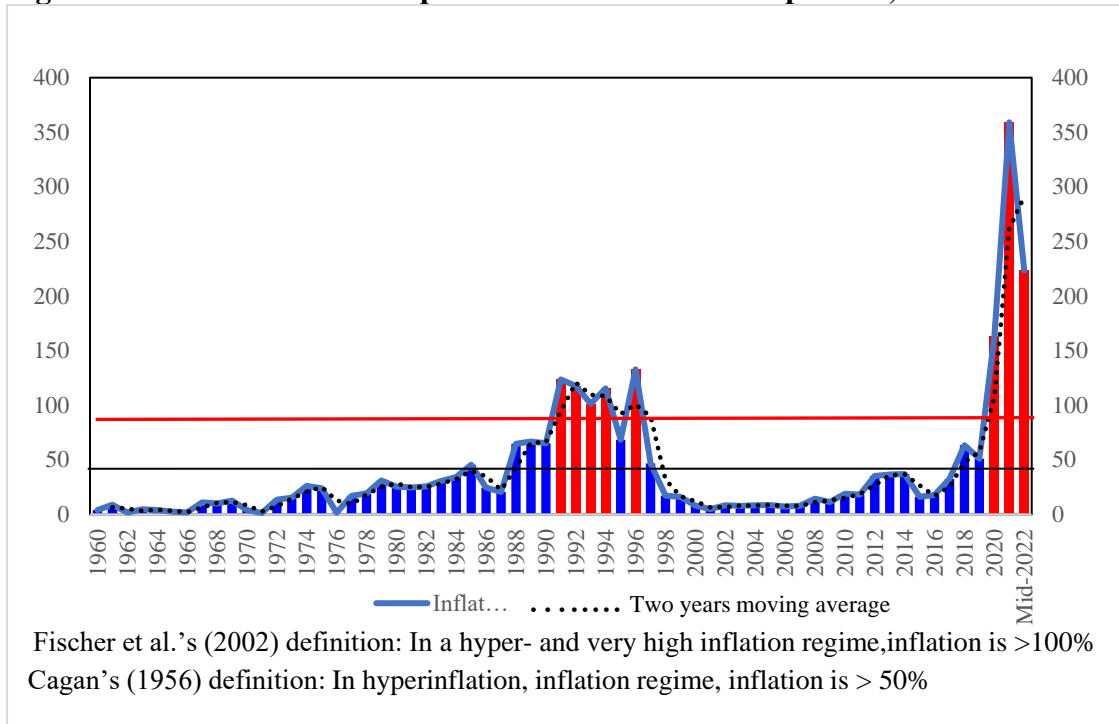
Figure A.3. Hamdi triangle<sup>1</sup>



<sup>1</sup> The triangle is highlighted by the blue border lines.  
Source: Reproduced from De Waal (2014b).

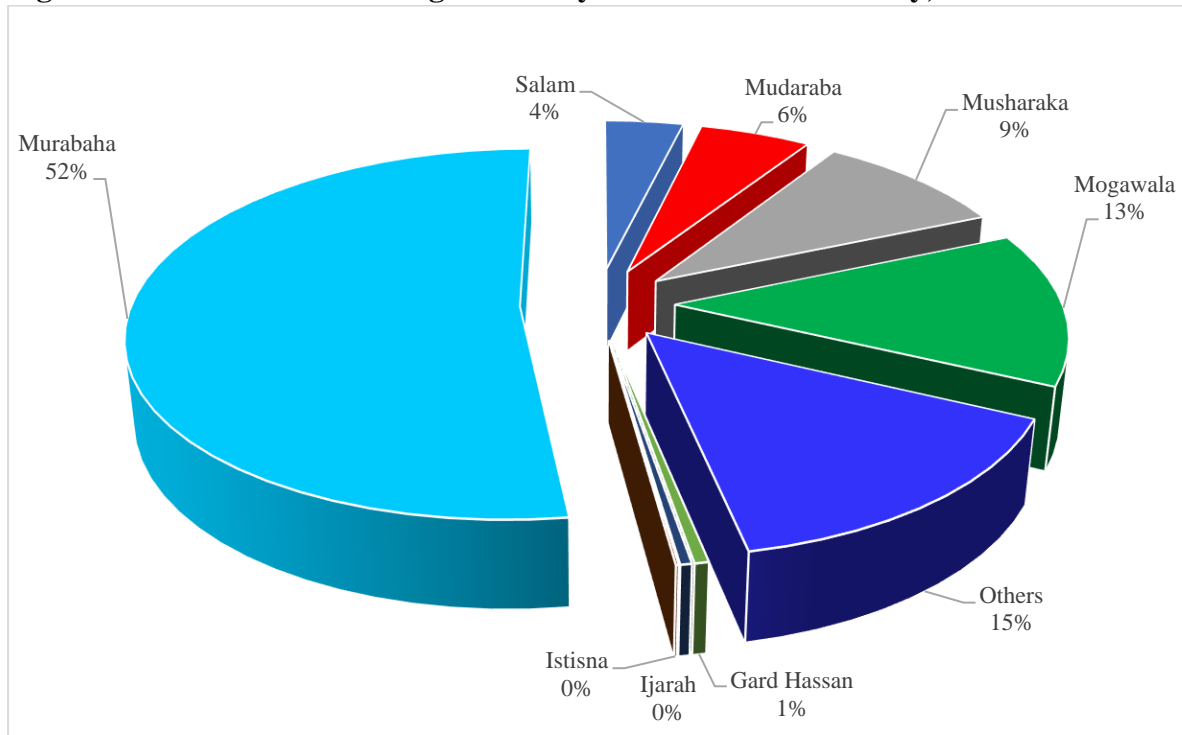


**Figure A.5. Annual consumer price inflation in Sudan in percent, 1960-2022**



Source: Central Bureau of Statistics.

**Figure A.6. The flow of banking finance by modes in local currency, 2014**



Source: Central Bank of Sudan, Annual Report, 2014, Fig. 4.4 p. 63.