Sudan University of science and Technology
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Evaluation of Socio – economic Impact of Structural Adjustment Program in Sudan (1978 – 2016)

تقويم الأثر الاقتصادي والاجتماعي لبرنامج التكييف الهيكلي في السودان (2016 -1978)

ATheses presented for the Ph.DDegree in Economics

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قال تعالى:

(يَرْفَعِ اللّهُ الّذِينَ آمَنُوا مِنكُمْ وَالّذِينَ أُوتُوا الْعِلْمَدَرَجَاتٍ وَاللّهُ بِمَا تَعْمَلُونَ خَبِيرٌ.)

صدق الله العظيم

سورة المجادلة، الآية 11

Dedication

To whom I love.

Acknowledgment

I'd like to thank my supervisor Dr. Ahmed Ali Ahmed, anything I can write here fall short of expressing the gratitude I feel for him and his unlimited support and understanding.

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Abstract

The overall objective of this study is to evaluate the socio-economic impacts of Structural Adjustment Program (SAPs) in Sudan and the problems that faced its implementation. The study hypothesized that (SAPs) will not decrease inflation, foreign debt or poverty. However, the assessment of the effects of (SAPs) on Sudan economy is a challenging task because there are many outside factors that has affected the outcomes of the program. To overcome the limitations posed by these outside factors the study used the descriptive statistic approach and quantitative data i.e. figures and tables and employed qualitative methods to analyze and interpret the data that has been gathered, the findings of the study indicates:-

1- The timing of the implementation of (SAPs) was not significant because the civil war undermined the success of the program through its effects on the fiscal and the monetary policy.
2- The successes of (SAPs) require a well-structured economy but Sudan economic structure is a colonial heritage which is unstructured and weak.
3- (SAPs) focus on economic growth and leave out social development, and lack income distribution mechanism, therefore it is an incomplete economic strategy
4- The IMF macro- economic policies and the WB structural policies are not integrated; The IMF policies have negative effects on the WB policies.
5- Institutions and governance that facilitate market economy are weak in Sudan and therefore resulted in decreasing the effectiveness of the program. In fact Sudan is held back more by civil war, economic mismanagement and weak economic structure than by lack of human or natural resources.Therefore, thestudy recommends that the success of the program requires achieving peace and security which is necessary for the success of the program and the existence of a stable society which is ready for sustainable development. Since Sudan is an agricultural country (SAPs) should give theagricultural sector the importance that it deserves so as to alter the weak economic structure bydiversifying the economy through the agricultural sector by moving of the resources from law value commodity production to high value commodity production by focusing on horticulture, diary, poultry and fisheries so as to respond to the high demand for these products nationally and internationally i.e.to produce for self-sufficiency to save hard currency and to produce for export to earn hard currency that is necessary for paying off foreign debt control inflation and reduce poverty.

مستخلص الدراسة

الهدف من هذه الدراسة هو تقييمالأثر الاقتصادي والاجتماعيلبرنامج التثبيت الاقتصادي والتكييف الهيكلي الذي يطبقه ويشرف عليه صندوق النقد الدولي والبنك الدوليومعرفه المعوقات التي واجهت تطبيق هذاالبرنامجقامت فرضبات البحث علي ان برنامج التثبيت الاقتصادي والتكيف الهيكلي لن يخفيض التضخم اوالفقر كما انه لن يتمكن من تسديد الدبن الخارجي.وقد اعتمد البحث لتحقيق أهدافهعلي المنهج الإحصائي الوصفي باستخدام بيانات كميه جداول وأرقام كما استخدم البحث وسائل كيفيه لتحليل و تفسير تلك البيانات وذلك لملائمة هذا النموذجللدراسة وسبب أخرلاستخدام هذا النموذج هو وجود عوامل خارجيةأثرت علي نتائج البرنامج،وقد توصلت الدراسة لنتائج أهمها:-

1-إن توقيت تطبيق سياسة التحرير الاقتصادي لم يكن مناسبا وذلك لان السودان لم يكن مهيئا اقتصاديا ولا مستقرا سياسيا لوجود الحرب الأهلية وسوءالإدارة الاقتصادية.

2- نجاح برنامج الإصلاح الاقتصادي يتطلب تغيير هيكل الاقتصاد السوداني الضعيف.

3- سياسة التحرير الاقتصادي تركز علي النمو الاقتصادي وتهمل التنميةالبشرية كما أنها تفتقر آلية لتوزيع الدخل القومي فهي استراتيجيه اقتصاديه ناقصة.

4-هناك تناقض بين سياسات صندوق النقد الدولي وسياسات البنك الدولي لأن سياسة الصندوق تهدف لتخفيض الإنفاق على التعليم والصحة والتدريب ولذلك تؤثر سلباً علىأهداف البنك التي تهدف لزيادة وتحسين الإنتاج من خلال التعليم والتدريبالمستمر.

5-إضعاف مؤسسات الشفافيةوالمسائلةوالمحاسبة أضعف فعاليه سياسة التحرير الاقتصادي, وبما ان السودان بلد زراعي يجب علي سياسة التحرير الاقتصادي إن تعطي هذا القطاع الأهمية التي يستحقها لذلك توصي الدراسة بتغيير هيكل الاقتصاد السوداني لتحقيق أهدافسياسة التحرير الاقتصادي وذلك بتنويع الاقتصاد السوداني من خلال القطاع الزراعيبإنتاج سلع غير تقليديه مثل المحاصيل البستانية و الألبانوالأسماكوالدواجن وذلك لزيادة الطلب علي هذه السلع محليا ودوليا مما يعني الإنتاج للاكتفاء الذاتي لتوفير عملات صعبه والإنتاج للتصدير لجلب عملات حرة وكل ذلكيساهم في تسديد الديون الخارجيةوالسيطرة علي التضخم وتخفيف الفقر وهي الأهدافالمعلنةلسياسة التحرير الاقتصادي.

Abbreviations

1-	BOP	Balance of Payment.
2-	EEC	European Economic Community.
3-	ESAF	Enhanced Structural Adjustment Facility.
4-	FAO	United Nations Food And Agricultural Organization.
5-	FDI	Foreign Direct Investment.
6-	GATT	The General Agreement on Tariffs and Trade.
7-	GDP	Gross Domestic Product.
8-	HIPC	Highly Indebted Poor Countries.
9-	IMF	International Monetary Fund.
10-	ISI	Import Substitution Industrialization.
11-	ITO	The International Trade Organization.
12-	LDC	Less Developed Countries.
13-	MDG	Millennium Development Goals.
14-	MNCs	Multi-national Companies.
15-	NBHS	National Baseline Household Survey.
16-	NIEO	New International Economic Order.
17-	PRGF	Poverty Reduction and Growth Facility.
18-	PRSPs	Poverty Reduction Strategy Papers.
19-	SAF	Structural Adjustment Facility.
20-	SAPs	Structural Adjustment Program.
21-	SSAP	Sudan Structural Adjustment Program.
22-	UNCTAD	United Nations Conference on Trade and Development.
23-	UNDP	United Nations Development Program.
24-	UNESCO	United Nations Educational Scientific and Cultural Organization.
25-	UNICEF	United Nations Children Fund.
26-	UNIDO	United Nation Industrial Development Organization.
27-	US	United States.
28-	WB	World Bank.
29-	WHO	World Health Organization.
30-	WTO	World Trade Organization.

List of Contents

List of Tables

Introduction

Sudan economy since 1978 has been managed by the International Monetary Fund the (IMF) and the World Bank (WB) through the economic reform policies that called structured Adjustment Program (SAPs).

However, the (IMF) and the (WB) diagnosed two major factors that should be addressed to solve Sudan economic problems:

1. Macro –economic stability that should be achieved by decreasing the fiscal budget and balance of payment deficits through economic austerity measures.
2. Reduction of the state role in the economy so as to increase the national output by offering incentives to the producers, particularlarly to the tradable commodity producers.

The overall objective of this study is to evaluate the effects of the (IMF) and (WB) economic reform policies. However, the assessment of the impacts of (SAPs) on Sudan economy is a challenging task. That is because the outcomes of the program are affected by many factors some of these factors are indigenous others are exogenous factors that severely reduced the effectiveness of the reform program.

Harrigan (1991-pp. 63-94) argued that if a country under performs economically this may be wrongly attributed to a fault in the design of the program or in its implementation. In fact, underperforming economies have nothing to do with the design of the program or its implementation. It may be that the indicators examined do not reflect the effects of the program, but rather the effects of some exogenous factors. In fact the external factors that impacted the performance of Sudan economy have created a discoursing environment for the program, these factors originated from the fact that when the (IMF) and the (WB) implemented their reform program, Sudan was neither economically ready nor politically stable. For example, the political instability and the civil war, and the existence of dual economy consisting of a relatively modern agricultural sector and traditional backward agricultural sector contradicted the objectives of (SAP) which is export oriented program, All the incentives offered by the program go to the producers of tradable in the modern sector, therefore traditional sector did not responded to these incentives because farmers in this sector are not producing for export but rather for their own consumption, these are some of the outside factors that affected the performance of the reform program. When outside factors affect the results of program then the results of statistical tests will be misleading, because such results reflect the impacts of the outside factors, further statistical test show trends but do not give clear cut answers. Therefore, the study will use descriptive statistic enable to detect the effects of the (IMF) and the (WB) interventions in Sudan economy.

Reviewing Sudan economy before and after the implementation of (SAPs) helps to understand the justifications and the reasons behind the introduction of (SAPs) as well as the problems that (SAPs) have to face and solve. To make the application of the before and after approach possible the research has divided Sudan economic history in to two periods that reflects the period before and after the interventions of the Fund and the Bank in Sudan economy as follow:

1. The first period started from 1956 to 1978 and represents the period before the implementation of (SAPs) therefore it will be taken as terms of reference. However, in this period Sudan adopted centrally planned, inward- looking development strategy; it was motivated by

social development objectives. The mechanism used to achieve this aim was the government interventions in the economy through the public sector that was given the responsibility of providing free education, free health and subsidization of basic consumer good.

However, The pre-(SAPs) policies have achieved important improvements in many Social development indicators, unfortunately, these polices proved to be unsustainable because they were more generous than the economy can afford, thus their failure paved the way for the implementation of (SAP).

2. The second period starts from 1978 up to 2016, in this period the government moved away from the centrally planned inward- looking economic strategy to an out word- looking export oriented economic policy (SAPs) which aim to rectify the previous policy errors by restoring and correcting the fiscal budget and balance of payment deficits. But the reversal of the previous social development policies in the process of the reform produced widespread poverty and inequality.

The above mentioned two periods will enable the study to use the descriptive statistic through the before and after analysis which provide important information about the economic and social situation of Sudan before and after the implementation of (SAPs), further the descriptive statistic approach is suitable for a study that combine both quantative data that is tables and figures with qualitative analysis and interpretations. Complicated statistical analysis doesn’t necessarily leads to better results particularly when the results of a program are affected by many outside factors.

However, the present study is different from the early studies in the sense that it uses different methods of analysis, longer period of time, fresher data. and presents the latest assessment on the progress to words MDGs.

The research problem:

Structural adjustments Program (SAPs) are economic reform policies imposed by the (IMF) and the (WB) to free the economy from the public sector and the government control to improve economic growth which will benefit all. The program targets certain economic variables, and over-emphases economic growth on the assumption that it will result in reducing inflation, foreign debt, and poverty. After the implementation of these policies for more than two decades in Sudan, the results were disappointing. Despite the record high economic growth, inflation escalated, poverty became worse, and foreign debt increased. (SAP_S) failed to achieve its stated objectives in Sudan, Why?

The research objectives:

The objectives of this study is to examine the socio-economic impacts of (SAPs) in Sudan and to provide details where a small amount of information exist particularly on the latest assessment on the progress towards the (MDGs). Other objectives include;

1- Filling Gaps in existing work.
2- Contribute to debates and discussions in the study area.

Hypotheses of the research

Since SAPs focus on certain variables and not others, the research hypotheses will explain the relationship between these variables, economic growth as the independent variable, inflation, foreign debt, and poverty are the dependent variables. However, the study is based on the following hypotheses:

1- Structural Adjustment program in Sudan will not lead to inflation reduction.
2- Structural Adjustment Program will not result in decreasing poverty in Sudan.
3- Structural Adjustment Program will not lead to decreasing Sudan foreign debt.

Research methodology:

The study used both quantitative and qualative methods of analysis to provide important information about the socio- economic impacts of SAPs in Sudan, the study used the descriptive statistical model which has the objective of providing empirical materials to draw conclusions based on before and after approach. However, to capture the socio- economic effects of SAPs in Sudan the study has used the following approaches:

1- The descriptive approach.
2- The analytical approach and.
3- The historical approach

Source of data:

The research will use secondary data such data allow to make comparison over time. The data are collected from the following sources:

1- Local and foreign researches, journals, and conference papers that are related to structural adjustment program.
2- Reports of the (IMF) and the (WB) as well as organization's documents that are related to (SAPs).

3- Publication of ministry of finance, Central Bank of Sudan and other governmental institutions.
4- Expert's analysis and textbooks.

Previous Studies:

Many studies have been conducted about the effects of Structural adjustment program on Sudan economy. The findings of these studies are disappointing to both Sudan and its creditors. This fact can be shown by reviewing the studies that are related to this research as follows:

1- Farooq Mohmed study 2006, Ph.D thesis in economics, University of science and Technology college of Graduate Studies, the study titled Social Impacts of IMF policies for The Third World Countries Sudan Example, the study explored the social impacts of the IMF fiscal and monetary policies in Sudan and reached the conclusion that the implementation of the IMF fiscal and monetary policies during the period 1990- 2005 in Sudan produced negative impacts on the socio-economic development due to the unequal distribution of the GDP, because the high economic growth that was achieved during oil exploitation era did not trickled down to the poor.
2- Abid- Alhafeeze Habeeb 2009, Ph.D thesis entitled The Impacts of External Debt on Economic Development in Developing Countries: An Applied Study on The Agricultural Sector of Sudan, the study investigates the impacts of foreign debt on developing countries with emphasis on the agricultural sector of Sudan. The thesis used the descriptive and the analytical methodologies to test the research hypotheses that foreign borrowing play an important role in the developing countries economic growth if employed appropriately. The study reached the reached the conclusion that foreign borrowing play

an important role in the provision of hard currency to fill foreign exchange gap.

3- Owada Nagey 2004 in his study entitled The Influence of Foreign Debt on The Economy of Developing Countries ,Sudan as a Case Study, Ph.D thesis in economics, Sudan University of science and Technology College of Graduate Studies. The study investigated the economic and social impacts of foreign debt on Sudan and employed the analytical approach to interpret the data that has been collected to test the research hypothesis that developing countries would have been better if it had not borrowed from out side.

The study reached the conclusion that foreign debt has not been used productively due economic mismanagement which led to accumulate large amounts of external debt that negatively affected economic and social development, and that Sudan is receiving foreign debt to pay previous debt.

4- Bader-Aldean Mohamed 2011, Ph.D thesis in economics, Sudan University of Science and Technology College of graduate Studies, the study titled The Impacts of Fiscal and Monetary Policies on Economic Performance in Sudan : Applied Study, 1990- 2010. Using ordinary least square method the study tested the hypothesis that the money supply and the government expenditure have positive impacts on GDP. The study reached to the conclusion that the fiscal policy is more effective on economic performance than the monetary policy during the period of the study.

5- El-Haffez Ibraheme study titled The Impacts of Monetary and Fiscal Policies in The Development of The agricultural and The Industrial Sectors in Sudan. The study evaluated the impacts of the monetary and the fiscal policies on the development of the agricultural and the industrial sectors in Sudan

The research used the historical, the analytical and the deductive methods, and hypothesized that the financial and monetary policies led to negative effects on these two sectors. The study reached the conclusion that the rising inflation , insatiability of exchange rate has negatively affected these two sectors.

Comments on the previous studies:

The previous studies evaluated the socio- economic impacts of (SAPs) on both developing countries level and Sudan specific level, (SAPs) is designed and implemented by both the (IMF) and the (WB), the Fund is responsible for economic stabilization policies and therefore lends countries with balance of payment problems. The Bank is development Institution and responsible for economic structure adjustment. Therefore lends development projects. The previous studies confined their analysis on the impacts of the (IMF) stabilization policies (which are Fiscal and Monetary Policies) and left out the (WB) structural adjustment policies. The present study is different from the previous studies because it evaluated the soco-economic effects of the both the Fud and the Bank policies on Sudan economy. Also the present study is different from previous studies in the sense that it is more comprehensive use longer periods, fresher data, and presents the latest assessment on the progress towards MDGs.

Organization of the study:

The dissertation begins with an introduction which provides an overview of the study; explain the research problem, how the research question has been addressed as well as the methodology and source of data. The rest of the research is organized as follows:

Chapter one is devoted to literature review it reviews relevant literature and theories relating to the study and discusses previous studies to give the reader enough ties with the literature that has been reviewed.

Chapter two explores the evolution of Sudan economy with aim of identifying and overcoming the problems that faced it. The chapter showed that Sudan economic crisis emerged from the inherited colonial economic structure which was based on the production and export of a single agricultural commodity that is Cotton, the chapter conceded that the solution to this problem is economic diversification, but the present version of (SAPs) is not the an appropriate economic policy to achieve this objective.

Chapter three discusses the impacts of (SAPs) on the social sector, particularly human development, and explains that the implementation of (SAPs) was quick and rapid in a way that it did not give enough time to the poor, who constitute the majority, to adapt to the program and accept the changes. Also the chapter presents the latest assessment on progress towards the (MDGs). The progress is far from sufficient.

Chapter four investigates the effects of structural adjustment program on Sudan economic sectors and explains how the reform program have weakened the productive sectors of the economy, and how the oil exploitation transformed Sudan export structure from depending on agriculture to depending on oil. Also the chapter explains how the exportation of agricultural products as raw materials has delayed industrialization in Sudan and weakened the linkages between economic sectors and prevented value addition. Finally, this chapter presents hypotheses testing, discussing of results and conclusions to end with presenting the results and recommendations of the study.

Chapter One

Literature review

1.1 The IMF and the WB Structural Adjustment Program

Structural Adjustment Program (SAP_s) refers to the economic reform policies imposed by the International Monetary Fund the (IMF) and the World Bank (WB) on developing countries as a condition for receiving their loans. According to Adebyo, (2000,pp. 1-9), (SAPs) are a set of economic reform policies designed and implemented by the (IMF) and (WB) to substitute the state led economic interventionism with market-based mechanism that aim at correcting imbalances between government spending and its revenue, between its exports and its imports so as to eliminate or reduce inflation and create the conditions necessary for economic stabilization and growth. However, at the outset it is important to review briefly the establishment and the responsibilities of both the (IMF) and the (WB) and how their policies evolved. The (IMF) and the (WB) were founded by the delegates of 44 nations in July 1944. They support the structure of the world economic and financial order. However, the differences between these two financial institutions can be stated as follow:

1- The (IMF) is responsible for maintaining financial stability. Therefore it provides various types of loans to member countries. Concessional loans are granted to low income countries at concessional interest rate through the Poverty Reduction and Growth Facility (PRGF), while non-concessional loans are provided with a market based interest rate through the following five measures;

1-Stand-by Arrangement, (SBA) under this arrangement member countries are allowed to borrow over a period of one to two years to support macro- economic stabilization programs and repayment are made with three to five years.

2- The External Fund Facility, (EFF) countries borrow for a period of three to four years and repayments are not due until five to ten years.

3- Supplementary Reserve Facility (SRF), provides very short –term financing on a large scale to emerging market economies experiencing sudden loss of market confidence as a result of massive outflows of capital.

4- The Contingent Credit Lines (CCL), finance national economic policies aimed at avoiding an economic crisis elsewhere in the world. Both (SRF) and (CCL) type financing require repayment within one to two years.

5-The compensatory Facility Fund (CFF) provides loans to countries experiencing short falls in export earnings due to unforeseen circumstances such as natural disasters affecting crop yields. Repayment is made in three and quarter to five years, (IMF, 2005. P.1-3).

On the other hand, the World Bank is a development institution. It comprises of two major organizations, the International Bank for Reconstruction and Development (IBRD) and the International Development Association (IDA). However, the (WB) was established to help rebuild European countries devastated by Second World War. Its first loan was to France in 1947 for post reconstruction, soon however, other actors began to take over the role of reconstruction support and the Bank shifted its attention to the need of its members. In the 1950s and the 19060s the Bank was funding a large infrastructure projects such as dams, irrigation systems and roads, this was the Bank’s primary focus. The Bank also provided technical assistance and training necessary to use the

Bank’s loans efficiently.

In the 1980s the Bank shifted its attention to poverty reduction. The Bank’s operations also extended to include identification of policies, strategies and institutions that help countries succeed. This policy orientation come from the Bank belief that developing countries were held back more by poor policies than by lack of finance for investment. The (IMF) and the (WB) today have strong influence over the economic policies of many developing countries. The inability of many countries to pay their debt has made them dependent on new loans. The (IMF) has the power to declare countries worthy or not of debt cancelation and restructure the economies of these countries to make their economies more productive to pay their debt even if the debt repayment came at the expense of basic needs of poor people it is good for the debt collector i.e. the (IMF) and the (WB) who were given the task of making debtor countries to pay their debt at any coast. However, the roles of the (WB) and the (IMF) are explored by George,(1995, pp.1-12). Overall, the (IMF) is in charge of macro- economic stabilization policies and therefore lends countries with balance of payment problems. The (WB) is development institution and responsible for adjustment, therefore funds development projects. So the bank from which a country receives its loans depends upon the type of necessity.

Economic literature indicates that (SAPs) require a reduced role of the state in the economy on the bases that the market mechanism for allocating economic resources is more powerful and more efficient than the state interventions, (Susan Gorge. 1999, P.13). Therefore, (SAPs) encourage market mechanism rather than planning so the reforms want less state interventions in the economy by moving away from central planning, and in the same time (SAPs) wants more state intervention to enforce macro-economic stability, this is considered as contradictions Thus, the problem facing (SAP$_S$) is how to determine the role that the state can play in the economy. Infarct these economic measures are not new because they have been implemented in many developed countries in the 1950s, now they are imposed on developing countries. Therefore, historical investigation of these policies can help us in understanding their results on the countries adopting them now.

However, initially (SAPs) has been introduced by the (IMF) in the 1970s as pure economic measures i.e. macro-economic stabilization policy to correct balance of payment disequilibria and reduce inflation through reducing aggregate expenditure. By the 1980s, a shift in the macro-economic policy took place. The World Bank (WB) introduced its structural adjustment policy to improve the incentive structure of the economy. In the 1990s, (SAP$_s$) underwent another change, the introduction of both, Highly Indebted Poor Countries Imitative (HIPICs) and Poverty Reduction Strategy papers (PRSP$_S$) to alleviate the negative impacts of the first generation of (SAP$_S$) on the social sector particularly on the poor. So these measures introduced to improve the economic policy framework of (SAP$_S$). Accordingly the era from the 1970s to the 1980s is described as the era of economists, because the emphasis during this period was on economic development and growth. But the period from the 1980s to2000 was described as the era of social scientists, because the emphasis during this period was on poverty reduction and social development through (PRSP$_S$) and (HIPICs), (izumi, 2013, p. 5). However, the way in which (SAP$_s$) evolved provide the evidence that the Fund and the Bank has used trial and error method to solve the debt crisis of developing countries. In fact, trial and error method is used to find a single solution to a single problem, but this method is not good for certain fields particularly in social science, because making an error can worsen already existing problem and created new ones.

(SAPs) are designed to make developing countries focus on increasing economic growth with the aim of making developing countries to repay their debt. Achieving social development is not an integral part of (SAPs) but rather it is a hoped for result or a side effect of applying these policies, therefore these measures are being blamed for being a major cause of poverty and inequality in developing countries. The developing countries experience suggest that (SAPs) has produced poverty and inequality in developing countries even it has reversed the economic and social development successes of the post-colonial period, that is because (SAPs) did not give attention to human capital development instead the Fund and the Bank economic reform policies gave top priority to balancing the trade and fiscal budgets, through austerity measures, to make developing countries repay their foreign debt.

A lot of literature on the adverse effects of the reform policies indicates that the causes of poverty and inequality that resulted from applying the reforms came from the contradictionary nature of the economic reform policies, and the negative impacts of these policies were not equally distributed among the different group of the society the poor were the most hit hard, (Garnda, 2000, pp. 1 - 9).

The macro-economic stabilization policies which were introduced by the (IMF) was supposed to be accompanied by measures that aim at alleviating or decreasing poverty that resulted from applying the harsh austerity measures which decreased the standers of living of the population. However, in the 1990s the (WB) through its structural adjustment policies introduced additional or complementary policies to the (IMF) stabilization program, that include good governance, the rule of law, better public administration and institutional reforms, Each of these measures were seen as an improvement and complement to the (IMF's) economic stabilization program, this means that both the (IMF) and the (WB) became more sensitive to the bad results of their programs to the population they affected.

Hiller, (cited in Jean.1991, pp. 1 - 10) in his study explained that more than one hundred countries across the globe since the 1980s have applied similar package of policies in spite of the great differences in their economies. This is one of the many weaknesses of (SAP$_{S.}$) In this respect, critique print out that (SAP$_{s}$) imposed a single economic model to solve different problems the causes of them are not similar. This state of affairs made many observers to see the Fund and the Bank as the bad doctor who prescribe the same medicine to different patients with different diseases.

1.2 The Origins of (SAPs)

In his study, (Adebayo, 2000, pp. I –9) argues that the origins of (SAP$_{s}$) and its conceptual foundation are found in the works of the Chicago school thinking which become central to the neo-liberal revolution that spread on a global scale in the period from the early 1980s following the rise to power of the conservative regimes in London (Margret Thatcher) and in Washington (Ronald Reagan). However, The (IMF) blames the economic crisis, which is the main reason for the introduction of (SAPs) in developing countries, on the internal policies of the developing countries and ignored the external factors of the international markets. Thus the assumptions of Chicago school explain why the first generation of (SAPs) i.e. the macro-economic stabilization focused on using domestic policies to correct the fiscal and balance of payment disequilibria. But (Norton 1987.pp, 1 - 2) and (Hiller.1988, pp. 3 - 15) in their study argued that the accumulated foreign debt was the result of both internal and external reasons and include:

1- The oil crisis of the 1970s.

2- The lending policies that resulted from the accumulation in industrial countries banks.

3- The rise in interest rates in the U.S. in the late 1970s.

4- The falling prices of commodities.

Among the symptoms of this economic crisis were the deficits in the fiscal budget and balance of trade as well as the huge foreign debt and high rates of inflation. The solution offered by the (IMF) and the (WB) was cutting or reducing government expenditure through austerity measures and restructuring the economic structure through privatization and deregulations to pay back foreign debt. Thus, (SAPs) proved to be debt collection strategy rather than economic and social development pregame, thus, (SAPs) is not designed for the interest of developing countries but rather it is designed for the benefit of creditors. The (IMF) and the (WB) measures focus on macro-economic imbalances. They are demand management policies that aim to decrease aggregate demand to correct the fiscal and balance of payment deficits. Another observation about (SAPs) is that it does not include social development measures. The absence of such measures indicate that (SAPs) is an incomplete reform policy because it focus on economic and leave out social development. The low human development became one of the advisement outcomes of (SAPs) throughout the adjusting countries.

The reform policies aim at promoting economic but economic is impossible without human development which plays an important role in achieving economic growth and hence macro- economic stabilization, but (SAPs) exclude human development from its package. In contrast the pre-(SAPs) central planning model focused on human development through the provision of basic services. The implementations of (SAPs) have reversed human development gains achieved during that period. However, the implementation of (SAPs) in developing countries for decades has brought mixed results. These different results were caused by the differences in the economic, social and political situation as well as the nature of implementation and the internal set up in the reforming country. But according to (Fancilli, 1992, p8) the weak performance of the reform policies is caused by the fact that the (IMF) and the (WB) misdiagnosed the economic crisis of the developing countries, they maintained that the barriers to economic growth of developing countries was that these countries are not sufficiently integrate into the global economy, instead the weak performance of the economy of developing countries is caused by the great the shocks of the oil prices in the 1970s and the debt crisis in the early 1980s. Therefore, developing countries affected by a problem for which they are not responsible. In fact the gains from trade openness have been limited in most developing countries that is because trade liberalization has benefited the developed countries because trade liberalization is only in manufacturing without agricultural market access. Developing countries are agrarian countries and their agricultural commodities have been adversely affected by protectionism in developed countries.

Turning to the phases of structural adjustment policies and the differences between its components, we find that (SAPs) have two phases; the first phase is the macro-economic stabilization phase, which is short-term measures sponsored by the (IMF) and aim at addressing monetary instability in the economy, like high rates of inflation and fiscal imbalance such as fiscal budget and balance of payment deficits through demand management policies. However, the general idea of the (IMF) regarding its macro-economic stabilization is that the debt crisis is a result of the fiscal budget and trade balance deficits and the solution to it is to decrease aggregate demand to correct the imbalances and repay the debt. Thus, the (IMF) measures are directed towards balancing temporary disequilibria.

The (WB) measures are directed towards the long run sustainable growth, and aim at transforming the economic structure by correcting inefficiencies. The (WB) policies include measure to promote exports through incentives, privatization, and trade liberalization.

Designing structural adjustment policies (SAP_S) is a difficult task, and determining both its speed and sequence is a more difficult task, because there are many trade-offs between the short-run and the long-run coast and between economic and social development objectives, so the implementation of (SAP_S) should be designed in a way that alleviate the sharpness of these tradeoffs.

In his study, (Themson.2000, p. 15) argued that managing (SAPs) pose social problems because policies are interrelated in the sense that the effectiveness of each element in the package depends upon the other element being successfully implemented. This interrelation raise several issues about the pace and sequence of these policies. And can be explained as follows:

1- The pace and this relates to the choice between a "big bang" approach, which is also known as "shock therapy" in which all the reforms are implemented in a short time.

2- Gradualist strategy. This choice is more cautions, and it depends on the particular condition of the country applying the reform, in the absence of political and social constraint or protest it is suitable to implement the entire package immediately and achieve the objectives of the reforms in the quickest possible time, because the rapid implementation does not allow time for opposition to build up. Earlier writers (Scitovsky and Scott, cited in Montek.1995, p. 8) have recommended gradualism as a logical strategy to minimize adjustment coasts and prevent reversal of the reforms.

The second issue in managing (SAP_S) relates to optimal sequencing that is because these reforms are interdependent and their implementation are stretched out over time, certain elements of the reforms may not be successful unless accompanied by or preceded by certain action in other areas, for example, trade policy reforms that aim at reallocating productive resources in line with comparative advantage will not be effective if controls over production and investment prevent such reallocation. However, these issues are comprehensively reviewed by Edwards, (1992, pp. 3-13) and (Funk, 1993, 337-362).

1.3 The Theoretical Framework of (SAP_S):

As indicated in the above discussion (SAP_s) have three main components that reflect the (IMF) and the (WB) diagnosis of debtor countries economic crisis and include:

A - Macro-economic stabilization policies.

B- Structural adjustment measures.

C- Reduced role of the state.

The (IMF) macro-economic policies aim at address budget deficits if the deficits are rooted in the structure of the economy, then the macro-economic stabilization policy will not work, so they require complementary policies. One of the problems facing (SAP_s) is that, there are many contradictions between its components, for example currency devaluation, which is a component of the macro-economic measures, has two contradictory effects:

1- It discourages imports by increasing the prices of the exported goods. This is good and beneficial for local Producer who produce commodities, such measure protect the local production and enable the government to earn foreign currency by making imports expensive and less attractive.

2- Devaluation increases the costs and prices of imported inputs and capital goods leading to enormous increases in production costs which negatively affect the competitiveness of local goods abroad this means that (SAPs) is a policy of trade- offs i.e. some objectives are achieved at the expense of other objectives.

The (WB) structural adjustment policies are complementary measures of the macro-economic stabilization policies. (SAP_S,) which are directed towards the long-run sustainable growth and aim at transforming the economic structure of the country by correcting inefficiencies to diversify the economy so as to increase production and exports to keep the national currency stable and pay- off foreign debt. But production promotion requires investment in human development. Unfortunately the (IMF) short-term stabilization policy requires countries to reduce state spending on human development. This state of affair reflects the fact that there are also contradictions between the (IMF) short-term policies and the (WB) long-term policies. Bothe the Fund and the Bank are aware of the contradictory nature of their policies which are designed with the attitude of the “ends justifies the means” since their ends is to make developing countries service their debts , then everything else is a means to achieve this end.

Regarding the role of the state in the economy, it goes back to the writing of the British economist Keynes, (1930) who introduced his general theory of employment, interest and money, in which he suggested that regulation and government interventions in the economy are needed so as to provide equity in development and income distribution. This theory marked the appearance of the so called the welfare state which is still applied throughout the western countries. Even the (IMF) and the (WB) establishment have been affected by the Keynesian interventionist policies, because both of these institutions provide international regulations, interventions and control of capital. Now the (IMF) and the (WB) prevent developing countries from intervening in their domestic economy to provide equity in development and income distribution (Susan Gorge, 1999 p. 13).

The (IMF) and the (WB) policies have neglected the important role that the state can play, the aim of the policies of these two institutions is to reorient the role of the state on the basis that the macro-economic imbalances are the result of direct and indirect interventions in the economy and participation in production and distribution by the state. This intervention has created structural problems and distortions therefore, the state size must be reduced, (Berg Report. cited in FAO, 199. P), this was the main message of the (WB). However, it is naïve to assume that the removal of the government interventions for economic efficiency will strengthen the market forces that will increase economic growth and hence result in foreign debt repayment. In fact, governments have distributional objectives as well as equity objectives for their population as a whole, but (SAP_S) prevented the state to play this role on the bases that no need for the state intervention in the economy because the gains from the economic growth will automatically trickle down to the poor.

The (IMF) and the (WB) economic policies has a great impact on the direct role of the state than its indirect economic role, developing countries have responded to (SAP_S) by giving greater role to the state indirect role. They have implemented the reform program in order to promote the private sector participation in economic development.

The contraction of the direct role of the state has been a part of a process that began with the implementation of economic reforms. As a result of the application of (SAP_S) the state has redefined its role so that greater consideration is given to global issues so that the state can formulates economic policies that are in line with the global environment to integrate easily into world trade. The most important issue for the state in a globalized economy is how to maximize the benefits and minimize the coasts of economic liberalization on the domestic front. So economic liberalization does not mean the end of the state, but it means that the state takes a new and more complex role. (SAPs) have increased the state indirect role but at the expense of its direct role. The indirect role of state includes the formulation of sound economic policies, protection of market economy, good governance and building up market institutions like:

1- Property right institutions to protect the right to private property.

2- Antitrust law to prevent monopolies to private firms and corporations.

However, in a liberal economy the role of the state is supposed to complement that of the private sector not to replace it, therefore it is important for the state to improve its capacities to participate effectively in the economy to play the new role that has been assigned to it by (SAPs).

1.4 Debt Repayment:

(SAP_S) were presented as economic growth strategy, but in reality (SAPs) is debt collection strategy. However, debt burden and debt repayment has became an impediment to development and poverty reduction in developing countries because debt continued to grow despite the harsh austerity measures and reducing spending on education and health, so debt repayment has been at the expense of economic and social development, i.e. at the expense of the productive use of scarce resources.

Despite the fact that developing countries have long ago paid back the principle or the initial loans, they ate still highly indebted due to the high interest rates (Toussaint and Comanne.1995, pp. 10 -12) note that the debt repayment drains about USD (160) billions each year from developing countries. This is 2.5 times the total development aid these countries receive; the effects of foreign on developing will be discussed later in this chapter. However, the empowerment of the (IMF) and the (WB) has negatively affected the economies of developing countries. In the process of making developing countries to repay their debts the (IMF) and the (WB) encouraged developing countries to produce and export the so called cash crops such as cotton and coffee to be sold in the industrialized countries as raw materials so as to use the hard currency obtained from these commodities to repay their debts. Exporting commodities as raw materials has delayed industrialization in developing countries, also exporting commodities as raw materials used to smuggle hard currency. Structural Adjustment Program (SAP_S) are built on the assumption that debtor countries have to repay their debts in hard currency. This leads to a policy of exports at all costs because exports are the only way for developing countries to earn foreign currency, so (SAPs) has encouraged the export of the commodity that brings in most hard currency (Ibid). Thus, in this way (SAP_S) have revived the colonial model of trade that based on exporting raw materials and importing capitals goods, but exporting raw materials have discouraged industrialization in these countries.

Many observers indicated that as a result of (SAPs) being export oriented economic policy, (LDC_S) redirected their production from what local people eat or wear to the production of the commodities that can be sold in the industrialized countries. Since the 1980s, developing countries have followed these policies by exporting the same primary commodities, competed with each other and then suffered due to the declining price for their commodities. There is evidence which indicate that the empowerment of the (IMF) and the (WB) led to nothing less than a catastrophe in developing countries.

Structural adjustment policy, as an economic reform plan has some similarities with the European recovery plan (which was known as the Marshall plan, The plan was aiming to the re-construction of Europe) in the sense that both (SAPs) and Marshall plan attaching conditionality to their loans, converting the economy into market based economy and both aim to finance the budget deficit from outside resources. However, there is an argument that there are no simple analogies between (SAPs) and Marshall Plan, particular circumstances have eased Marshall Plan.

1.5 The European Recovery Plan:

The Marshall plan is the European recovery plan designed with the objective of reconstructing Europe after Second World War. The central plan was presented in 1947 by secretary of state George Marshall asking European governments to design a coordinated aid plan to be funded by U.S, after its approval by the congress the plan transferred USD 12.5 billion of US aid to Western Europe with American stress on trade and economic cooperation between recipient countries as a condition (Delong, 1993,pp. 2-3). He also stressed that economic and political consideration lie behind the plan. Marshall Aid Plan provided the foreign currency needed to relax the foreign exchange constraint, and the aid conditionally include European governments should balance their budgets, restore financial stability and maintain their commitment to free market.

Most of the literature acknowledges that the motivation behind the Marshall Aid plan was to make former allies markets open for U.S products. However, the plan reflects the fact that Europe, Which was suffering, after Second World War, from trade deficit and financial gab problems was reconstructed by U.S conditional aids. In this respect Delong, 1991, p, 6) believe that the Marshall plan is the history's most successful structural adjustment program. It has stimulated European capital stock and financing the reconstruction of the devastated infrastructure. He added that Marshall Plan sped Western Europe growth by altering the environment in which economic policy was made by imposing conditions on the recipient of U.S aid encouraging reduction in government spending, the relaxation of controls and the opening of the their economies to foreign trade.

These shifts in policy led to the early attainment of financial stability, and the creation of mixed economy that was market oriented economy growth strategy, that led to rapid economic growth, thus, the study suggests that the Marshall plan is the most successful structural adjustment plan, also the study tends to justify the European experience of filling foreign exchange gab by borrowing was being applied in developing countries by the (IMF) and the (WB) on the basis that developing countries are suffering similar problems with that of Europe of 1950s.

For this very reason the (IMF) and the (WB) recommended their vision of (SAP_S) to the developing countries.(Hiller, 1988, cited in Jean, 1992, pp.1 – 2) and (Norton,1987, pp. 3 - 15) argued that (SAP_S) are not so new, most of its components have been implemented long ago in many developed countries during the 1950s, these recommendation are being made now to be imposed on the (LDCs). This is an important point because historical investigations can be helpful since the past and the present situation are comparable. It is also important to note that learning from the experience of others is safe but also it is dangerous because the model which has worked in a specific context may not work outside that particular context. This fact can be illustrated by reviewing the devastating effects of applying the European development models that focused on achieving growth and development by borrowing capital from outside to fill the foreign exchange gab in developing countries.

1.6 Developing Countries Experience:

Most of the literature related to the implementation of European economic, social and political models on developing countries acknowledged that since the arrival of the European colonialist in Africa, Asia and Latin America the economic, social and political evolution of these nations has been interrupted by the imposition of cultural, social and economic models that were alien to these societies. Accordingly, the result was backwardness and acute poverty in these societies. Most of these countries gained their independence after Second World War. Economist and governments of these countries began to look for the reason behind their underdevelopment and poverty to explain how the barriers to economic growth and development be identified and overcomed. Thus economic development emerged as a field of study in the 1950s and the 1960s when modernization and structuralist studied the European experience of economic growth and presented different analysis concerning this issue. Orthodox economist including Keynesian and new-classical economist at the time were arguing that poor countries at their early stages of economic growth and development are often faced by limited resources to embark on development and can therefore borrow from developed countries to boost their economic growth and social development.

This strategy which is known as filling foreign exchange gap by aid or borrowing was based on (Harrod-Domar) growth theory, (Henk,2003, p.3) which was applied on developing countries since the 1950s up to the 1970s. This model made developing countries to accumulate large amounts of external debts that they could no longer service, and this state of affair invited the (IMF) and the (WB) to interfere in the economy of the (LDCs).

However, the main reasons for the failure of these economic models are that, they have been formulated for the developing countries without modifying these models in a way that suit the economic and social development needs of the developing countries. It is true that developing countries share some similarities, but each country has its own unique economic and social characteristics, so there is no one agreed upon economic development model to be applied on all developing countries. So to be successful then any economic strategy must have an indigenous base.

Another critics directed against foreign aid or borrowing from outside is that obtaining loans from outside can't substitute domestic savings, furthermore foreign aid may be used as an increase in income and used to raise consumption instead of investment in productive activities. However, the limited success of the orthodox economic models that include Keynesian and (Harrod-Domar) models has led to the emergence of modern development pioneers including Rodin, Hirschman, Lewis, Rosto, and later the new-liberal model which is known as structural adjustment program. The above mentioned economic development and growth models will be investigated here briefly.

1.7 Competing Theories of Economic Development:

It is important to note that development economies started macro, but ended micro (Taylor, and Persia, 1999. P, 15), regarding the macro approach the classical economists viewed development as synonymous with economic growth, which is accompanied by structural changes in the form of industrialization, urbanization and agricultural transformation. This approach drives its information from the historical evolution of Western European countries and represented by conventional economic theories of modernization.

With regard to the micro- approach, on realizing that even after structural changes and high rates of economic growth people may remain poor, therefore neo-classical economists have shifted their concern from the long- run to the short-run concern that is micro-approach so as to achieve economic development through strategies concerned with the functioning of economies, their markets through supply and demand mechanisms, income generation and its distribution… etc. this is a micro-approach rooted in economic theory with little emphasis on economic history evaluation. This second approach is represented by Neo-Liberalism.

After Second World War four major competing schools of economic thoughts came into being, the Linear-Stages growth model, Structuralism, the Dependency Theory, and Free- market or (SAPs) of the (IMF) and the (WB).

1- The linear model of development is based on the European experience. This school of development focuses on the lack of domestic savings and investment, and in order to promote growth policy makers had to induce higher savings and investment in developing countries.

2- Structuralist Schools of development (known as import substitution policies) explain how structural aspects of domestic and international economy prevented the growth of developing countries, for this reasons the structuralist approach has called for major government interventions in the economy.

3- Dependency Theories focus on the exploitative relationship between the capitalist and developing countries and explain how the process of international trade and domestic development make (LDCs) economically dependent on developed countries.

4- Free- market structural adjustment model state that it is the free-market not the government interventions which are important for growth and development.

However, Free- market economic model refers to the economic reform policies of (SAP_S).This model was introduced in developing countries as a result of the failure of the above mentioned orthodox economic models which led to the accumulation of large amount of debts as a result of government intervention in the economy. Therefore, no wonder that (SAPs) is based on the assumption that it is the free market not the government intervention which is important for economic growth and development. Mahatir (2002) argued that after the dismantling of the Keynesian economic model in the 1980s and 1990s the various development theories has been replaced by a simple formula that include, among other things, opening up of trade and capital markets. The problem with this model is that it has repeated the same mistakes of applying universal economic models.

Since structural adjustment program is set in-one size- fits all manners, it prevented the ability if individual country to choose the policies that suits its own economic development needs. (SAP_s) has empowered multi-national companies (MNCs) and international institutions at the expense of the nation state and allowed these institutions to take the role of the state to formulate economic policies on behalf of the LDCs governments. The inability of the national government to make national economic policies has contributed to the growth slowdown and failed to achieve development in developing countries. It is well known that free markets by themselves can't regulate the economy or bring development. Even the now rich countries including Western Europe, U.S and Japan have not developed through free-trade but rather they have developed behind high walls of tariffs and active role of the state. Such policies are now prevented by the IMF reform and the WTO trade rules and trade openness measures, see (David .R.2008)

1.8 The German Mandatory (SAP_S):

The appropriateness s of any program for a nation can be evaluated by examining the program historical data and its logic. Since (SAP_S) has been implemented in the past in different countries, then the evaluation of its past outcomes can help us to predict the results of the ongoing implementation of the reform program. (Stolper, 1987, p. 1-15) argued that after the First World War, allied power subjected the German to mandatory (SAP_s) to make them to repay war compensation.

Before the war one dollar exchanged for 4.2 Marks in 1920, one year into German's (SAP_s) one dollar exchanged for 63 Marks. The exchange rate fell with time reducing the purchasing power of the German mark. One dollar exchanged for 2000 marks in 1922. In 1932 the mark was eliminated one dollar exchanged for 4.2 trillion as a result every German was improvised. The impact of the mandatory devaluation on German economy should be viewed against the background of German as a world power at that time. So what we expect from African countries subjected to such type of a program that the starting point of its implementation is currency devaluation so as to make African countries repay their foreign debt. However, more than two decades of the application of (SAP_S) to developing countries resulted in disappointing outcomes. For example (Eclace, 1990, p. 3) note that in the short-run, the effects of (SAP_S) are felt strongly throughout the economy and among all social groups. Higher import prices affect both producer and consumers. Government budget cut and foreign competition generate unemployment in some sectors and often forces many domestic producers out of the market. All of this can result in negative rates of economic growth.

On the other hand, supporters of (SAP$_{s}$) including the (IMF) and the (WB) kept on saying that the negative impacts of (SAP$_{S}$) are justified with the expectation that in the long - run they will reverse the initial conditions and result in more efficient economy with positive growth, and that (SAP$_{S}$) are still good and sound policy, simply SAPs needs to be revised in the light of its many problems. Even pro- (SAPs) went further to say that, (SAP$_{s}$) are successful, and that developing countries face brighter prospect and that this can be attributed mainly to the widespread economic reforms these countries has adopted.

When proponents of (SAP$_{s}$) speak about the success stories of East Asian countries and China claim that the key to growth and development in these countries is the adoption of free trade policies and they argue that developing countries have to adopt free trade and liberalize their economics if they are to grow and develop economically. But the experience of the East Asian countries as well as that of China does not support this view, and the reality is that, the Asian tigers economic success is rooted in more than free trade that is because during the cold war era East Asian countries has functional as strategic and economic allies of the U.S to contain the Soviet expansion, an example of these countries are South Korea, Singapore, Malaysia, and Taiwan. All these countries relied on U.S political, economic and military aid besides relying on centrally managed capitalism and export oriented industrialization with strong import protectionism. These countries have been open to foreign owned factories, but have instead that investor share know how and modern technology with them.

East Asian countries are aware that the differences between the developed countries and the less developed countries is not capital or abundance of natural resources, but rather technology and knowhow

(David, 2002). Accordingly, it is not economic liberalization, but it was the American foreign aid and the state interventions, which are the key to the East Asian countries economic success "Paradoxically" the (WB) conclusion that the majority of the poor people have improved during the era of Neo-Liberalism and increasing trade and capital liberalization is not supported by evidence. In fact the (WB) relied substantially on data collected from China and India. Both countries are anomalies. Economic liberalization in these two countries have been comparatively little, both countries have sheltered their currencies from global speculative pressure, India has been leading the bloc of developing countries against the (WTO) pressure for globalization. Both countries relay on state led development and foreign capital can flow only with negotiated condition (Oxfam2000).

What can be learned from this is that if there is any rule it is that the conditions under which the package of economic reform policies can contribute to growth and development are country specific. So for this very reason the (IMF) and the (WB) should allow the (LDCs) to choose the policies that suit the needs of their development instead of imposing a single economic model (SAP_s) on them.

The 1980s have been described as the lost decade, because in this decade many developing countries lost the economic and social progress of the pre- (SAP_S) era, per-capita national income fell, government heavy indebtedness increased causing severe financial problems due to the weak revenue of these countries which failed to repay the debt or to balance the budget. Another set of critique of (SAP_S) based on its results both in the short-run and in the long-run is that while in the short run (SAP_S) adversely affected the poor by cutting government expenditure on basic needs. In the long-run (SAP_S) will succeed in solving the debt problem by keeping the debt payment flowing to the creditors. However, the debt will remain to be a heavy burden for developing countries. (Eclac, 1998, p. 15) argue that many countries have moved from a debt crisis to a crisis of development with low or unstable growth rates and weak economic and social conditions. Likewise the 1997 South East Asian financial crisis which is the most talked about example reflects how the (IMF) credibility has been damaged and raised similar issues particularly the depending on unregulated external capital.

1.9: The East Asian Financial Markets Liberalization Disaster:

In the 1970s the East Asian countries have come under international pressure particularly from the U.S to remove state intervention and open up their domestic capital markets and trade, after doing so things changed dramatically in the whole region. As a result of opening their domestic capital the currencies of these countries came under pressure leading to what have came to be known as the Asian financial crisis “it started when the Thai currency began to fall in August of 1979, investors become convinced that it was going to fall much further, when this happened, there was a panic selling and this sent the currencies 90% down more further. This panic selling spread to other countries in the region such as South Korea, Malaysia, Philippines, and Indonesia. These countries crashed losing as much as 75 to 80 per cent of their value within months leading to a series of economic disruptions including sharp increases in inflation even banks suffered because they did not get credit. The burden of foreign debt has increased for many debtors because each dollar of debt service that they need to pay is more expensive in terms of local currencies”, (Mark Weisbrot.1999 pp 9-7).

Thus, the adoption of free trade and financial market liberalization in East Asia countries has brought about disastrous economic and social effects, decades of economic and social development have been undermined, (WB. 1999,p. 12).

In spite of this, the (IMF) manager director Michel Camdessus has called the Asian economic crisis a “blessing in disguise”, (The Wall Street Journal .sep.2.1998). However, the (IMF) came under heavy criticism for failing to act in time to prevent the currency collapse. Perhaps more importantly there were many ways to prevent these currencies collapses without scarifying the growth and health of their economies, for example a country can use capital controls by not allowing any one to convert his domestic currency any time he wants in unlimited amounts regardless of the reasons. China for example, does not allow its domestic currency to be converted into dollars except for certain specific purposes mainly trade and investment. This very regulatory measure has enabled China to escape the financial crisis with least amount of damage as a result of state intervention when the (IMF) failed to intervene. Accordingly, both the East Asian and the Chinese experience support the view that it is the state led growth not (SAPs) that brought the economic growth and development to these countries, capital market liberalization has not produced growth, how can factories be opened or employment be created with money that flow in and out of a country overnight, capital markets liberalization has resulted in huge instability which prevented growth and increased poverty as a result of decreasing the role of the state in the economy, this is synonymous to the dismantling of the Keynesian economy in developing countries through (SAPs) this made governments of East Asian countries unable to address the problems of unemployment and poverty which was generated by the liberalization of capital markets. Things still get worst, according to the doctrine of capital markets discipline, if a country tries to tax capital then capital will flee accordingly liberalization led to the exemption of capital from tax, but has led to tax increases on labor. Liberal capital markets allow the investors and the rich to take their money out of the country, but the burden to pay the loans and foreign aid fall on the poor so (SAPs) protect capital and investors not labor or the poor. This bitter experience of East Asian and developing countries suggest that governments have an important role to play in promoting growth with distributive objectives and the reduction of poverty, inequality, and unemployment. (SAPs) through trade liberalization produced disastrous effects on developing countries economic and social development.

1.10-The Effects of Trade Liberalization on the LDCs:

The underlying assumption of trade liberalization is that trade openness is a good thing because it boost growth and creates employment, but there is no evidence which support these assumption. The international rule of trade openness has done much harm than good to development in the (LDCs) trade liberalization has resulted in de-industrialization of third world countries. That is because before the implementation of (SAPs) developing countries have used different forms of trade barriers to protect their local industries, but trade openness has removed all forms of trade barriers. However, starting with the impacts of (SAPs) on trade, supports of trade liberalization argue that free trade is beneficial to all participants because it allows them to prosper and develop by promoting growth and reducing poverty and act as a channel for transforming technology, achieving economics of scale, and other valuable benefits. Unfortunately, reality seems to be different from theory. Decades of applying free trade policies to the developing countries have yielded disappointing result. According to data presented by the (IMF) and other international institutions trade liberalization policies has failed to achieve their objectives as follows:

1-Growth, “growth slowdown of the last decades have coincided with trade and financial openness we can see that the rate of growth of GDP per capita for various regions of developing countries has decreased and if we compare the results since 1980-199with previous 15 years, the differences are striking, in 1980-1996 only 33 of 130 developing countries increased growth by more than 3% per capita while the GNP by per capita of 59 countries declined. Around 1.6 billion people are economically worse off today than 15 years ago, (UN, 1999. p. 31)

Since Uruguay Round; subsidies for agriculture in OECD countries have doubled. High income countries tariffs on manufactured imports from developing countries are on average 4 times greater than those manufactured imports from industrialized countries. The elimination of first world favoring trade barriers systemically approved by U.S would lift 300 million people out of poverty, (WB, 2002. P25)

2- Developing countries face high tariff on processed goods than on commodities, this is one of the reasons that the poorest countries depend on a few commodities. Typical example is Burundi where 98% of the exports are coffee, tea, and cotton, (Andrew, 2000)

3- Technological Transfer, the trade rules of the (WTO) have made technological transfer to the (LDCs) very expensive. In addition to this the U.S has pushed hard to strength international laws to property rights, patents and other claims to intellectual property rights can’t be considered as trade liberalization, in fact it is the opposite. Patents, copyrights and other forms of intellectual property are barriers to trade because any one who produces an item, subject to copy right protection, without permission of the copy right holder is subject to arrest, fines, or even imprisonment, this is not a free trade as the Fund and the Bank claim. However, the severity of the problems created by trade openness, (de-industrialization and unemployment) demonstrate the need for reforms of the rules of the game so that trade openness proceed in away beneficial to all.

4 - Foreign Direct Investment, trade openness was supposed to enable poor countries to borrow from rich countries, but this has not happened:

"Foreign direct investment has reached from $ 2oobillion in 1989 to over $ 1.1 trillion in 1999, developing countries share has been falling (58% in 1997 to 24% in 1999) despite extensive change in regulations in 1994 -99, the (LDCs) with 10% of the world population receive 0.5%," (UNCTAD), 1999, p. 13). (FDI) was supposed to flow from capital-abundant to capital- scarce countries. In fact this has not happened "OECD's FDI goes mostly to other (OECD) countries. Outside of the (OECD), (FDI) is concentrated in a very limited number of countries. Short-term capital and port folio capital movement have been more global in scope, but their instability has produced many problems. (FDI) failed to create jobs, generate tax revenue and transfer technology, but rather resulted in capital being directed away from productive investment. Such capital mobility benefited the owner and the country of origin rather than the recipient country. (FDI) did not transferred technology to developing countries but rather technology remained in the hands of its owners who received the associated rents, (UN.1999, p.15) However, the development strategies of the Bank and the Fund has introduced competitive rather than cooperative approach to development in such a way that third world countries have found themselves in a situation of what is known as a race to the bottom that is because each country competed against the other to provide tax exemptions reduced wages and cheap resources this has to the rich countries and to (MNC) this has led to the growth slowdown and

poverty.

Thus, the findings of the above mentioned studies, which are conducted by some pro-(SAPs) institutions including the Bank and the Fund, suggest that trade openness has failed to achieve its stated objectives. Instead trade liberalization has produced negative effects in developing countries for example Latin America has been left exposed to the problems of other economies. Africa has been marginalized from the process of trade liberalization because its share of world trade has been very small. Asia and china were the exception showing high rates of growth over the last two decades; the reason was that China has kept a heavy role for the state in its economy, which enabled China to benefit from trade and financial markets liberalization. These cases illustrate that it is very dangerous to allow institutions other than the nation state to formulate economic policies on behalf of the nation state.

1.11- Impact of (SAPs) on LDCs Social Indicators:

The impacts of (SAPs) on the (LDCs) has been criticized by developing countries as having worsened the situation of the poor people, lowering growth rate, increasing foreign debt, and preventing spending on basic social needs. The evidence that supports these facts can be obtained by examining the economic performance of all countries with structural adjustment programs in such areas economic growth, foreign debt, and other broad indicators of human welfare:

Economic growth: One of the objectives of (IMF) is to foster economic growth in the countries to which it lends, but the data on growth in the countries with structural programs show that this objective which affects social welfare has not been met. Annual per-capita (GDP) growth averaged zero for all structural adjustment program countries over the period 1991-1995, where non- structural adjustment program countries experienced an averaged 10% annual real per- capita GDP growth. Sub-Saharan African countries with structural adjustment programs experienced annual 3% decline in per- capita incomes over the period of the (IMF) adjustment reform 1991- 1995, (Robert Naiman and Neil.W 2002).

The decline in the income of average African countries with structural adjustment is not surprising because the (IMF) policies in Africa required cuts in public spending and elimination of food subsides, all of which reduced aggregate demand and therefore income and hence output, (WB, 1997, P.87), as a result of this economic growth slowed from 1991- 1995, *"it will take years for Africa to reach levels of per-capita income seen in early 19980s"* (WB, 1997,P. 87) , social indicators in many of the countries with structural adjustment deteriorated , enrollment rates and health services has decreased that because the Fund program restricted access to health services and public education, (Robert Naiman and Neil W. 1999), External indebtedness and (HIPICs), Over the period 1985-1995 the external debt burden for structural adjustment program countries has grown significantly to the extent that the debt burden became a prime impediment to growth and social development particularly in Africa. Total external debt as a share of (GNP) for all the program users increased from 71.1% to 87.8% between 1985-1995.These outcomes contradict the staged goals of the (IMF) policies which was supposed to reduce debt and increase the of the private sector. As a result the debt crisis has worsened, and the rising debt burden has led to calls for debt relief, which in turn led to the emergence of the so called the Highly Indebted Poor Countries Initiative (HIPICs), the inactive aims to reducing the debt burden provided that these countries adopt a strong adjustment reforms,(IMF,1997. P27). However, the process of debt relief is very slow. A country must pursue adjustment for three years to reach the so called decision point so that donors agree to reduce its debts, but actual relief comes only at the completion point after more than three years of (IMF) mandated reforms, debt relief may be further delayed if the (IMF) declares a country is off track. However, the debt burden has increased over the period of adjustment, and the reforms mandated by the Fund have failed to reduce the debt burden of the third world countries, and even it has worsened the already existing debt problems. So in order for the Fund's policies to achieve their objectives of making developing countries pay their debts the rich countries must remove all forms of trade barriers and open their markets to the developing countries agricultural commodities.

Summary:

The literature reviewed here suggests that the (IMF) and the (WB) failed in the third world countries in terms of their own stated objectives and according to their data. Contrary to what they have been promising, their policies have produced an increasing debt burden, poor economic growth and mass poverty. One series problem of (SAPs) is that it empowers international institutions like (MNCs) at the expense of the nation state and allows institution such as the (IMF) and the (WB) to formulate economic policies for developing countries. It is very dangerous to allow these institutions to do so, because their policies favor the agenda of the rich countries which dominate these institutions. Another problem with (SAPs) is that it minimizes the role of the state. A third problem with (SAPs) particularly trade liberalization is that it suffers from double standard on issues of protection and supporting of domestic farmers by the rich countries. Most of the rich countries practice protectionist policies of basic goods in which the poor countries are very competitive particularly in agricultural products and textile. The permanent solution to the external debt is through increased market access and elimination of agricultural subsidies. It is only through such reforms (SAPs) will achieve its objectives. However, developing countries represent the majority of the World Trade Organization (WTO), and if the above mentioned reforms to the system are to be achieved then the developing countries should work together to bring about these reforms.

Chapter Two

Sudan Economy

2.1 The Evolution of Sudan Economy:

Since the colonial time up to the implementation of (SAPs) and the secession of South-Sudan, the economy of Sudan has been adjusting to shocks of different types. Reviewing the evolution of Sudan economy will help to identify and overcome the problems and the forces that drive this process of adjustment.

In fact the economic problems from which Sudan economy is suffering now can be traced back to the colonial era. The solution to these problems requires the transformation of the inherited economic structure which was based on the colonial model of producing and exporting a single commodity. Even the physical and human infrastructure during the colonial era was structured to achieve the objectives of producing and exporting a single agricultural commodity that is cotton.

All the post-independence national governments have worked to reverse this colonial economic structure. In the 1950s and 1960s the public sector dominated the economy due to the inability of the private sector to finance large projects that the national economy need. The 1970s and 1980s witnessed increasing state intervention in economic affairs. The government adopted inward-looking Import Substitutions Economic Strategy with the objective of encouraging domestic industrialization so that Sudan becomes self-sufficient. The tool used to attain this aim was tariff and non-tariff trade barriers including a system of license and foreign exchange control. The implementation of import-substitution strategy (which was aiming to reverse the colonial economic structure and diversify the economy through the state intervention) led to bias against the agricultural sector and protected the urban consumers and thus penalized the agricultural sector leading to a reduction of the agricultural growth. After about a decade import-substitution strategy proved not to working, because the country faced a serious economic crisis in the form of internal and external imbalance. Thus, the state intervention resulted in distorting the incentive structure of the economy leading to resource misallocation and inefficiency. Against this background (SAP_S) policies were introduced in Sudan.

According to (UNIDO 1985, p.2), Sudan is faced by persistent balance of payment deficit, which accompanied by large imbalance between investment and saving and between public revenue and expenditure. All these imbalances are of permanent nature and resulted in a high indebtedness. These imbalances reflect a deep economic crisis of the country. This persistent balance of payment crisis makes economic adjustment necessary.

Thus, it is clear the international institutions view the economic crisis from which Sudan is suffering as a problem of macro-economic imbalance in the form of internal and external imbalances as well as foreign debt accumulation. In fact the economic reforms are not viewed as a shift to a new development strategy, but rather viewed as correcting macro-economic imbalances through demand management policies that depend on monetary and fiscal measures. Further, the international institutions blame the ills of Sudan economic problems on internal policies and completely disregarded the external factors effects on the country’s economy. As a result, both the (IMF) and the (WB) has misdiagnosed Sudan economic problems and proposed the wrong medicine. This state of affairs indicates that the Fund and the Bank have poor understanding of Sudan economic crisis; therefore their reform policies have produced bad results.

However, in order to understand the economic problems that face Sudan economy, first the nature and the scale of the problems inherited from the former British colonial administration is considered and then the problems caused by the centrally planned economy by the national regime is briefly reviewed so as to understand what kind of problems (SAP_S) has faced in Sudan. In this respect four periods can be identified.

2.2 The Colonial Era

The roots of the structural problems from which Sudan economy is suffering now can be traced back to its colonial era. Historically the colonial state "Britain" was not interested in creating a well-diversified and balanced economy in Sudan, instead, the colonial administration preferred to keep the Sudan as a source of the production of raw agricultural commodities and market for British manufactured goods. To achieve this objective of keeping Sudan as an agrarian country, the colonial state discouraged industrialization even it has destroyed the existing cottage industries so as to prevent Sudan industry to develop into high quality industry that may compete with their industrial products. So the economic structure that has been inherited from the colonial state is an agricultural economy and can be summarized in the table below.

Table 2.1: Sudan economic structure 1955 – 1956

Sector	**GDP Million**	**GDP Share**
Agriculture	177.6	60.7
Cotton gaining industries	3.0	1.1

Table 2.1 cont.

Sector	GDP Million	GDP Share
Construction	16.2	5.7
Transport	37.6	13.2
Public Utilities	1	0.4
Government	17.2	0.6
Real state	8.7	2.9
Total	284.2	100

1- Source: Brown, Public debt and private wealth: Debt, Capital flight and IMF in Sudan.

The table above summarizes the weak production structure of the former colonial state economy. The economy was dominated by agriculture, i.e. high agricultural share with little linkages to other economic sectors as indicated by the table, agriculture contributed by 60 percent to the GDP, followed by the transport sector 13% of the GDP. Industry contributed by 1.1% percent to the GDP. Thus, the table reflects that agriculture has no or little linkage with the industrial sector, meaning that this commodity has been exported as raw materials.

After 61 years of its independence Sudan is still wrestling with the legacy inherited from the colonial period that kept Sudan as a pre-industrialized underdeveloped country with unequally developed regions. The problem with the Sudan economy is that it is still based on the colonial model of a single agricultural commodity production and export. Further depending on agricultural exports is not favorable; because the agricultural production depends on the weather, whether it is rainy season or drought. Also agricultural commodities are faced by price instability in the world markets leading to instability in exchange rate and inflation hence economic instability, further the present climatic changes will act as a multiplier of the existing problems.

2.3 The National Governments:

The path of economic development that has been chosen by the various regimes, since independence up to now, was dictated by the inherited conical economic structure. Therefore, Sudan successive national governments heavily invested in both the agricultural and industrial sectors, with roads leading from ports to where the agricultural activities taking place.

On the other hand, the successive national governments realized that the dependence on a single agricultural commodity will make the revenue of the government from this commodity, as well as, the standard of living of its people vulnerable to the changes of the price of this commodity, so all the post-independence governments has put enormous efforts to reverse this colonial economic model by breaking away from the world division of labor that emerged in the 19th century in which Sudan was made to specialize in the production and sale of a single commodity, cotton and importing finished goods from Britain.

To reverse this situation Sudan adopted Import Substitution Industrialization (ISI) policy which aim at transforming the economy that was based on the production of a single commodity to a well-diversified economy to reduce economic volatility.

2.4 The Period 1956 - 1968

This period encompasses the first post-colonial government and general Abbud military government, in an attempt to transform the structure of the economy through economic diversification, direct and indirect government intervention towards industry has started by introducing the investment act of 1956 as a beginning of modern manufacturing. Thus, the state became active in large scale agricultural and infrastructural projects, and the private sector invested in light industries. This period has also witnessed direct government interventions in agro-industries. Large scale raw materials based industries constructed in different parts of the country with the aim of equitable distribution of development projects all over the country's regions to alleviate the economic and social development disparities between regions (Karl Wholmuth 1992, p. 13).

The diversification of the economy that has taken place in this period has been reflected in the economic performance by the (GDP) growth rates in the table below:

Table 2.2 Real GDP (LS Million) and GDP Growth Rate %

Year	GDP	GDP Growth rates
1956	299.4	4.5
1957	313.0	1.2
1958	316.6	5.7
1959	334.8	5.3
1960	352.4	6.8
1961	376.2	7.0
1962	402.6	1.4

Table 2.2 Cont.

1963	408.1	3.3
1964	421.7	4.6
1965	441.3	3.5
1966	456.9	7.2
1967	489.9	7.6
1968	527.0	-4.0
1969	505.9	3.6
1970/71	524.3	-
1971/72	-	- 5.4
1972/73	-	14.3
1973/74	1.346.1	
1974/75	1.510.8	-1.3
1975/76	1.848.0	10.1
1976/77	2.339.7	14.9
1977/78	2.882.7	4
1978/79	3.253.8	- 4.8
1979/80	4.971.3	-9.1
1980/81	6.236.0	5.6
1981/82	6.236.0	-

Table 2.2 Cont.

1982/83	6.264.0	0.4
1983/84	6.084.0	-3.9
1984/85	5.306.0	-1.8
1985/86	5.934.0	11.8
1986/87	6.190.0	4.3
1987/88	6.275.0	-1.5
1988/89	6.628.0	6.5
1989/90	6.614.0	-0.2
1990/91	6.691.0	1.2
1991/92	7.447.0	11.3
1992/93	8.389.0	12.7
1993/94	9.002.0	7.3
1995	9.933.0	4.5
1996	10.438.0	4.7
1997	11.071.0	6.1
1998	-	6.1

Source: Ministry of planning Economic survey 1971/72, 1975/76, 1980/81, 1984/85, 1988/89, 1991/92, 1990/91, 1997.

As indicated in the table 2.1 and 2.2 both the 1950s and 1960s are characterized by impressive economic growth rates and stable macro-economic environment, the development strategy stressed foreign technical assistance received by the country to begin agro-industrialization, in contrast the 1970 characterized by heavy state involvement in the economy leading to economic growth disruption as indicated below:

2.5 The 1970 – 1990s Era:

In 1969, a military coup brought into power a socialist regime. Its economic policy was motivated by the objective of redistribution and equity. This objective was to be achieved through government interventions in the economy as well as by public ownership of the means of production and distribution. To achieve this objective, banks, transportation and parts of the existing industries owned by the private sector has been confiscated and nationalized. The government marginalized the private sector, and took large responsibilities for redistribution and social equity through subsides and provision of basic services such as education and health care. So both, the public expenditure and the public sector increased. Also this policy was accompanied by price controls on some commodities.

Under this policy the government embarked on import – substitution industrialization as a key to development which depend on sectors like human resources, trade and energy, these sectors can add value to the agricultural raw materials that produced for export, thus import substitution promoted economic independence and reversed the inherited colonial economic model.

Import substitution industrialization has discriminated against agriculture and impoverished rural farmers leading to widespread inefficiencies that resulted from shortages of both domestic and imported raw materials as well as shortages in foreign exchange and energy.

Despite these failures, the industrial sector received heavy government support and protection until the 1970s when macro-economic imbalances made the government to accept the (IMF) economic reforms.

2.6 The Breadbasket Strategy

It was a development strategy pursued by the government in the period 1977-78 with the aim of restructuring the colonial deformed economic structure by attempting to restructure the export sector through processing food for export and promote import – substitution in sugar and wheat.

However, the implementation of the breadbasket strategy relied on foreign capital form Arab countries and western technology. The strategy was based on the concept of export-led agro-industries to make the Arab region more self-sufficient in food. Unfortunately, instead of attaining its stated aim, the breadbasket strategy has weakened the economic structure because it was implemented in already worsening macro-economic imbalances.

In 1978, the breadbasket strategy was stopped because of worsening domestic imbalances. The trade balance changed from surplus of L.S 6.5 Million in 1971/72 to a deficit of L.S 28.8 Million is 1978/79 (Nashashibli,1980, pp.2-3).

The government deficits had risen from L.S 11.5 million 1971/72 to L.S. 171.8 million (Umbadda, Shaaeldin, 1983, p. 17). These imbalances reflected the inappropriate character of the breadbasket strategy the huge Arab investment instead of removing the Sudanese economic distortion, it has increased it. Thus, the main assumptions on which the breadbasket strategy was based did not hold i.e. the concept of Arab integration. A lot of literature has indicated that the Arab states were willing to invest in projects, but not to support and correct Sudan macro-economic imbalance, and this was the beginning of the (IMF) and the (WB) involvement in Sudan economy, (Dirk, 1985, p 7).

2.7 The Implementation of (SAPs) In Sudan:

The failure of the breadbasket development strategy, together with the deterioration of the terms of trade for commodities and the rise of the prices of oil has resulted in the balance of payment deficit on the demand side, and the decline of agricultural and industrial output on the supply side, this situation led to a deterioration of economic growth and paved the way for the (IMF) and the (WB) to intervene in Sudan economy.

In 1978, the government accepted to negotiate stabilization program with the (IMF) in order to overcome the country's economic crisis. The (IMF) diagnosed Sudan economic problem as an outcome of macro-economic imbalances, reflected by imbalances between consumption and production, exports and imports, savings and investment, as well as, imbalances between public revenue and expenditure.

From this analysis, the (IMF) in the 1970s recommended its reform policy as a condition for receiving standby credit, these conditions include:

1- Currency devaluation.
2- Reduction of government expenditure that include current and development expenditure.
3- Removal of government subsides.
4- Removal of price controls.
5- Encouraging small-scale entrepreneur rather than large public projects.
6- Liberalization of production relations in government agricultural schemes by applying individual account.

Thus, the (IMF) and the (WB) reform policies in Sudan started as macro-economic stabilization policies, with the aim of reducing internal and external budgets deficit through austerity measures when it became apparent that the deficit can't be financed by either taxation or deficit finance. Balancing the budgets by reducing aggregate demand imposed burden on the poor section of the society, so the macro-economic measures produced adverse impacts on the poor, because they were not accompanied by social safety nets to alleviate the adverse effects. Further the macro-economic stabilization policies focused on budgets imbalances but destroyed the production sector by destroying production incentives through overvalued exchange rate and cutting expenditure on education and training, which led to low productivity of labor. As a result the macro- economic imbalances increased and the foreign debt crisis depend. Thus, the demand management policies proofed not to be working; as a result, the (WB) introduced its structural adjustment policies in the 1980s. The Bank was aiming to give incentives to producers to raise production and exports by changing the marketing system and the removal of controls over foreign exchange as well as trade liberalization.

However, after six years of the application of (SAP_S) the economic and social indicators showed that the situation became worse. For example, from 1978 – 82 Sudan indebtedness increased by 109% inflation increased to an average of 25.77 annually, (Ahmed. Fadlalla , Beshir, cited in Dirk, 1985, p. 12).

The (GDP) growth rate was -39 percent and real interests' rate are estimated to be -10 or more. At the same time the shift to unproductive branches of the service sectors was enforced. The efforts to prevent government expenditure implied a bias against development expenditure.

Private investors shifted to the service sector. Profit in these activities is quick and more certain, this explain why the share of the service sector has increased in the (GDP), (Ibid).

According to (Umbadda and Shaaeldin, 1993, p. 17) the heavy dependent industrial sector on imported inputs have suffered from devaluation, the prices for industrial commodities raised considerably, production declined for most commodities and the capacity utilization rate for most factories was between 20 and 40 percent. Thus, (SAP_S) have neither brought macro-economic grow through economic stabilization; instead it has increased imports and decreased exports. In spite of this, the (IMF) and the (WB) described their policies and the economic performance as encouraging, but the figures stated above indicate that (SAP_S) has failed to achieve its aims.

The failure of (SAP_s) is mainly attributed to the contradiction between macro-economic stabilization policies and the supply side management measures of structural adjustment policies. The (WB) structural adjustment policies are directed at the long-run economic growth by transforming the economic structure through diversification and correction of the production structure incentive to increase outputs and exports so as to enable the government to earn hard currency to pay its foreign debt and grow economically. But this need investment in human resources through spending on education and health service to increase production, but the (IMF) short-run stabilization measure prevents spending on human capital development; they require the government to reduce spending and protection of social and economic sectors. The failure of (SAP_S) is attributed mainly to this contradiction between the Fund and the Bank measures. Therefore, the Fund and the

Bank policies need to be coordinated if they are to produce the desired results.

In 1983 an islamization process of Sudan economy through the banking system has been launched by the government. This process blocked the implementation of the (IMF) and the (WB) reform program, after Nimeiri overthrown; the islamization process was suspended in April 1985.

In 1986 the democratically elected government has revived the economic reform program so as to reduce the macro-economic imbalances by reforming trade policy and de-controlling the exchange rate and encouraging the private sector. But these efforts suspended due to the military coup that took place in 1989.

2.8 The Early 1990s and SAPs:

In 1989, a military coup d'état brought a new government. The new government revived the islamization of the financial and banking system. Thus, a new economic model put in place. The (IMF) and the (WB) considered this step as a retreat from the reform policies. Foreign investors viewed the government measure as disincentive to business in Sudan, thus the islamization of Sudan economy led to capital flight from Sudan adversely affecting the investment environment in Sudan, (Knowledg rush 2009 cited in Wikipedia Sudan economy, 2009)

As a result, the (IMF) in reaction to the government measures took the unexpected step of declaring Sudan as non-cooperative due to the nonpayment of arrears to the Fund. The Fund threatened the government to dismember Sudan. To avoid expulsion the government agreed to make payments. Thus, the (IMF) threats succeeded to mobilize political support for the implementation of the reform policies. The government launched its self-imposed version of (SAP_s), known as Sudan structural adjustment program (SSAP), in the early 1990s.As the name implies, these policies were home grown in the sense that they were neither negotiated with nor supported by the Fund or the Bank. But on the whole these policies are nothing but a carbon copy of the standard (SAP_S) agreement concluded with other African countries. These policies are harsher than what the (IMF) normally recommended and much beyond the dreams of the (IMF) (See Sudan now, Sep 1994).

According to (Karar and Abbadi, 2006, p. 3) stabilization measures have been achieved at the expense of drastically cutting public expenditure for security purposes. In fact the government was waging a civil war at the time and it was in need of resources to finance the ongoing civil war, therefore the government implemented this austerity program.

One of the most important features of the 1990s government self-imposed (SAP_s) was that, it was a quick economic transformation, a rapid shock "therapy". It was applied without consideration to the capacity of Sudan to bear its costs. This is a direct result of the fact that the reform was introduced at the background of the (IMF) threats to expel Sudan from the membership of the international monetary institutions, (Knowledge rush 2009 cited in Wikipedia, Economy of Sudan 2009), in order to avoid expulsion and confrontation with the international community the government came in line with the (IMF) demands. Suddenly the government reversed the economic policies that had been in place by implementing the whole package of the reform in a very short time. The explanation of such rapid economic restructuring is political rather than economic, because the quick implementation will not allow opposition for the program to build; it will ensure that there will not be any protest against these measures.

However, after more than two decades the reform program results had been disappointing particularly when we compare the objectives of the program with its results. The policy failure is reflected by the high rates of inflation, internal and external budget deficits, and rising foreign debt. On the supply side the reform program has not diversified the economy or brought any structural changes.

According to (African Economic Outlook 2010, pp. 1-3), Sudan real growth has been propelled by high oil production. However, real (GDP) growth slowed down from 6.8 percent in 2008 to 4.5 percent in 2009 and annual inflation rate was 14 percent in 2008. The African Economic Outlook added that, the external current account deficit reached 11.5% of (GDP) in 2009, despite the decline in imports, the international resources dropped from USD 980 million in 2008 to USD 390 in 2010, further the external debt has increased to reach unsustainable levels. Nevertheless, the government has launched its five-years program 2015 /2019 which require more belt tightening, the success of this program is questionable because despite of the high rate of poverty the program based on austerity measures.

With regard to the impacts of the program on social development, initially human development was not a part of (SAP_S) which view spending on basic service such as education and health as costs that should be minimized, therefore (SAP_s) has led the government to focus on the budget deficit at the expense of social development. However, despite the robust economic growth that was resulted from oil exportation social development indicators deteriorated. According to 2009 human development index, Sudan ranked 150th out of 182 countries, broadly unchanged when compared to 1991 when Sudan ranked 147 out of 174 countries.

2.9 The Focus on Macro – Economic Imbalances:

The focus of (SAP_s) on budget deficit led to the neglect of human development leading to wide spread poverty. As a result (SAP_S) subjected to a heavy criticism on the basis that it is an incomplete strategy, because it focus on macro-economic imbalances and leave out human development. To avoid this weakness the International Monetary Institutions modified their economic reforms from concentrating on growth and budget balancing to reducing poverty through human development promotion measures contained in the poverty reduction strategy paper. In this respect, the Fund and the Bank efforts were supplemented by the introduction of the Highly Indebted Poor Countries Initiative (HIPICs) to mitigate poverty, further, the United Nations introduced its Millennium Development Goals (MDGs) to support the efforts of achieving human development, and reducing poverty by 2015. Now the term of (MDGs) have ended, unfortunately Sudan failed to achieve the (MDGs) goals as indicated by the (UN) report of Dec.2014. Many factors contributed to the failure of the government to achieve (MDGs), the most import factor is good governance which has a great impact on countries (MDGs).

Instead of attaining its stated objectives of economic stability and structural changes (SAP_s) has aggravated them, for example, on the demand side all macro-economic indicators have deteriorated, and on the supply side the productive sectors has been weakened, further the dependency on oil revenue led to the negligence of the agricultural sector, which provide employment to about 80% of the rural population in Sudan, leading to poverty and a wide spread migration from rural to urban areas, which in turn led to the depopulation of rural areas from agricultural workers leading to food insecurity.

Any successful development program is built on a good understanding of the economic, social and political context of that particular entity. The self-imposed (SAP_s) which is implemented in Sudan since the 1990s was designed in the abstract. The planners who formulated this program have poor understanding of the local realities, this let to designing an inappropriate strategy that contributed to the failure of (SAP_s,), the shortcoming of the program include the partial implementation of (SAP_s) and the political instability both affected the reform in different ways including budget deficit, escalating inflation and huge debts.

Other factors that contributed to the failure (SAPs) in Sudan can be referred to the nature of the reforms, (SAP_S) is a one –size- fits all strategy it does not reflects the needs and priorities of individual countries. In order to succeed (SAPs) must be tailored to the specific context of Sudan. Further, (SAP_S) success need to obtain access to credit, but Sudan huge foreign debt prevented this access, and undermined the success of (SAP_s).

However, most of the early studies has evaluated SAPs from the perspective of macro-economic policies and attributed the failure of (SAP_S) to the fiscal and monetary policies that were used to attain the declared objective for example Hassan (cited in Wohlmuth, 1992, pp. 10-13) investigated the price elasticity of demand for Sudan exports and imports. He found that imports elasticity is very low, he also argued against the supply response to devaluation. In fact, devaluation was not accompanied by austerity measures, it was nominal devaluation therefore it encouraged inflation. To avoid such situation devaluation was supposed to be accompanied by government expenditure reduction. (Hanson and Wholmuth, 1987, pp.206-275) explored the effects of (SAP_s) on Sudan economy and found that the implementation of (SAP_s) has produced undesired results, and the costs of the reforms are greater than its benefits. (El-Hassen, cited in Wohlmuth, 1992, pp. 10-13) explored the effects of (SAP_S) on balance of payments, growth, and inflation and found that the impacts of the reform produced negative impacts in the form of inflation, balance of payment deficit and poor economic growth. Most of the studies on the effects of (SAP_s) on Sudan economy point to the fact that (SAP_S) has produced very limited success in Sudan. However, the early studies evaluations reflect the effects of the (IMF) economic stabilization policies, which are demand management policies that aim to decrease aggregate consumption so as reduce macro- economic imbalances.

The (WB) structural adjustment policies are supply side measures and aim to address the fundamental problem of the productive sectors through trade liberalization.

The (WB) measures are built on the assumption that there is no need for economic development policy because the economy through trade liberalization and investment policy will generate wealth that will trickle down to the poor through the market mechanism, and trade liberalization will redesign the economic structure through economic diversification and export increase that will lead to development and poverty reduction. However, the Sudanese experience does not support these assumptions; even trade liberalization may be a part of the causes of poverty particularly when low commodity prices interact with the austerity program, as the investigation of the effects of trade liberalization below reveals.

2.10: Trade and Poverty

Before the implementation of structural adjustment policies (SAPs) in the early 1970s, Sudan government adopted protectionist trade policies that is Import-Substitution (IS) economic strategy the aim of this strategy was to encourage industrialization at the expense of the agricultural sector so as to substitute externally produced goods and services to promote economic independence. Thus, initially, this inward-looking economic strategy was implemented in Sudan with the view that it will enable the country to break out of the world division of labor in which Sudan was made to specialize in the production and export of raw materials i.e. cotton which is vulnerable to climatic and price change. However, the instrument which was used by import substitution strategy to achieve its objectives was trade barriers and foreign exchange controls.

Import-substitution industrialization has not produced its desired result of achieving economic growth, creating employment and balancing balance of payment (BOP). Instead it has led to inefficiency in the manufacturing sector. In the late 1970s this strategy has led to economic instability, inflation and foreign debt accumulation, this situation has put an end to this policy. The balance of payment continued to be in deficit reflecting the miserable performance of exports and the overvalued exchange rate. Another reason that contributed to the failure of import-substitution industrialization strategy was that, the manufacturing sector was agro based and requires imported inputs, but the scarcity of foreign exchange has negatively affected the manufacturing sector and prevented the infant industry to mature.

However, the internal and external imbalance was on the increase and inflation has reached crisis point in the late 1970s. This situation has led the (IMF) to intervene in Sudan economy. Thus the country suddenly shifted towards export-oriented growth. In other wards the process of economic liberalization has started in 1992 as the second phase of economic reforms.

The trade reform which was introduced in this period was a part of wider reforms. But trade reforms include the reduction of tariff and non-tariff barriers, abolishing of most export monopolies and exchange rate controls. More trade liberalization is required in case the Sudan is accepted as a member of the (WTO). The aim of trade liberalization was to redesign the economic structure through economic diversification and export increase to create productive employment so as to raise the standard of living of the population and hence alleviate poverty

Theory is different from reality, unfortunately, the large expected benefit from opening up to international trade have produced disappointing results. Many factors have contributed to this fact. Firstly, Sudan economy is characterized by economic dualism due to the existence of a modern agricultural sector which is involved in foreign trade, and a traditional substance agriculture that is not involved in foreign trade.

Thus, all gains from trade go to the modern sector reflecting the unequal economic and social development in the country. On the other hand, the existence of modern agricultural sector that produces for the market side by side with a substance agricultural sector is a contradiction from the point of view of the market economy which directs production to export. Secondly, before the implementation of trade liberalization, which was imposed by (IMF) and the (WB), Sudan has used its comparative advantage in producing agricultural commodities, but this advantage has been undermined by the neglect of the agricultural sector that is because the government has depended on oil revenue. Unfortunately, the neglect of the agricultural sector for more than two decades made this sector not to respond quickly to trade openness and export opportunities offered by trade liberalization. Indeed, the neglect of the agricultural sector that coincided with trade liberalization and oil exploitation has made many researchers to doubt about the future prospect of trade openness being a powerful tool of poverty alleviation. Future agriculture negligence has undermined food security, this situation has been reflected by the fact that Sudan importing food from abroad. As the table below indicates the government has spent large amounts of foreign currency to export wheat that can be locally produced as the table blow shows.

Table 2.3: value of wheat imported

Year	**value of wheat imported**
2005	811 $M
2008	1,333,000 $M
2009	1,600,000 $M
2011	2,000,000 $M

Source: Bank of Sudan

As indicated by the table and as a result of the agricultural sector neglect food security has been endangered, and Sudan became a net importer of food instead of being the bread basket of the Arab countries. However, the neglect of the farm sector was one of the factors that led this sector not to benefit from trade liberalization.

Another factor which contributed to this problem is an external one and refers to agricultural subsidies and other trade barriers in the developed countries, particularly the EU, US and Japan, prevented Sudan from gaining access to their markets. Also the processed agricultural goods which add value to agricultural commodities and thus help create employment have no access to the developed countries markets. Therefore, the Sudanese agricultural sector has not benefited from trade-liberalization policies. It is unfortunate that the developed countries commitment to reduce their trade barriers to developing countries exports of agricultural commodities in Doha Round have not been honored to date.

2.11: Trade Openness and Industry

Trade liberalization is built on the assumption that trade openness is a good thing because it boosts growth and creates employment, but there is no evidence which support these assumptions. The international rules of trade openness have done more harm than good to development in Sudan that is because openness has resulted in de-industrialization of Sudan by exposing Sudan infant industry to world competition causing de-industrialization.

Before structural adjustment policies implementation, Sudan has used different forms of trade barriers that include tariff and non-tariff barriers to protect its local industry, but trade openness has removed all forms of protections. The reduction and the removal of some tariffs, as (SAPs) require, maybe good, but the narrow focus on tariff reductions have neither made industry more competitive, nor increased growth or reduced poverty in Sudan. However, the impacts of structural adjustment program in Sudan are similar to those in other African countries. For example a study on Ghana, which was described as a star performer of (SAPs), employment in the manufacturing sector, fell from peak of 78.700 in 1987 to 25.000. By 1993, large sectors of the countries manufacturing industries were devastated by the removal of tariff and state support, as cheaper imports from outside Africa eroded their competitiveness, (Gunicsai, 2000). Further, contrary to the assumption that trade openness will create employment, privatization in Sudan has created unemployment, and as a result of public sectors privatization as well as the closure of many private sector enterprises, many workers has been dismissed from their works and thrown into the informal sector.

Both political factors and trade liberalization in Sudan has led to labour market policy been subject to radical reforms that led to labour de-unionization which in turn led to depriving labour unions from bargaining power and minimum wages, and this has led to the exploitation of workers in Sudan because the government don't give the workers the right to organize or protest. Thus, the severity of the problems created by structural adjustment policies including debt burden, de-industrialization and unemployment reflects the need for reforming the economic reform policies of the (IMF) and the (WB) so that trade liberalization which is a part and parcel of (SAPs) works in a way beneficial to all participants.

Developing countries including Sudan are the losers from the present form of trade openness in terms of economic and social development. Rich countries, only the rich countries will gain. According to (Bonet, etal, 2005, p. 30) the rich countries will gain $19 billion, while developing countries will lose $3 billion due to this rising in equality, trade liberalization will not result in poverty reduction because unemployment will increase. This situation can be shown by the unemployment rates for Sudan as indicated by the table below.

Table 2.4: Unemployment rate (% of labour force) for Sudan, 1990-2016**:**

Year	**Rate**	**Year**	**Rate**
1990	15.6	2004	16.1
1991	15.9	2005	12.0
1992	15.4	2006	17.0
1993	15.7	2007	16.7
1994	15.1	2008	16.0
1995	14.6	2009	14.0
1996	14.0	2010	13.73
1997	13.5	2011	12.5
1998	13.0	2012	11.6
1999	12.5	2013	10.11
2000	15.2	2014	19.8
2001	15	2015	21.6
2002	15.9	2016	20.6
2003	15.8		

Source: IMF, 2002

The table above table indicates unemployment rates for the period 1990 to 2013 which crossponds to the period of trade liberalization in Sudan. But unofficial calculation of unemployment in Sudan estimates it higher than these shown in the table. For example, the unofficial rate of unemployment for the year 2012 is estimated to be 63% of the total labour force.

However, according to the (IMF) statistics the year 2010 unemployment of labour force for Sudan is 13.73, this makes Sudan No. 14 in world rankings according to unemployment rates in year 2010. The world average unemployment rate value was 4.82. Sudan is 8.91 more than the average. Thus, Sudan is far from benefiting from the linkages between trade openness and employment creation that reduce poverty to achieve millennium development goals (MDGs).

Sudan like most developing countries considered its domestic trades reforms will be complemented by developed countries trade reforms (as promised by WTO rules) that would increase its participation in world trade. However, this expectation has not turned into reality, the rich countries supporting their farmers through unfair trade practices has undermined poor countries capacity to take advantage of trade liberalization.

This evidence suggests that, the effects of trade liberalization on employment creation depend on domestic and international conditions under which trade liberalization implemented. Only when progress is made on these two fronts, Sudan will be able to harvest the benefits of trade liberalization. In this respect, it is very important to note that, the poor countries represent the majority of the (WTO) members, and if the above mentioned unfair trade parities by the rich countries are to be corrected, then the poor countries can work together to bring about these reforms.

2.12 Foreign Direct Investment and MNC:

Before the implementation of the self-imposed structural adjustment in Sudan, the government discouraged Foreign Direct Investment (FDI) and the private sector. This policy was reflected by the confiscation and nationalization of the private sector in the 1970s. After the implementation of the reform policies in the 1990s Sudan allowed foreign direct investment (FDI) to participate in many sectors of the national economy through many ways that include the privatization of the public-sector enterprises. Furthermore, the government has introduced many laws that create favorable conditions to attract (FDI). Even in Jan.2013 the government has introduced new investment lows to remove the remaining restrictions on investment,

However, like the other developing countries. Sudan implemented (SAPs) with expectation of the promised huge inflow of foreign direct investment. But the actual response of the private capital as expressed by the (WB) has not been satisfactory. Even through, the rate of return to (FDI) has generally been much higher in Africa than in any other place (UNCTAD, 2008). This has not made Africa much more attractive to foreign direct investment due to political instability. Both civil war and corruption has discouraged (FDI) in Sudan, even capital owners in Sudan prefer to transfer their capital abroad so as to avoid this situation.

Sudan is open to (FDI) but its civil war and legal infrastructure failed to encourage foreign investment outside the oil sector, therefore no wonder that (FDI) in Sudan is small as indicated by the table blow.

Table 2.5: FDI as percentage of GDP for the years 1970-2016

Year	**Value**	**Year**	**Value**
1970	0.08	1994	0.78
1972	0.02	1995	0.09
1973	0.01	1996	0.00
1974	0.03	1997	0.84
1975	0.03	1998	3.30
1976	0.10	1999	3.47
1977	0.11	2000	3.17
1978	0.07	2001	4.30
1979	0.03	2002	4.76
1980	0.12	2003	7.59
1981	0.20	2004	6.97
1982	0.18	2005	8.42
1983	0.07	2006	9.71
1984	0.09	2007	5.21
1985	0.02	2008	4.48
1986	0.05	2009	3.32
1987	0.06	2010	3.33

Table 2.5 Cont.

1988	0.01	2011	2.31
1989	0.02	2012	2.5
1990	0.25	2013	2.3
1991	0.01	2014	8.3
1992	0.00	2015	3.7
1993	0.00	2016	1.7

Source: IMF, Balance of payment data base.2016

As indicated by the table, and according to the (IMF), (FDI) the net inflows as percentage of the (GDP) in the Sudan was 3.33 as of 2010. Its highest value over the past 40 year was 9.7% in 2006, while its lowest value was-0.25 in 1990. However, (FDI) in Sudan is small and largely confined to resource extraction particularly oil and minerals, and a large portion of it is directed towards capital intensive activities. Therefore, it has created little employment, because the impacts of (FDI) depends on the Multinational National Companies (MNC) motivations as well as the host country policies, Sudan was badly in need of hard currency in the 1990s, so no wonder that (FDI) was directed at capital- intensive activities to obtain quickly foreign currency. Thus (FDI) may be one of the poverty creation reasons in Sudan, particularly when it interacts with inequality of income distribution.

According to the (UN regional commission, 1999) FDI is concentrated in a very limited number of countries, but short term capital and portfolio capital movement have been more global in scope.

Financial market liberalization has not brought about growth or development, but rather characterized by a long series of financial crisis from the Latin America debt crisis of the 1970s and the crisis in Southeast Asia in 1997 to the financial crisis of 2007 that resulted from speculation in real estate, all this indicate uncontrolled financial makets liberalization.

(FDI) in Sudan has failed to create jobs, generate tax revenue or transfer technology, but rather it resulted in capital being directed away from productive investment. Such capital benefits the owner and the country of origin rather than the recipient country.

2.13: The Effects of Multinational Companies (MNC)

The engine that drives trade liberalization is (MNC). About 75% of all trade in the world is between multinational companies. Some of these companies are wealthier than nations and even more much powerful than democratically elected governments. These companies formulate trade and investment policies and have powerful social, economic and political impacts. The Uruguay Round of general agreement on tariff and trade has speeded up the process of economic liberalization by decreasing the role of governments. This means that the power of (MNC) to determine and affects trade and investment policies greatly increased. Whereas the powers of governments to mediate between competing interests and needs in the society, like social needs versus companies needs to expand and increase profits, is greatly decreased. The increasing size and powers of (MNC) in making decisions made them more influential and the growing abuse of their powers is reflected in taking patent for repackaging previously developed knowledge. "one well known example is the intellectual property rights granted to American and Japanese companies for "discovering" certain products of the Neem tree whose properties have been well known for generations in India (Teny, Fdward,1996, p. 10).

However, many problems that Sudan is suffering today are the effects of excessive corporate activities and inadequate government controls. We can see some of these activities in the environmental destruction that resulted from oil and gold extraction in Sudan. Further (MNC) imports goods that can be locally produced. Sudan has huge numbers of cattle but dehydrated milk is still imported that is because the local companies are unable to complete with powerful (MNC) on price. In this respect the commonly cited case of Mongolia can illustrate this situation "Mongolia has 25 million animals from which butter can be produced locally, but currently, it is helpless against (MNC) which can transport it from far away and sell it more cheaply there, and as a result many Mongolian producers have become impoverished as a result of this type of competition, unfortunately, this is considered a victory for trade openness (Ibid).

Critiques of trade liberalization argue that trade openness and financial market liberalization has a little success in promoting growth, transferring technology and reducing poverty. In the Sudan, unfortunately, the poor economic performance and income inequality was next to the application of trade liberalization.

However, Sudan experience with the quick and rapid trade liberalization suggest that Sudan failed to achieve stable economy or poverty reduction to achieve (MDGs). Further, during the trade liberalization era that started from the 1990s up to 2011, Sudan has achieved high economic growth that did not reached to the poor. This is another proof that the mere liberalization of trade will not bring benefits from trade openness. In this respect (Rodrik, 2002, p. 15) notes that the benefits from trade liberalization should not be overvalued, because the developed countries like the US, EU and the Asian tigers used trade distorting measures such as subsides and selective interventions so their economies has grown behind trade barriers" these practices has resulted in losses for developing countries, and make them to demand fair not free trade.

2.14: Development and the Comparative Advantage Theory:

Since independence up to the 1990s, Sudan adopted inward-looking development strategy which gave the public sector the right to modernize the economy through import- substitution industrialization and transform the economic structure by taking the surplus labour away from the agricultural sector to the rest of the economic sectors. Import-substitution-industrialization is built on the criticism of the former comparative advantage theory which indicate that all countries will gain if they specialize in the product in which they have comparative advantage

The objectives of the former import-substitution development strategy in Sudan were embodied in a number of economic and social development plans of ten-year and five-years. The period of this strategy was characterized by stable economic growth in the absence of inflation. But the problem with this strategy is that industry required state support and protection from international trade. Further, the government became dependent on foreign aid instead of foreign investment to finance its import-substitution industrialization. This type of finance led to the deterioration of the state revenue and increased foreign debt leading to the failure of (IS) development strategy that result in the distortion of the resource allocation and inefficiencies in the resource utilization leading to policy reversal, so that Sudan shifted from an inward-oriented development strategy to an outward- looking development strategy which was accompanied by trade and investment policies to change Sudan economy from a closed economy to an open one.

2.15: Development and Economic Liberalization:

The development objectives of many African countries in the 1960s and 1970s stressed rapid economic growth measured by (GDP) growth rates in both gross and per capita terms. During this period the typical African County embodied its development plans in the context of the development strategies that emphasized the role of the government in production and distribution of economic activities.

The pre-SAPs development strategy adopted centrally planned inward-looking development policies, which gave the public sector the right to diversify and modernize the economy through import-substitution industrialization so as to transform the economic structure by taking away surplus labour from the agricultural sector to the rest of the economy.

Import-substitution industrialization was built on the critics of the theory of comparative advantage, which stat that all countries will gain if they specialize and trade in the product in which they have comparative advantage. However, developing countries come to realized that contrary to the assumptions of this static trade theory, the economic history of the now developed countries indicates that the countries that changed their economy from agriculture to industry have developed. Therefore, the less developed countries decided to diversity their economic throw import-submission industrialization (ISI).

The objective (IS) implemented in Sudan during the 1960s and 1970s was embodied in a number of economic and social development plans that include the promotion of import submission industrialization that require state support and protection from international trade. During this period Sudan become dependent on foreign aid instead of foreign investment to finance its industrial policy. This situation led to deterioration of government revenue, balance payment deficits, foreign currency shortage and debt increase that led to the failure of this strategy and policy reversal. As a result Sudan development strategy has changed from an inward – oriented to – an outward – oriented – export-led development strategy which started in 1990s. In fact this new development strategy was imposed by the (IMF) and the (WB) who assume, through their reform program SAPs, that growth and development would arise from stabilization, liberalization and privatization of the public sector.

This type of development requires economic diversification and export promotion both are important contributors to market oriented development strategy, because exporting reduce poverty by creating income generating employment.

2.16: Export Diversification:

Export diversification in the past was associated with exporting manufactured goods. But the Sudanese experience with diversification through industrialization proofed not to be working, as indicated above; even presently it's difficult for Sudan to export manufactured goods due to severe competition from China and Asian tigers.

Another alternative path for Sudan to diversity its economy (to obtain the benefits offered by international trade) maybe through non-traditional exports such as horticultural and fishing. It's true that there are problems that face exporting such products, but Sudan can overcome such problem by upgrading its human and physical infrastructure. However empirical studies collected from international organizations confirm that diversification of the economy through the promotion of the exports of horticulture and fishing works because Sudan have comparative advantage in producing them (Loven Patrick and Ralph 2009).

Horticulture:

Sudan climate and soil are favorable for producing both tropical and temperate horticultural products which include vegetables and fruits. Further Sudan has comparative advantage in producing them due to low level costs. Taftee English and Okello,(cited in UNCTAD 2008, pp.23-25) in their study note that: promoting horticultural export can generally benefit (LDCs) in three ways:

1- Horticulture can be an important source of more diversified and high value non-traditional export in contrast to declining price of traditional commodities, and the prospect for horticulture is very promising. International demand has been rising rapidly since 1990s.
2- Horticultural products create employment opportunities for the rural people and has a greater impacts in poverty reduction Meculloch , and Ota (cited in UNCTAD, 2008, pp. 23-25)
3- Horticultural export enables LDCs to acquire new knowledge and technology in producing and marketing high-value products (Ibid)

So Sudan can use its comparative in producing horticultural products to diversity its economy and create employment and income for the rural people to combat poverty

Fishing:

In its study, (UNCTAD, 2005,) notes that the demand for fish has increased dramatically, both in the developed and developing countries in recent years. The depletion of fishing stocks in developed countries created tremendous opportunity for developing countries supplies. In 2004 the value of net fish export from developing countries was higher than the combined value of their exports of rise coffee sugar and tea.

The above quotation indicate that the fishing sector important for export diversification and income generating activity. Sudan can exploit such opportunity by using its comparative advantage in the fishing sectors, because Sudan endowed with huge fishing resources but in spite of its potential, the fishing sector contribution to the (GDP) is negligible, being 0.4% in 1999 the latest available figure for the former Sudan i.e. before the south become an independent nation. Sudan faces many problems regarding the development of this sector, these problems regarding the development of this sector. These problems include weak infrastructure and standers that because fish export require great care and speed in handling and shipping in order to preserve freshness.

With donors help Sudan can overcame these problems in the fishing sector fortunately (FAO, UNDP,) and other organization provided assistance in the storage transport facilities and marketing so as to make the fishing sector can play an important role in food security, job creation and poverty reduction. Thus, the fishing and horticulture development can contribute to economic diversification and hence structural transformation that is because in an agricultural based economy structural changes require a transformation which shifts the economy from low technology to a path of technology and skill intensive path through export diversification.

2.17: The Economic Effects of SAPs:

Sudan has been implementing structural adjustment policies which have been imposed by the (IMF) and the (WB) since 1990s to date so as to make Sudan repay its foreign debt. Since (SAPs) is debt collection strategy that consist of two main elements:

1- Stabilization of the economy through reducing fiscal budget and balance of payment as well as containing inflation to enable countries to repay their foreign debt.
2- Structural changes through trade liberalization by removing trade barriers and privatizing the public sectors enterprises with the aim of increasing efficiency and export competitiveness to expand exports so as to create employment.

Thus, the economic aims of (SAPs) are to achieve economic growth reduce both international and external imbalances, repay foreign debt, control inflation and create employment to reduce poverty.

Did (SAPs) achieved these aims in Sudan? , and how do we measure the success or failure of (SAPs)? Since this reform policy is designed to solve the instabilities in the macro-economic indicators, then the most suitable yardstick and common measurement for their effectiveness is to investigate the conditions of the economic growth, balance of payment, inflation, and foreign debt.

Before proceeding on the evaluation of (SAPs) it is of significant importance to note that many difficulties face (SAPs) evaluation even using before and after or with-without comparison due to the partial implementation of the program and the difficulties of isolating the effects related to (SAPs) from the effects of outside factors including civil war and political interference into sector activities which resulted in economic mismanagement as well as other problem facing the evaluation of (SAPs) including the unavailability of enough and reliable data for before and after comparison. However, after two decades of its implementation, structural adjustment program has failed to achieve its objectives in Sudan, as shown by the following macro-economic indicators.

1- Inflation, (1990 – 2016):

One of the major objectives of the reform policy is to control inflation. After its implementation for more than two decades, inflation has escalated and sharply increased and impoverished people specially the rural poor through reducing the purchasing power of the local currency making many basic commodities unaffordable and inaccessible. The causes of inflation, among other things, include excessive government spending, and the poor performance of the productive economic sectors, this situation reflects the lack of commitment of the government towards the programs conditionality. However the policy failure are reflected by the high rates of inflations (See table 4.11) which has worsened and intensified macro-economic instability that led to disruption of the other macro-economic indicators.

In contrast with the period before (SAPs) inflation was low relatively despite the fixed and over-valued exchange rate. Indeed the impacts of inflation have been felt severely throughout the economy. High import prices negatively affect both producers and customers leading to negative rates of growth.

2- Foreign debt, (1990 – 2016):

Structural adjustment policies were designed by the (IMF) and the (WB) in a way that will enable debtor countries to repay their debts. In order to insure debt repayment the (IMF) and the (WB) revived the colonial model of trade in Sudan, by making the government focusing on the production and trade of minerals and agricultural commodities, the price of such commodities are instable and have little linkage with the rest of the economy. But since they generate most foreign currency then it is good for the (IMF) and the (WB) to keep Sudan producing and trading in such commodities to repay its debt.

Nevertheless (SAPs) has failed to enable Sudan repay its debt even the debt continued to grow in spite of removing subsides, cutting spending on basic services such as education and health. Sudan became the largest world debtor to the (IMF) and the (WB) to the extent that Sudan has become show case in demanding debt forgiveness.

Foreign debt became a burden and a major problem to economic and social development and poverty reduction. Currently Sudan foreign debt as for 2016, stand at U$$ 50.1b. In contrast, before (SAPs) implementation in the 1970s Sudan was not facing sever external debts problem the external debt in 1979 was U$ 23m. (See table 4.11).

The civil war prevented Sudan benefiting from (HIBICs) initiative. (SAPs) have failed to decrease Sudan foreign debt. Instead debt has increased as a result of increasing interest rate.

3- Employment, (1990- 2016):

Structural adjustment program has been a major cause of unemployment. The shift from inward-looking development strategy of import substitution to outward - looking export-oriented strategy led to a process of de-industrialization which in term led to employment loss. Further as a result of privatization of the public sector employment has decreased, even in the organized private sector employment has not expanded.

Further agriculture which is a great job provider in Sudan has been neglected because the government policies were concentrated on the oil sectors. As a result unemployment has increased particularly in the rural areas. By contrast the situation has been far better before the implementation of (SAPs) (See table 2.4).

4- Economic growth:1990-2016

In the period 1995-2011 petroleum made significant portion of Sudan (GDP) and was a major driver of growth. But the high economic growth was not trickled down to the poor, as the (IMF) and the (WB) who designed the program assumed, so there is a need for an instrument that facilitate the access of the poor to basic needs.

After the South Sudan become an independent state taking with it 75% of the oil revenue the (GPD) reduced to reach

Table 2.6:Sudan economic structure and GDP growth rates % 1990-2016

Year	**GDP growth rates**	**agriculture**	**Industry**	**Service**
1990	5.4	30.3	15.3	54.4
1991	7.5	28.7	17.4	53.9
1992	6.5	33.7	17.1	49.2
1993	1.5	37.9	17.4	44.7

Table 2.7 Cont.

1994	1	40.1	16.4	43.5
1995	3.9	43.1	15.8	41.1
1996	5.9	44.9	14.5	40.6
1997	6.3	47.6	15.1	37.2
1998	6.4	48.6	15.2	36.2
1999	6.7	49.8	15.8	34.4
2000	8	46.4	21.4	32.2
2001	6.3	45.6	22.3	31.6
2002	6.5	45	21.2	30.9
2003	6	44	24.1	38.3
2004	7.2	40	28	32.6
2005	8	39	28.1	32.9
2006	10.0	36.8	27.5	35.9
2007	10.5	35.3	30.6	34.1
2008	7.8	39.3	29.2	42.5
2009	6.1	41.1	23.9	45.0
2010	6	-	-	-
2011	2.8	28.9	27.4	43.7
2012	-11.2	30.4	24.6	45.0
2013	3.6	27.4	33.6	39.0
2014	3.4	28.2	15.2	56.6
2015	3.1	28.9	20.4	50.7
2016	3.1	30.1	19.7	50.2

Source: Central Bureau of Static.

-11.2 in 2012 as indicated by the table above (table 2.7). In addition to the Dutch-disease from which Sudan economy is suffering as a result of dependence on oil, the loss of the oil revenue exposed Sudan economy to a shock that the country weak economic structure cannot with stand.

Another observation regarding the composition of the (GDP) is that, the share of agriculture has declined, but still agriculture remained a major job provider, but the share of the service increased to be almost the largest sector that contributes to the GDP growth as indicated by the table (3.8). However, the sectoral composition of the Sudanese economic growth has not been accompanied by structural transformation in terms of sectoral changes.

In contrast, the period before the implementation of (SAPs), the decades of the 70s and the 80s was a period of positive economic growth although the government economic policies were not growth oriented during this period peace prevailed and there were large inflows of capital in the country.

Thus, structural adjustment policies which were implemented in Sudan since the 1990s were not successful when measured by their results in terms of growth, inflation, balance of payment and employment rates. After two decades of (SAPs) implementation Sudan experienced a fall in (GDP), rising inflations, increased balance of payment deficits, chronic poverty and an expansion of the informal sector.

However, external factors are partially responsible for the failure of (SAPs) in Sudan, these factors include among other things, the civil war, the exclusion of some government enterprises from privatization, and the government efforts to keep an overvalued exchanged rate, so it is the incomplete implementation of (SAPs) which has contributed to the failure of the reform policies. However, there is no objectivity in evaluating a program that has not been fully implemented.

Further, the government has viewed the reform program as a response to debt repayment, balance of payment deficit and inflation control, therefore the government focused on reducing macro-economic imbalance to reduce aggregate demand and in the process the production incentives were distorted. Strikingly, (SAPs) was supposed to be a temporary measure, to be used for three or five years so as to restore internal and external imbalance in Sudan, but since the 1990s up to date (SAPs) is in force, so how long should it take to succeed in Sudan? It seems there is no time horizon for these policies.

2.18: Summary

The review of the evolution of Sudan economy has revealed that the post – independence economic history of Sudan fell into two periods according to the economic development strategy followed during each period.

First the 1950s and 60s characterized by a stable economic growth rates in the absence of inflation and increasing industrialization. By contrast the 1970s and 1980s characterized by an increasing state interventions in economic matters leading to inflation and budget deficit. This period witnessed the introduction of the first generation of the reform policies, financed and supported by the (IMF).

The 1990s has been a period of harsh economic reform. The government implemented a self – imposed (SAP_S) which is neither financed nor supported by the Fund or the Bank this period witnessed civil war intensification, an environment not conductive for reform implementation.

The survey of the performance of (SAP_S) indicated that Sudan was unwillingly drawn into the reform, therefore some of the reforms has been partially implemented others has been delayed. The choice of (SAPs) implementation is between quick and gradual implementation but the delays and the practical application of the reforms has worsened the budget deficits and increased foreign debt and inflation, as a result many benefits has been undergone, and adjustment become more severe. (SAPs) stress trade liberalization to increase the country's capacity to earn hard currencies through exports. The developed countries use all forms of trade barriers; Sudan agricultural commodities denied access to these markets, so Sudan did not benefited from trade liberalization.

Chapter Three

The Effects of (SAPs) On the Social Sector

3.1 (SAP_S) and social dimensions:

The success or failure of any economic policy in any given country is usually reflected by the economic and social development of that particular country. In this respect, a description of poverty situation in Sudan before (SAP_S) is important. However, in the period before structural adjustment policies implementation there were no poverty studies undertaken as well as there were no poverty reduction programs to combat poverty. Therefore, the government has relied on voluntary and obligatory religious institution rather than introducing a particular program to reduce poverty.

However, before the implementation of (SAP_S), all the post-independence national governments put enormous efforts to take the Sudanese people out of underdevelopment and poverty. The mechanism which was used by the government to attain this goal was import-substitution economic policy which has been in place up to the year (1978), import- substitution strategy achieved short-lived success which was reflected by a number of economic and social indicators (see chapter one).

Import-substitution industrialization strategy in Sudan fell short of its stated objectives and resulted in internal and external budgets imbalances in the form of balance of payment and fiscal budget deficient as well as inflation and foreign debt. This strategy failure has paved the way for the (IMF) and The (WB) to manage Sudan economy through their macro-economic stabilization program from the year 1978 up to now with the aim of restoring macro–economic stability but at the expense of economic and social development. However, the impacts of (SAPs) on poverty first will be discussed at a wider context and then at Sudan specific context.

Structural adjustment policies as a package consist of fiscal and monetary policies as well as structural adjustment policies. When the components of these policies interact with each other they affect both economic and social dimensions particularly poverty as follow:

3.2 The Effects of Fiscal Policy:

Fiscal policy is an important component of structural adjustment policy; it aims at removing budget deficit through austerity measures. This goal can be achieved by reducing the government non- productive spending or by reducing the stander of living of the people through higher level of taxation and imposing new tax such as the value added tax or even it can be achieved by reducing both the government non- productive spending and public expenditure on basic services. Of course, these measures have redistributive effects particularly when the budget balancing is attained at the expense of economic and social development as it happened in Sudan, leading to the worsening of poverty and inequality in the country.

Thus, the decrease in the budget deficits has produced adverse effects on inflation and worsened inequality. Balancing the government budget which require reduction of spending on basic social services also require reduction of development programs, which in term affects employment opportunities for the poor. Further, both education and health are viewed by (SAP_S) as non-productive sectors; Therefore structural adjustment require the reduction of spending on education and health so as not affect the government revenue, for this very reason

(SAPs) suggest the privatization of the service sector including the educational and health sectors. The poor, who constitute the majority, rely on these services are the hardest hit by these measures, because they can't be able to pay educational or health fees.

Regarding health services and cuts on social well-being, (WHO 2013) notes that (SAP_s) affects both the supply of health services by cutting the government spending on health and the demand for health services through the reduction of household income thus, leaving people with less money for health. The study has shown that (SAP_S) have worsened the health status of the people. According to this study the result of (SAPs) has increased infectious diseases, high infant mortality rates and caused a lot of unhappiness.

3.3 The Effects of Economic Growth on Social Development

At the outset, it must be stated that there are difficulties in assessing the economic and social impacts of (SAP_s) in Sudan, even by using either before/after or with and without (SAP_S) comparison methods due to the difficulties of isolating the effects of the components of (SAPs) from the effects of the political and social problems including the civil war and the phenomenon of the wide spread economic mismanagement. Further, structural adjustment has been partially implemented in Sudan and this partial implementation of (SAPs) has decreased its effectiveness, also the reliability of the data is questionable, nevertheless these difficulties are the major motivation for this study to evaluate the effects of (SAPs) on Sudan economy.

However, the effects of structural adjustment policies on Sudan economy are visible in all economic sectors as well as the social wellbeing of the population that is because (SAPs) forced the government to concentrate on the short –term objectives of balancing the budget deficit at the expense of human capital development with adverse impacts on the production sectors, infrastructure, and distorting incentives.

Table 3.1 the Structure and the Performance of Sudan Economy %

Year	GDP Growth	GDP Per-captain	Inflation	Agriculture	Services	Industry
1990	5.2	47.7	41	30.3	15.3	54.4
1991	7.5	81.0	62.7	28.7	17.4	53.9
1992	6.3	17.2	105.4	33.7	17.1	49.2
1993	4.5	37.6	115	37.9	17.4	44.5
1994	1.0	72.5	96.3	40.1	6.4	43.5
1995	5.9	151.7	177.2	43.1	15.8	41.1
1996	5.9	357.9	76.3	44.9	14.5	40.6
1997	6.3	563.7	52.6	47.6	15.1	37.2
1998	6.4	743.7	28.2	48.6	15.0	36.2
1999	6.7	892.3	6.4	49.8	15.8	34.4
2000	8.0	1083.1	8.5	46.4	21.4	32.2
2001	6.7	1274.0	4.8	45.6	22.3	31.6
2002	6.5	1452.4	8.3	46.0	23.2	30.9
2003	6.0	1656.4	7.7	44.0	24.1	32.0

Table 3.1 Cont.

Year	GDP Growth	GDP Per-captain	Inflation	Agriculture	Services	Industry
2004	7.2	1991.2	8.5	40.0	28.0	32.0
2005	8.0	2421.1	8.5	59.0	28.0	32.0
2006	10.0	2719.0	7.2	36.8	27.5	35.7
2007	10.3	3059.2	8.1	35.3	30.6	34.1
2008	7.8	3262.6	14.3	29.3	29.2	41.5
2009	6.1	-	11.2	31.1	23.9	45.0
2010	6.0	-	13.1	-	-	-
2011	2.0	-	18.0	22.9	27.4	43.3
2012	-	-	35.1	30.6	49.0	20.4
2013	3.6	1.6	37.1	30.6	46.7	21.1
2014	4.1	1.3	25.7	28.2	47.8	24.0
2015	3.1	1.5	12.6	29.9	50	20.1
2016	3.1	1.9	36	30.1	50.1	19.7

Source: Sudan Bureau of statistic and Bank of Sudan 2016

The economic performance from the 1990s up to the year 2010 as indicated by table (.1) shows high economic growth rates, but this record economic growth has not been translated into social wellbeing of the citizen, that is because structural adjustment forced the government to concentrate on the budget deficit balancing at the expense of human resource development, thus the reform policy focus on domestic policy to correct the finical budget and balance of payment imbalances. Further, the high economic growth was not accompanied by social development, poverty reduction or foreign debt repayment. (GDP) growth alone proved to be not enough to achieve economic and social development, many other factors contribute to attain these goals, and the required factors include education and good governance. Also the (GDP) high growth which was achieved from the 1990s up to 2010 has not been accompanied by employment creation that is because the agricultural sector which is the largest job provider has been neglected in addition to this the de-industrialization process of the industrial sector has contributed to the increase of unemployment rates, this miserable situation can be attributed to the fact that the high economic growth reflected by the above table suggest that the economic growth is derived by both capital intensive sectors oil, and gold extraction. Further, the increasing unemployment [see table2.5] and the accumulated huge foreign debt that prevented Sudan access to loans from international institutions has hampered economic and social development and resulted in new poverty.

Thus, the self-imposed structural adjustment program of Sudan government which was adopted since the 1990s has not addressed the root causes of the country's economic crisis, but rather the reforms has addressed symptoms and secondary problems like concentrating on the reduction of the government budget deficit and inflation control. These two problems are not in themselves the key problems because the persistent budget deficit is not a cause but rather a result of the inefficient use of the scarce resource as well as political instability and the civil war, such problems must be tackled through legal and political measures rather than by economic policies.

However, Sudan economic problems can't be solved by the mere and the narrow focus on the restoration of fiscal budget deficit through austerity measures or controlling inflation because both of these objectives has been attained during the exploitation of oil as indicated by table (3.1), the economic growth and the low inflation rates achieved during that time were not accompanied by structural transformations, or improvement in social wellbeing. One of the (IMF) and the (WB) mistakes is that they have not included transpires and accountability in their programs (to ensure efficient use of their loans) but rather they have presented them to the developing countries as an advice.

The patterns of economic growth do matter because activities in some economic sectors depend on labour. Agriculture have the advantages of being labour intensive activity, but neglecting agriculture by the government has led the government to move to non-agricultural sectors that is oil and gold which are capital intensive sectors, this situation led to urban bias. The high economic growth achieved was based on the resources extraction and led to rising inequality,and limited employment, thus resources unfortunately became a curse due to the weak government structures and the weak transpires and accountability institutions in the country.

Looking at per-capita income, (which is a summary of the standard of living of the average citizen) the table indicate that it has increased in 1990 from 47.7 to 3262.2 in 2008, but in the presence of high rates of poverty in Sudan, this means that real GDP has unevenly distributed, and therefore not translated into social wellbeing. Further, the uneven distribution of the recourses in the Sudan has resulted in civil wars, ethnic conflicts that centred on power and wealth allocation, as well as political instability which undermined economic performance and growth. However, (SAPs) resulted in unequal distribution of income and resources mainly because there is no an inbuilt mechanism in (SAP_S) that can correct these imbalances which were left to be tackled by the market forces.

Thus,(SAPs) became a major cause of inequality and poverty, because it has reduced the role of the government without providing an alternative that can play the economic role assigned to the government, for example when there is rich and poor regions or unequal distribution of the benefits of the economic growth in the same country, the state can solve such problem by intervening through legislation, taxation, subsides, social services and regional development, but structural adjustment prevented the state intervention in the economy without providing an alternative that can do this job. As a result economic and social development has been undermined. In fact it is the unequal distribution of the high rates of growth (achieved during that past two decades) which negated the achievement of Sudanese economic performance.

Table 3.2: Poverty incidence by region (1990 - 1996)

Region	**1990**		**1993**		**1996**	
Urban/Rural	Urban	Rural	Urban	Rural	Urban	Rural
Darfur	87	55	89	89	89	97
Kordofan	91	77	91	84	87	96
Central	88	67	89	83	88	91
Eastern	89	60	82	81	88	94
North	89	56	91	80	90	93
Khartoum	84	56	75	64	77	80

Source: Hamid, Faki, Eltahir M. Nur and Abdelaziz

As indicated by the table above poverty is high in both Kordofan and Darfur. Since the study has been conducted in the period from 1990 to 1996 which precede the civil war, this imply that the incidence of poverty is mainly attributed to the implementation of structural adjustment policies (SAPs) that has coincided with the exploitation of oil. Further, the negligence of the agricultural sector and human development has left Sudan with little capacity to respond to the reform policies. However, agriculture was supposed to benefit from structural adjustment programmes because Sudan has a comparative advantage in producing agricultural commodities, and the agricultural commodity prices were expected to be in line with the world prices due to the liberalization of Sudan foreign trade. Thus, farmers were supposed to be the beneficiaries of (SAPs) application. Unfortunately, theory is different from reality, (SAP_S) is foreign debt collection strategy it gives priority to debt repayment and since foreign debt must be paid in hard currency, then (SAP_s) in Sudan encouraged the production and export of the product that bring in most foreign currency. Therefore, no wonder that the government neglected the agricultural sector that provides inputs for industry, hard currency for the government, employment and livelihood to the rural population and concentrated on the production and export of oil and gold that led to high rates of unemployment, rural poverty, food importation and massive movement of population from rural to the urban areas. Thus (SAP_s) became a major cause of poverty and rural people migration in Sudan depriving these rural areas from the agricultural labour force leading to a reduction in agricultural production, this situation explain why Sudan share of world export fell below the pre-(SAPs) levels.

A more recent study conducted by Martin (2010) with wide coverage by states and based on consumption aggregates that include food, non-food, durable – goods – housing, and energy.

Table 3.3 Rural Poverty by States 2009 (%)

State	Incidence	Severity
Red Sea	80	25
N.Darfur	76	17
S.Darfur	72	16
W.Darfur	68	11
N.Kordofan	67	16
S.Kordofan	67	11
Blue Nile	64	12
White Nile	61	9
Gadarif	59	8
Kassala	48	11
Sennar	48	7
Khartoum	41	4
Gezira	40	5
Northern	38	5
River Nile	35	4

Source: Martin. C (2010)

The table reflects the uneven and unequal economic and social development between states and ethnic groups as indicated by the table above. Accordingly (SAPs) has not led to economic or social prosperity in Sudan but rather it has led to increasing inequality and social conflict as well as political instability and extremist responses in the form of civil war in Sudan.

Another observation about the table is that, it shows high rates of rural poverty, surprisingly, the Red Sea state which is rich in terms of natural resources, particularly gold took the lead in poverty. This situation reflects the effects of the factors which are not related or tied to (SAP_S) in creating poverty. It is the economic sanctions, which is partly responsible for poverty and inequality in Sudan.

3.4 Causes of Poverty which are Tied to (SAP_S)

After discussing the cause of economic and social under-development that is not resulted from the implementation of structural adjustment policies, we now come to investigate the causes of poverty that is related to (SAP_S) with the aim of separating the outside cause from that inflicted by (SAP_s)

Sudan is an early reformer, because (SAP_S) as a macro-economic stabilization and privatization measures was introduced and implemented in Sudan first in 1978, the program is still in force. So we can divide the total period of (SAP_S) implementation in Sudan into two main periods. The first period is from 1978 to 1985, the second period began from the 1993 up to date. Initially structural adjustment policies introduce in Sudan as macro-economic stabilization program, with the aim of solving short-term economic crisis, that is reducing the fiscal and balance of payment deficits, which resulted from the imbalances between government revenue and government expenditure as well as between export and imports, this situation has led to foreign debt accumulation and high rates of inflation (See table 2.9). The program also aims at shifting both resource and economic activities from the public sector to the private sectors through the privatization of the public sector.

The first phase of (SAP_s) led the government to concentrate on the fiscal budget deficit but at the expense of human and economic development. The mechanism used to attain this aim was the state withdrawal from the social sectors, but without introducing compensation measures or safety nets for the poor. This situation has led to the increasing and intensifying the already existing poverty. Poverty reduction program were not included in the first phase of (SAP_S) which was a mere economic stabilization program that focused only on macro-economic-level and the privatization of the valuable public sector with adverse effects on economic and social development. However in the 1980s the (WB) introduced social safety nets that aim to protect the poor. Sudan government in its efforts to alleviate the adverse effects of this program relied mainly on both obligatory and voluntary religious institutions particularly Sadaqa and Zakat to combat and reduce poverty and inequality. The effects of these safety nets proved to be small in comparison to the scale of the adverse effects brought about by these macro-economic stabilization policies.

However, in the context of the before and after analysis study, it is of significant importance to review the early estimates of poverty and compare their results with the most recent studies. Before doing this, it has to be noted that the different poverty studies that has been reviewed or that will be reviewed here can’t be compared, that is because the researcher has used different methodologies and different indicators. For example, some researchers have used income v consumption methodologies. Others used different units of analysis e.g. individual v household, these different choices has produced different outcomes.

One of the early studies of poverty incidence is that of (Ali 1994), he used expenditure methodology to investigate the incidence of poverty in Sudan (see table 4.4). Poverty incidence is measured by index (p0). The depth of poverty is measured index (p1), (G) is Gini Coefficient . These three measures cover the period from 1968 to 1993.

Table (3.4) Poverty Measure For Sudan 1968-1993

Poverty Measure	**Mode of living**	**Actual Values**				**trend Values**		**Effects of policies**	
		1968	**1978**	**1986**	**1993**	**1986**	**1993**	**1978-1986**	**1978-1993**
	Rural	62.6	64.1	83.1	93.1	65.3	64.1	17.7	28.9
P0	**Urban**	15.9	20.5	52.8	84.4	25.1	30.0	27.7	54.3
	Sudan	51.5	54.2	77.8	91.4	65.4	58.4	21.3	32.9
	Rural	28.1	30.5	32.5	62.6	32.5	34.6	19.1	27.9
P1	**Urban**	4.5	8.5	14.2	47.7	14.2	22.1	10.1	25.6
	Sudan	24.6	23.1	21.9	59.3	21.9	21.0	23.4	38.3
	Rural	38.0	48.0	65.2	-	-	-	-	-
G	**Urban**	41.0	40.0	55.1	-	-	-	-	-
	Sudan	44.0	64.0	64.0	-	-	-	-	-

Source: Ali 1994

The table suggests that poverty as measured by poverty depth (p1) has increased from the period 1968 to the period 1993. Another observation is that rural poverty increased from 62.2 in 1968 to 93.1 in

1993. For urban areas, poverty has increased from 15.9 in 1968 to 84.4 in 1993. For the whole Sudan poverty has increased from 51.5 in 1968 to 91.4 in the year 1993. Ali held the implementation of structural adjustment program which started as macro-economic stabilization measure in 1978 responsible for the increase of poverty.

However, the table compares the incidence of poverty before and after the adoption of SAP_S, and shows that poverty is an outcome of the application of the reform policies, which are still in force. These miserable results of (SAP_S) are attributed mainly to the demand side component of the program which just focuses on the correction of the imbalances in government budget and the balance of payment at the expense of social spending program from which the poor who constitute the majority of the population benefit.

Thus poverty has become wide spread, that is because (SAP_S) (among other things) has privatized the basic services and exposed the social sector to free market that introduced user fees which made the poor to pay twice i.e. paying fees and taxes to obtain the services, even sometimes the poor pay tax without receiving the corresponding services, as a result poverty has escalated and years of hard won economic and social development achieved in the 1960s and1970s in Sudan has been wiped out, or even reversed. In this respect, the most talked about study of United Nations Children Fund (1978) was the first to make critique of (SAP_S). The study was entitled development with human face. It stated that the policy was very harsh, and more attention on its impact on human welfare is necessary.

As table (3.4) suggests, (SAP_S) become a major cause of inequity. In his study Ali used Gini coefficient (That usually used to compare inequality across different population) to compare inequality before and after the application of (SAP_S) , he found that income inequality has increased after the implementation of the reform policy. Thus the Gini coefficient [G] as it is shown by the table has increased from 46.% in 1978 to 64% in 1986 reflecting an alarming rates of inequality, that in turn result in new poverty.

However, many factors including (SAPs) shave contributed to the inequality and poverty in Sudan. One of the root causes of poverty (other than SAPs) is that the economic growth has not taken place in the activities and sectors in which the poor find employment, that is to say the production was not labour intensive, but rather it was capital intensive, particularly after the exploitation and exportation of oil and gold. This argument is supported by the fact that the high economic growth achieved from the 1990s up to 2010 was not driven by labor intensive activities but rather driven by capital intensive activities. The poor work in the agricultural sector which has been neglected during this period. Further there is no direct link between the oil sector growth and the agricultural growth, this situation explain why income inequality and poverty has increased. Structural adjustment program has sharply changed the economic and social conditions of Sudan; also, it has transformed the production and trade pattern as well as economic activities, employment rates and the standard of living of the population. However, Sudan was supposed to focus on agriculture as a driver of economic growth and social development, but (SAPs) has created a discouraging environment for agriculture due to agricultural protectionism in developed countries. The subsidization and over production by these countries has decreased the prices of the agricultural commodities this kind of distortion has decreased or even removed the comparative adventure in all developing countries. The primary focus of (SAPs) on monetary and fiscal policies will not produce its desired results if the agricultural sector does not respond to it.

The stabilization measures, which has been achieved at the expense of drastically cutting public expenditure has been used for political and security purposes, with negative effects on human development. In fact the savings that has been raised as a result of applying austerity program, was supposed to be used to balance the government budget or balance of payment deficit, but rather it has been used to finance nonproductive government activities and the civil war.

3.5- The Effects of the Civil War in Sudan on SAPs: -

The civil war in Sudan has affected the reform program through different channels. During the war time (which has intensified since the 1990s) the scarce economic resources that has been devoted to economic and social development has been redirected to support the civil war by spending on military supplies. Thus, this reallocation of the scarce resources has eliminated the economic and the social development in the country. In this respect, the civil war in Sudan has drained resources and worsened the government fiscal balance due to shifting expenditure from production expansions to war activates. The table below shows how the government has shifted the economic resources from social development to financing the civil war.

Table 3.5: Current government expenditure on social services, defense and security SG. Millions, 1999 – 2009.

Year	Gov. erexp.	Social Services	**Share %**	**Defense and Sec**	Share %
1999	1975	328	16.6	1085	54.9
2000	3125	324	10.4	1510	48.3
2001	3428	364	10.6	1004	29.3
2002	3770	327	8.7	1276	33.8
2003	5633	208	3.7	1039	18.4
2004	7936	271	3.4	3200	40.3
2005	10435	327	3.1	2838	27.2
2006	14713	582	4	3338	22.7
2007	17403	699	3.8	1044	6.0
2008	22725	1142	5	-	-
2009	20696	470	2.3	-	-

Source: Sudan National Human Development Report 2012.

As the table indicate, the civil war, which has intensified during the 1990s, has brought about huge economic and social tragedy on the national economy. The government has redirect and shifted its expenditure from human development to the military expansion. For example in 1990, 54.9% of the government budget was devoted to defense and security, in contrast only 16.6% of the government budget was directed to social development in 2004, while the expenditure on the war was 40.3 percent of the total government budget, expenditure on human development was 3.4 percent.

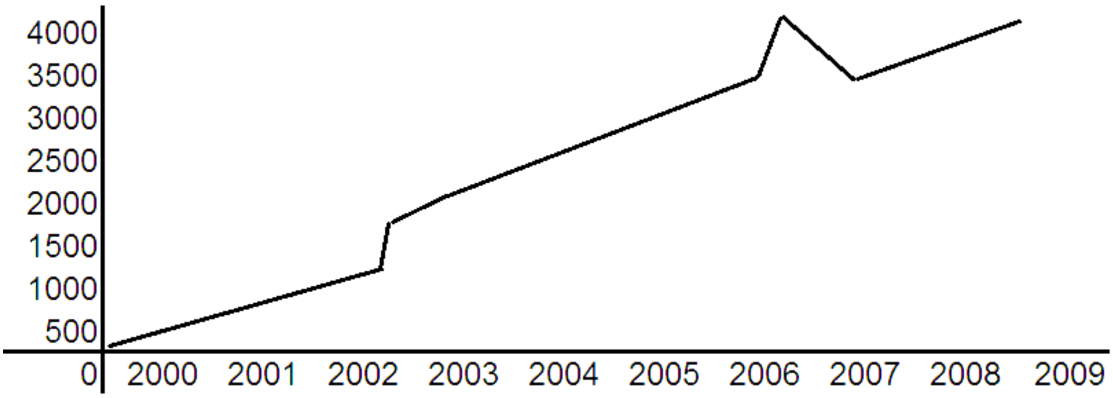
Thus, the intensification of the civil war has redirected the government attention from economic management and social development to the civil war and conflict management, leading to the reduction of government ownership of the reform program and this in turn led to the evaporation of the enormous efforts put by the government to stabilize the economy at the expense of drastically cutting government expenditure on education, health and other basic service. So, the Sudanese experience suggests that in a country which is disrupted by civil war, such economic reforms will not achieve their objectives. Peace and political stability are pre-conditions for the success of any program. The immediate victims of any war are the human capital. Unfortunately, human development in Sudan has suffered a lot due to many factors including both the civil war and the economic reform policy that has given priority to the foreign debt repayment through harsh economic measures.

Civil war in Sudan has undermined the success of the macro-economic reform policy through its effects on monetary and fiscal policy. For example, Fisher (199, pp.485-512)has argued that it is possible that civil war is a cause of poor economic performance, high inflation, distorted foreign exchange markets and a large budget deficit. All these symptoms are visible in Sudan economy.

Further civil war has serious impact on investment. Structural adjustment program is an out-ward oriented economic policy that encourage both foreign and domestic investment, but armed conflict create instability, such situation make a country less attractive to both foreign and domestic investors due to the high risk. For this reason both business and investment leave the country.

Kosuk and Jaremy (2000, p.1) argue that, the driving force behind the negative effects of civil war on the reform program is the destructions of the fiscal and human infrastructure threatening the government institution, the security of the property rights, the rule of law, and even the legitimacy of the government is threatened, this situation introduce uncertainties in the economic environment which in turn negatively affects saving, investment and hence economic growth

Graph (3.1) Foreign Direct Investment 2000-2009 (U.S. Millions)



Source: Central Bank of Sudan2010

The graph (4.6) shows the rise of foreign direct investment in the year 2005 particularly after the implementation of the comprehensive peace agreement between the southern rebels and Sudan government. The rise of the rate of foreign direct investment reflects the positive effects of peace and political stability on attracting investment.

Another channel through which armed conflict in Sudan affected the success of (SAP_S) is the massive displacement and increased urbanization due to the ongoing armed conflict, UNFPA (cited in UN

Country Team in the Republic of Sudan 2011, p. 1) estimated that in Darfur urbanization has increased to 40 percent between 2003 and 2006. Another study conducted by (UNDP 2012, p. 83) found that the long years of protracted conflict in Sudan generated massive population displacement. Whole communities were uprooted and forced to take refuge in major urban center or in internal camps for displaced person in 2004.

Thus, the movement of people in large numbers from rural areas to urban centers poses a challenge to the Sudan economy. As an agrarian economy, Sudan economy, can't afford the depopulation of the rural areas from the agricultural labour force. Further, the brain drain and loss of professional and skilled labour resulting from migration to the Gulf States pose a major challenge to development in Sudan because it deprived the country of essential capacities and needs of the private and public sectors.

Another way through which civil war negatively affected economic stabilization is that, the increased spending on military activities has been financed by both, borrowing from outside and deficit finance, these methods of financing the armed conflict has negatively affected the macro-economic stabilization leading to increased government budget deficit and the increase of foreign debt stock as well as high rates of inflation.

Another way to finance the civil war in Sudan was through increasing tax. The taxation policy was supposed to be used as a tool that transforms the gains from economic growth from the rich to the poor so that taxation become pro-poor. Regarding this point there is an argument that in the short-run even without economic growth poverty and inequity can be reduced if the (GDP) distributed equally. Unfortunately, there is a trade-off between policies that reduce income inequity and the policies that increase economic growth, particularly if the intended redistribution policy has negative impacts on the incentive structure. On the other hand, if such policies are implemented through the government budget, then this will lead to budget deficit which will in turn decreases the growth rate. Another approach to achieve this aim is through asset redistribution, for example, through land reform or through investment in education and training.

However, poverty and inequity can't be reduced simply by income redistribution or social welfare nets that are because the number of the poor is very large instead researchers e.g. (Parmank, 199, pp. 1-17) presented other practical ways to reduce poverty, particularly poverty that resulted from over-reliance on indirect tax. Two ways of poverty reduction strategies are identified by him:

1- Direct strategy which target the poor population and provide necessary assistance, improved health conditions, and increase literacy rate so as to eradicate poverty.
2- Direct strategy that formulate a macro-economic policy framework to ensure sustainable growth, higher employment, and higher per-capita income to reduce poverty. In fact income poverty is not the total some of the poverty, that is because poverty is a wide concept that include many aspects of human well-being that include capabilities as well as the provision of all basic services, that ensure human development.

3.6 SAP$_S$ and Human Development:

Development refers to moving from one situation to another which is better than the previous one. It is the process of improving in the quality of life, so it denotes a change for the betterment.

However, the modern concept of development is broader than the previous one that is because a country's development does not depend only on its natural resources, but also it depends on its human resources development. Therefore, the present-day concept of development is more comprehensive than the increase in income and output to include the whole economic and social system.

Human development focus on capabilities and how people develop their abilities so they can do the job assigned to them properly. Human development is a continues process of education, training and offering medical services so as to improve the quality and quantity of the population, as the Asian countries experience suggest. These countries, through human development, transformed themselves from mainly agrarian underdeveloped countries into industrial export oriented countries.

Human Development index, as a measure of human welfare, has been developed by the United Nations development program (UNDP) in 1990. The aim of this measure was to provide a broad view of a countries human development situation. Human development index as a measure of human welfare consist of three basic dimensions: -

1- Leading long healthy life.
2- Having education.
3- Decent standard of living.

Each of these components of human development index has particular effects on the economic growth, for example, education increase production and has effects on technological innovation.

Before the implementation of (SAP_S), all Sudan post-independence governments has embarked on restructuring both the economy and the society to improve the people living conditions through social programs in the form of free education and health services as well as subsiding basic goods. These social protection policies have brought about many positive achievements, which were reflected by a number of social indicators. Unfortunately, the program proved to be unsustainable, because the program was more generous than the Sudan economy can afford. By 1978 Sudan found itself in deep external budget deficits as a result of enormous foreign debt.

This situation has paved the way for reversing the previous social welfare policy by implementing (SAP_S).

Structural adjustment policies are based on separating economic issues from social issues. It is economic growth oriented policy rather than human development strategy. (SAP_S) aim at resolving Sudan economic crisis by focusing on the restoration of fiscal budget and the correction of balance of payment imbalances in the shortest possible time by cutting government spending on human development, therefore, human development in Sudan has suffered since the implementation of structural adjustment program.

Tracing the effects of the reform policies on social development in Sudan revile that this program has affected human development both directly through minimizing the state economic role, and indirectly through the incomplete implementation of the program and corruption which has become a problem to Sudan social development. For example, in 2011 corruption index by transparency international, Sudan has become among the most corrupt countries in the world.

Contrary to what the (IMF) and the (WB) claim that (SAP_S) will benefit (HD), since the adoption of the self-imposed version of (SAP_S) in

Sudan in 1990s all social development indicators has shown a terrible picture, according to the human development report (UNDP 2000 p. 12), 26.6 percent of Sudan population will not survive to more than 40 years of age.

In comparison, in Egypt the number is only 9.9 percent, while in China the number 7.7 percent. The early deaths of so many Sudanese can be attributed to the lack of basic necessities and civil war. Further, 27 percent of the population does not have access to safe water, in Egypt the number is 13 percent. While in Sudan, 30 percent have no access to health services in Egypt 1 percent for children under the age of 5 years old. In Sudan 34 percent are underweight, in Egypt the number is 2 percent.

According to the Sudan Interim Poverty Reduction Strategy Paper (SIPRSP, 2012, pp. 1-5) human development is a fundamental challenge, Sudan ranked 169 out of 178 countries in the global human development report 20011, illustrating the considerable obstacle to the (HD) in country, even though over all per-capita income is roughly 25 percent higher than the Sub-Saharan average.

Thus, the implementation of (SAP_S) has reversed the previous achievement on human development. The latest human development report by (UNDP, 2012, pp. 1-83) reflected a miserable picture of social development in Sudan. In this report, Sudan was put almost at the bottom of the list, it was ranking 171 out of 187 countries. Sudan human development of 0.414 is still below the average of 0.466 for countries with the lowest level of human development.

Also, Sudan ranked behind other Arab countries with similar population size including Yemen, and Djibouti. The figures mentioned above are published as a part of 2013 human development report that showed average life expectancy as 68.1 years. However, the improvement in life expectancy may be attributed to the peace agreement between the government and some fighting rebels. But unfortunately, Sudan still rank behind war-torn countries like Afghanistan, Libya and Democratic Republic of Congo. These countries made significant progress in life expectancy and per-capita income and school attendance despite being at the bottom end of the index (See Helen and Enrique, 2013)

Even before the secession of South Sudan particularly in 2005 when the economy was stable and functioning well, Human development was suffering. According to a study conducted by the (WB 2005) in terms of (HD) situation, Sudan was lagging behind the average for sub-Saharans Africa human development indicators which reflect the following:

1- High incidence of poverty running between 46.5 and 90 percent.
2- Malnutrition.
3- All (MDGs) indicators show inequalities in gender and regional differences.
4- High rates of child and infant mortality and infectious diseases.

Thus, the statistics on (HD) proved to be disappointing even compared with other countries in the region. The evidence that has been gathered so far shows that (HD) has not benefited from (SAP_S), instead (SAP_S) has resulted in dismantling the before (SAP_S) social development policies, which in turn prevented the growth of the productive sectors, namely agriculture and industry due to the low level of education and skills that resulted from cutting expenditure on education and health services on the basis that (SAP_S) is growth oriented policy rather than human development strategy. However growth can be an important means of human development if it is accompanied by redistributive, labour intensive and basic needs oriented policy, therefore (SAP_S) must be redesigned to achieve these objectives, and the (IMF), the (WB) and the (WTO) must support the developing countries including Sudan to attain these aims by redesigning structural adjustment policies to achieve the above mentioned goals.

However, the (IMF) and the (WB) claim that their economic reform policies changed in line with the changing needs of the borrowing countries. Nevertheless, evidence suggests the opposite. Contrary to what these international monetary institution claim, it is not the changing needs of developing countries, but rather it is the heavy criticism that was directed at the poor performance, poverty and worsening social problems caused by structural adjustment program that forced the twin institutions, (The IMF and the WB) to reform and broaden their macro-economic program by introducing poverty reduction programs, that aim at reducing poverty not only through economic growth alone but also through investment in human development, infrastructure and safety nets. Thus, in this way the (IMF) and the (WB) shifted their efforts from the focus on economic objectives to a new pro-poor oriented version of (SAP_S). A new (SAP_S) that include poverty reduction strategy papers (PRSP) and highly indebted poor countries initiative (HIPIC) introduced. These two measures were incorporated into (SAP_S) with the aim of reforming structural adjustment policies; these reform measures can be reviewed as follows:

1- Highly Indebted Poor Countries Initiative (HIPIC):

The highly indebted poor countries initiative was introduced by the (IMF) and the (WB) in 1996 as a result of demands to solve the external debt problem of borrowing countries. In order to qualify for debt relieve under (HIPIC) countries must formulate and design a poverty reduction paper.

As indicated before, in the pre-reform decades, Sudan has made good progress in several areas of human development. In contrast, the implementation of structural adjustment has reversed the gains that has been attained during the before implementation of structural adjustment policies. In spite of the limited improvement in education and immunization Sudan still lags behind many other poor African countries. The relative improvement in education and immunization despite the unequal distribution of the gains of the economic growth (that resulted in unequal pattern of human development) has been explained as follows:

1- The expansion in education is not a result of the implementation of (SAP_S), but rather it is the outcome of the demographic changes resulting from the migration from rural to urban centers.
2- The massive immunization is the outcome of the social transformation that was promoted by the mass media.

However, the present situation of human development in Sudan is very weak; therefore, it needs to be strengthened by redesigning and redirecting the self-imposed structural adjustment policy adopted by the government since the 1990s so as to promote economic and social development in Sudan.

3.7: The Evaluation of SAP_S:

Structural adjustment program was first introduced in Sudan in the year 1978 by the (IMF) as an economic stabilization measure to solve short-term internal and external budgets, but in the 1980s the (IMF) and the WB came to realize that, the economic crisis from which the country suffering is rooted in the structure of the economy, so the (IMF) and the (WB) transformed their stabilization measure into structural adjustment program to enable Sudan to grow economically and service its foreign debt.

In this respect it worth to note that Sudan is the largest debtor in the world to the (IMF) and the (WB). This huge debt has limited Sudan access to foreign finance and external aid. According to the Central Bank of Sudan, the country's external debt to international creditors stand at US$ 37.984 billion at the end of the year 2010 (See table 5.6)

Table 3.6: Sudan external debt (us$ ms)

Year	**2000**	**2005**	**2010**
Paris Club	60.084	8.530	12.095
Non-Paris Club	4.166	4.461	5.340
Commercial Bank	2.959	3.505	6.981
Supplies	728	846	1.768
Total	20.483	27006	37984

Source: Bank of Sudan 2012

About US$ 21.9 billion of this huge debt is interest rate and penalty interest. UNDP (2012) note that the rise in the stack of debt is a result if the accumulation of interest, arrears and penalty interest which consist of 57.6 percent of the stock of debt at the end of the year 2010. Also new borrowing by Sudan from Arab countries, India and China has contributed to the increase of Sudan foreign debt. This huge amount of foreign debt indicates that Sudan will not be able to service it. In order to overcome this problem through debt forgiveness, the ministry of finance and the Ministry of Welfare and Social Security has prepared an interim poverty reduction strategy paper in the year 2004, but this document has been rejected by both the (IMF) and the (WB) on the basis that it fell short of providing a credible profile of poverty and its various dimensions. Instead the (IMF) and the (WB) has designed interim-poverty reduction strategy paper for Sudan. The(IMF) and the (WB) mentioned that in order for Sudan to get debt relief, it must pursue efforts to have sanctions lifted by improving its relations with the international creditors. This means that Sudan have to seek debt relief outside the (HIPIC) initiative. Here one wonder that since poverty reduction strategy paper preparation is a pre-condition and the mechanism for getting debt cancelation, then why the (IMF) and the (WB) designed a (PRSP) on behalf of Sudan, and why urge Sudan to comply with dictate of this document. However, demand from Sudan to seek debt relief outside the (HIPIC) framework is controversial such demands deprive the (PRSP) and (HIPIC) of its logic.

3.8: SAP$_S$ and Poverty Reduction Strategy Papers (PRSPs):

Poverty reduction strategy paper (PRSP) is a document prepared by a country that want to apply for loans or debt relief from the (WB) or the (IMF) under the highly indebted poor countries initiative (HIPIC).

However, the idea behind (PRSPs) is that, it allows borrowing countries to have a say in formulating their economic and social policies. This change of policy making was the result of critique of both the IMF and the (WB) in the 1990s for preventing developing countries governments from decision making in economic and social policies that aim to increase growth and lift their people from poverty.

(PRSP) is viewed as an evolution of (SAPs) that led to reforms and improvement of the content of (SAP_S) by adding to it poverty reduction measures.

(SAPs) are a tool for getting loans from the (IMF) or the (WB). In contrast (PRSP) is a mechanism for both getting debt relief and loans from the (IMF) and the WB. Whereas (SAP_S) is designed by the (IMF) and the (WB), (PRSP) is designed by the borrowing country with consultation from the (IMF) or the (WB). For this reasons,(PRSPs) are regarded as a departure from (SAPs). But the reality is that (PRSPs) are a continuation of (SAPs) because it encompass the core element of (SAP_S) even critique view (PRSPs) as a traditional (SAPs) or a re-packaged (SAPs). This fact can be proved by the way the (IMF) and the (WB) has defined (PRSPs).

According to the IMF, 2013, p i), (PRSPs) are prepared by member countries through a participatory process involving the domestic stakeholders and development partners …. (PRSPs) describe the countries macro-economic, structural and social policies. In its definition, the (IMF) stressed the following:

1- Country ownership of (PRSPs).
2- Broad based participation.
3- Reorganization of poverty's multidimensional nature.
4- Sound structural and sectoral policies and private sector activities.

By reviewing the above mentioned elements we can find out that the content of (PRSPs) are similar to that of (SAPs), in fact the fundamentals of (SAPs) has remained untouched, and little real change took place in (PRSPs). The experience of Sudan supports this fact. Now Sudan has an (1-PRSP), and the macro-economic policy perception laid in this document state that economic growth require:

"Painful unpopular but necessary fiscal and external balance adjustment that will sustain the macro-economic stability essential for reviving and sustaining growth" (Ibid). Also the document add the need for policy measure for reducing or cutting fuel subsides"

Thus, the (IMF) and the (WB) has created poverty in developing countries through (PRSPs), this is another testimony that both the Fund and the Bank are not poverty reduction institutions as they claim; even their policies are not pro-poor.

Regarding the national ownership of (PRSP), it is supposed to be locally prepared and owned and developed through wide participatory process involving domestic stakeholders and development partners including the (IMF) and the (WB), but unfortunately, theory is different from reality. The way Sudan 1- poverty Reduction Strategy Paper prepared and written prove that borrowing countries have little control over the content of (PRSPs). Instead of providing policy advice on fiscal, monetary, structural, and poverty reduction strategy, the Bank and the Fund staff has entirely written Sudan 1-poverty reduction strategy which was supposed to be prepared and written by Sudan government with the participation of local stockholders and the Fund or the bank supervision so as to make the document a home-grown and nationally owned strategy. The mere discussion of a pre- prepared (PRSP does not make the process participatory or make the document nationally owned that is because the views of the stockholders were not taken into consideration.

3.9: SAPs and Land Tenure in Sudan:

Land tenure has an important role to play in poverty reduction and food security. It promotes self-reliance of the poor people. Therefore, it is of extreme importance to consider land tenure implication for the poor when designing land tenure reforms.

Unfortunately, land policy in Sudan since the colonial era was not designed as an integral element of a broader economic and social development strategy, but rather it was viewed as a technical intervention to achieve political or ideological objectives as the evolution of land reform in Sudan suggests as follows:

Since the colonial rule, there have been three major land laws.

1- The 1899 colonial land law.
2- The 1970 registered land act.
3- The 1974 civil transaction act. Also the 1999 investment encouragement Act, which was amended in 2003, has touched land tenure issues.

The colonial land law of 1899 which has been passed by the colonial administration has classified the range land as government land subject to no rights vested in local tribal leaders who organize and supervise the use of the land which is owned by their tribes. Thus, the colonial administration did not replaced the existing customary land tenure by private property rights, the rationale behind this measure is that, the replacement of the communal rights by private right will result in an undesired outcomes. In order to rule the country, the colonial administration recognized the customary land laws vested in the tribal chiefs as trustee of their people. In addition to that the colonial ruler gave to local leaders enormous authority that include collecting tax on behalf of the colonial state, the tribal chief were acting as political allies of the colonial administration, so the colonial land policy was politically motivated. Nevertheless the colonial land tenure system has worked effectively until 1970 when it was replaced by the registered land act.

2 – The 1970 registered land act.

This land law came as a result of political change that brought a socialist government that took office as a result of a military coup. The new government passed its land law, which replaced the common land ownership by state ownership this land law was not a part of a broader strategy of rural development or poverty reduction, but rather the law was a change to socialism, the measure was ideologically motivated, because the military government considered the customary land arrangement as capitalist market oriented land tenure system, therefore it has replaced the communal ownership by state ownership.

In addition to abolishing all forms of communal holdings, the 1970 land law has restricted the authority of the local leaders such as Nazirs, Omads, and Sheiks. This measure has resulted in open access to land which paved the way to uncontrolled farming and uncontrolled grazing which in turn led to land degradation. The 1970 land law was imposed without consideration to its impacts on the environment and the people; it has done much harm than good and proved to be neither appropriate nor effective because the law empowered the wrong institutions

3-The 1984 land law:

This land tenure arrangement was aiming to improve and rectify the negative effects of the 1970 law. According to this law all land which is not registered is considered state land.

The 1984 land law was viewed as the most important land legislation that is because it regulated access, ownership and land management. The right to use land is through usufruct rights. Local committees were given the right for granting usufruct. The problem with this law is that it was not accompanied by a complementary pro-poor economic and social development policy. This law was a mere technical intervention; therefore it has resulted in adverse effects including illegal land taking by the committees. Overall, the cost of the 1970 and 1984 land laws outweighed their benefits.

The (WB) approach to land tenure is that, private property rights allows the security to investment, and the market economy permit land to be transferred to more productive users. The (WB) view land as marketable asset that can be bought, sold and used as collateral so as to get credit from formal sources.

Thus the (Bank) economic program aim to replace the communal ownership by private rights on the basis that private property access reduce poverty among the rural people, but again theory is different from reality, because the previous form of communal ownership in Sudan proved to be more successful in conserving natural resources, reducing poverty and providing sustainable livelihood for the poor.

Sudan (1-PRSP) has tackled land access through the investment act of 2003. The act provides incentives to the investors that include access to land below commercial prices (1-PRSP 2013, p. 25)

The land policy of the Bank reflects the narrow and the limited Bank's understanding of the value and importance of land to the rural poor. Instead of helping small farmers the previous land titling arrangements has uprooted and forced small farmers and cattle headers in

Sudan off their land which is rightfully their land and gave it to local and foreign investors. Thus these measures has worsened already existing poverty and made the achievement of (MDGs) more difficult. The coasts of land titling in Sudan has been more than its advantages.

3.10: Millennium Development Goals:

The millennium development goals (MDGs)introduced by the United Nations (UN) as a reaction to the failure of the (IMF) and the (WB) economic reform program (SAPs). Instead of achieving their stated objectives,(SAPs) has degenerated into extreme poverty and other forms of deprivations. In order to contain this undesired outcome, the Bank and the Fund modified their focusing on economic growth to reduce poverty, to target directly poverty through social development measures by introducing (PRSPs).

In addition to this the (IMF) and the (WB) introduced their conditional debt forgiveness program known as (HIPIC) to mitigate poverty by directing resources from debt servicing to reducing poverty that has been globalized by virtue of (SAPs).

Against this background the United Nations has introduced its millennium development goals (MDGs) which were formulated as global targets, but implemented at national levels.

The (MDGs) are development goals that were designed after the millennium summit of the United Nation in 2000 with the aim of helping countries to overcome poverty and other forms of deprivations, the goals are set to be achieved by 2015. The (MDGs) are eight development goals:

1- Eradicate extreme poverty and hunger.
2- Achieve universal primary education.

3- Promote gender equality and empower women.
4- Reduce child mortality rates.
5- Improve maternal health
6- Combat HIV/Aids and other diseases.
7- Ensure environmental sustainability.
8- Develop a global partnership for development.

The time line for achieving these goals is 2015. However, critique argue that (MDGs) are not focusing on the right areas like promoting employment and good governance which has great impacts on (MDGs) because an accountable government has an advantages in developing basic services and ensure the efficient use of the scarce resources. As a result of the absence of these conditions for the success of any program, progress towards achieving (MDGs) in Africa is described as far from sufficient. With this fact in mind we turn us to Sudan to look at the (MDGs) status and see whether Sudan is likely to achieve its(MDGs) targets despite its economic, social and political instability. This is the policy environment within which (MDGs) has been launched in Sudan. This policy environment has casted its shadow on the progress of (MDGs) towards attaining its aim.

First, regarding the economic environment, since the implementation of SAPs, there has been two trends in Sudan, High economic growth and low social development.

1-High Economic Growth:

Sudan has one of the highest growth rates amongst the sub-Saharan African countries. According to the WB (2009) real GDP growth rate averaged 8 percent during the nine years period ending in 2008. Unfortunately, this robust economic growth has not been reflected in

(MDGs) progress. Instead the way economic growth has been distributed sharpened the dichotomy between the rich and the poor and created disparities between rural and urban areas as well as amongst states.

2-Law Human Development:

Many factors has contributed to weak human development, and include the state withdrawal from economic activities, corruption, the incomplet implementation of (SAPs) as well as the ongoing armed conflict that shifted the resource and attention from human development to war activities. Also Sudan huge foreign debt has implication on poverty and the attainment of (MDGs).

The above mentioned high economic growth and weak human development is the framework within which MDGs has been launched and assessed.

In this respect there is two report assessing (MDGs) in Sudan the first report was conducted in 2004, the latest which is the second was released in 2010. This report assesses (MDGs) status goals and challenges.

3.11: Goal by Goal Assessment:

- MDG1 Eradicate extreme poverty and hunger:

This goal aims to reducing absolute poverty and hunger by half by 2015. While poverty measured by head count index, hunger is measured by food poverty index and malnutrition indices.

According to the (NBHS, 2009) poverty rate in Sudan, was estimated by 46.5 percent, which means that about 14 millions of the population lives below the poverty line. (MDGs) report which was prepared by Sudan ministry of welfare and social security in 2010, attributed and blamed most of the cause of poverty on external causes including:

1- The long economic international sanctions.
2- The huge external debt.
3- The effects of economic liberalization on the poor. No mention has been made about the internal cause of poverty particularly corruption and the wrong implementation of (SAPs) as well as the inefficient use of foreign debt.

However, according to (UNDP, 2012, pp. 1-83), the poverty gab ratio is 16.2% and poverty severity is 7.8%, these figures reflect how deep and severe poverty is. The report also point to the existence of regional differences, while the incidence of poverty is a little over a quarter of the population in northern Darfur.

Regarding hunger, about 44% of the population consume below food poverty line of 69 (SDG) per month. Food poverty index is higher in rural areas than in urban areas (28%).

Also, the report indicated that nutrition situation in Sudan is poor and characterized by high level of underweight and chronic malnutrition. Nationally, one third of the children under age of five are severely underweight, (Ibid).

Table 3.7: Poverty and hunger eradication status

Indicator	2012	2015 Target
Poverty incidence	46.6%	32%
Child malnutrition	32.7%	6%
Population below minimum level	-	-
Diary energy consumption	28%	14%

Source: UNDP, Status of MDGs, Sudan National Human Development Report 2012

Thus, progress on this goal is far from satisfactory, and Sudan is unlikely to achieve this goal on time i.e. by 2015, so there is still more work to be done so as to reduce by half the number of people living under extreme poverty. Such work must be based on understanding how poverty is reduced so as to ensure the sustainability and the acceleration of the process; however, among other thing poverty is mainly reduced through public service delivery, the creation of pro-poor employment and combating corruption.

- **MDG - 2 Achieve universal primary education:**

The universalization of basic education aim to ensure that by 2015 all boys and girls will be able to complete full course of primary schooling and it is measured by enrollment ratio in primary education.

(UNDP, 2012, pp. 1-83) has indicated that the primary school enrollment rate for the population 6-13 years old in Sudan is 67%, the report note that there is difference between urban and rural population for net primary school enrollment with rates 82% and 60% respectively.

Table 3.8 Primary School Enrollment and Literary Status in Sudan:

Indicator	2012	2015
Gross primary enrollment	67%	100%
Adult Literary	62%	25%

Source: UNDP, Sudan National Human Development Report 2012

As the table shows, the progress towards attaining goals is slow. Many factor has contributed to the creation of this situation, for example the (MDGs) report that was conducted on 2010 explored the government spending on education and found that the actual budget allocation for social development including education and health was 2.1% of total spending and projected to be 1.9% in 2013.

Under the current condition, Sudan will not be able to achieve (MDGs) on universal primary education before 2028. Poverty and illiteracy deprived children from poor families attending school up to the end of education cycle. Education for all is not possible because most families need to pay for uniforms school supplies, extra-curricular lessons, informal compensation for teachers, and school maintenance, with basic school depending on the local communities and partners,(UNICEF 2011).

Education is critical for human development because it affects both the quantity and quality of the people. Therefore the improvement in education status will speed up progress in the other (MDGs) status. Nevertheless, Sudan will not be able to achieve this goal by 2015 as table (5.8) shows.

- **MDG3: Promote Gender Equality and Empower Women:**

Gender equality and empowering women is considered a goal in itself and an essential condition for achieving (MDGs). An educated mother has positive effects on both the health and education of her children. So the government has put enormous efforts to reduce gender disparities and ensure women access to economic, political and social opportunities through eliminating traditions and social values that prevent the realization of this goal. These measures have resulted in a slow progress towards achieving equality as the figures below suggest.

The net primary enrollment rate for the population 6-8 years old in Sudan was 69% for males and 64% females. For secondary education, it was 21% males and 23% females. Regarding labour force unemployment among men is 13% and women 20%. The proportion of women in the national parliament has increased in the election of 2010 (See table 4 .9)

Table 3.9: Gender Quality in Sudan

Indicator	Sudan	2015 Target
Ratio girls to boys in primary education	64% to 69%	-
Share of women in employment In non – agricultural sector	59%	-
Percentage of women in national assembly (Council of state)	28%	-

Source: UNDP status of MDGs in Sudan 2012

As the table above shows, this goal is will not be achieved by the year 2015.

- **MDG4: Reduce Child Mortality:**

This goal aim to reduce mortality among children under five by two-third between 1990 and 2015 the under-five mortality rate. Most child deaths are caused by five diseases, Pneumonia, Diarrhea, Malaria, Measles and HIV/AIDs. Most of these diseases can be controlled through low-coast prevention and treatment measures such as vaccines, antibiotic, bed-nets…etc. as a result of these measures childhood mortality reduced (See table 4.10), so that MDG4 of reducing child mortality can be achieved particularly if the government improved childhood diseases management.

Table 3.10: Child Mortality, Sudan

Indicator	Sudan	2015 Target
Under – 5 mortality rate per (1000)	78%	41%
Infant mortality rate per (1000 live birth)	57%	53%
One years – old immunized against measles	85%	100%

Source: UNDP Status of MDGs 2012

- **MDG5: Improve Maternal Health:**

The (MDG5) target is to reduce the level of maternal mortality to 140 maternal deaths per 100,000 live births by 2015, currently the maternal mortality ratio is given as 216 per 100,000 live births (MDG report 2010), but there is great disparities among states.

However, the most common causes of women dyeing of pregnancy is related to sever bleeding after birth, infections and harmful social practices such as female circumcision. Achieving (MDG5) may not be easy to achieve as the table below shows.

Table 3.11 MDG5 (Improve Maternal Health), Sudan

Indicator	Sudan	2015 Target
Maternal mortality ratio per (100,000 live births)	216	134
Births attended by skilled health staff	72%	90%
Contraceptive prevalence rate	9%	-

Source: UNDP Status of MDGs 2012

MDG6. Combat HIV/Aids, Malaria, and Other Diseases:

Progress is being made in the fight against Aids and the other diseases, but still much work remains because the poor and vulnerable, particularly women bear the greatest burden of diseases.

Sleeping under mosquito nets reduce the number of people who get Malaria. Tuberculosis is declining as shown by table (4.11).

However, fighting against diseases require providing quality health and education services.

Table (3.12) combat HIV/Aids and other diseases

Indicator	Sudan	2015 Target
HIV prevalence among population aged 15 -24	0.5% males 12.4 females	-
Incidence and death rates Associated with Malaria	3.1 million report cases, 8.844 death	-
Death rate associated with tuberculosis	81.8%	-

Source: UNDP 2012

The 2010 report showed that local traditions and cultural norms among communities have contributed to slow the spread of (HIV).

MDG7: Ensure Environmental Sustainability:

This Goal aims to integrate the principle of sustainable development into the country policies and programs.

As a matter of fact, Sudan is endowed with huge and diversified natural resources that need to be protected and efficiently managed. Unfortunately, both, manmade and natural disasters have created environmental problems that have been reflected in the form of land degradation, desertification, and water pollution. The 2010 (MDGs) report showed that half of the areas of Sudan are affected by desertification as a result of land misuse. These outcomes, has increased poverty.

Regarding water pollution, the Sudan household health survey (SHHS 2010) showed that 68.1% of the household in Sudan have access to improved drinking water and 27.9% of the household have access to improved sanction. Thus, the country will not be able to attain goal 7 by 2015. The delay is attributed to the ongoing conflict, political instability and civil wars. Unfortunately, Sudan has been defined as a country of civil war and poverty

Table (3.13) Access to improved drinking water and sanction

Indicator	Sudan	2015 Target
Access to improved drinking water	60.1%	82%
Access to improved sanction	27.1%	67%

Source: UNDP 2012

- **MDG8: Develop a Global Partnership for Development**

Goal 8 is a complement for the first seven goals, and aim to create free and fair trade system that benefit all partners so as to reduce poverty and relief debt. But the challenge of reducing poverty in an integrated world is too big for any single country to tackle it alone; therefore global partnership is necessary to attain this goal. Regarding Sudan, the US sanctions act as an embedment to achieve this goal particularly through debt cancelation. Thus, Sudan will not be able to attain (MDGs). before its term ends in 2015.

However, work now is going on to replace (MDGs) so as to create a post – 2015 agenda development to reduce poverty in its various dimensions. It is expected that the post – 2015 (MDGs) will build on the previous (MDGs) strength, but avoid its weakness.

3.12 Summary:

Social development is the base of any countries economic and human development, therefore, it was supposed to be integral part of any economic program. But structural adjustment policy is growth oriented policy rather than social development strategy because it separates economic issues from social issues by cutting government spending on both education and health so as to balance between imports and exports). Indeed (SAPs) has become a major source of poverty and inequality in all its dimensions.

So it is not surprising that economic growth which is one of (SAPs) objectives has been negatively affected by neglecting human development which is important to growth because (through education and training) human development will improve the quality and quantity of production and exports. Thus (SAPs) is an incomplete economic program because it concentrates on growth and leave out human development so no wonder that the latest (UN) report of (MDGs) as to December 2014 indicated that Sudan has failed to achieve (MDGs) and the official statics indicate that poverty rate reached 46.4 percent. But the problem with (MDGs) is that they are international human development goals, in order to be successful they must be transformed into national development objectives so as to suit the particular condition of each country, therefore the post 2015 (MDGs) agenda of Sudan must include the attainment of peace, democracy and good governance so as to combat corruption by insuring transparency and accountability of government agents, it is unfortunate that Structural adjustment program encouraged corruption and undermined democracy. As it has been argued that (SAPs) has encouraged corruption by borrowing money from international institution and spent it on fueling conflicts, and this has been done with the support of rich countries due to their own national interest, Also, (SAPs) has undermined democracy by making elected government accountable to both the (IMF) and the (WB) instead of their own people. Neither structural adjustment program, nor poverty reduction strategy papers are human development programs both are foreign debt collection measures. Even it is very good for the Bank and the Fund if the debt collection achieved at the expense of the lives and the health of the poor people by cutting expenditure on basic services.

Chapter Four

Impacts of (SAPs) on the Economic Sectors

4:1 Policy Review:

As a base of economic and social development in Sudan, agriculture has played important roles in the economy. It has been a way of life for the Sudanese people who live in rural areas and depend on agriculture and allied activities.

In addition to providing employment and food security for the population, agriculture provides markets with row materials for manufactured goods, release both labour and capital for industrial sector and earns foreign currency needed for the importation of capital goods and inputs for the industrial sector.

In 1999 when the Sudan began to export oil the above-mentioned functions of the agricultural sector has been interrupted, because oil exploitation has led to improvements in monetary policy, stabilized exchange rate, and improved economic growth. Therefore, agriculture took a back seat, the government depended on oil revenue and neglected the agricultural sector, as a result the agricultural sector production shrunken and lost competitiveness in international markets. Before oil exploitation the agricultural sector was the major economic growth driver and contributor to development and poverty reduction as well as Sudan main source of export revenue. Sudan using its comparative advantage in producing agricultural commodities has succeeded in exporting a wide range of products that include cotton, oil, seeds, Gum Arabic, and sorghum. As a result of oil production these traditional exports became stagnant. Thus, oil exploitation has transformed Sudan export structure form depending on agriculture to depending on oil.

However, since 1999 oil export stood at 27 percent of (GDP), while agricultural export stood at 3 percent (Victor. 2005, pp 3-5). Agricultural exports suffered whilst the oil sector represented 90 percent of export revenue. Unfortunately, this situation has ended dramatically in 2011 when South Sudan has become an independent state and Sudan lost 75 percent of its oil revenue. As a result, this event led to a policy shift in favor of non-oil sector particularly gold mining and agriculture was back again on the top of the government agenda to compensate the lost revenue. But what has come as a surprise is that the government is trying hard to join the world trade organization (WTO) despite the fact that important agricultural production areas such as: Darfur, south Kordfan, and Blue Nile states has become war zone or areas.

Further, the growth in the oil sector which continued for a decade neither contributed to export diversification nor increased the income of the majority of the people. The pro-poor spending is very low, standing at 3 percent of GDP compared with an African average of 7.54% (European coalition 2007, p.8).

However, after the secession of South Sudan agriculture, proved to be the most important economic sector in the Sudan that is because it has restored its important role in the process of economic and social development as well as poverty reduction, for this reason when trying to achieve Millennium Development Goals (MDGs) the focus must be on the agricultural sector because it is the largest job provider. But what kind of agricultural policies should the government follow to attain (MDGs), should the government focus on the growth of small holder agriculture from which the majority of the rural people can get benefit and hence contribute to poverty reduction. Or should the government encourage large scale agriculture which is more dependent upon modern technology and hence more productive and more competitive.

Unfortunately, the government gave priority to large scale agricultural production either by privatizing large irrigated scheme like Al-Gazera scheme or by granting large plots of poor land to foreign investor to produce for exports.

The main agricultural tradable in which the Sudan has a comparative advantage in their production are ground nuts, sesame, Gum-Arabic, sorghum, cotton and sugar cane. But most of these crops depend on rain so the weather conditions determine the Sudanese economic performance making Sudan economy and its growth vulnerable to weather conditions. But the most serious problem facing Sudan economy is the problem of redesigning and transforming the inherited colonial economic structure which was based on producing and exporting a single commodity. In fact the legacy of the colonial state has affected post-colonial development to the extent that Sudan has become a classic case of economic dualism because the economy is comprising of two very different systems: an advanced modern economy that co-exist with a traditional backward economy and the two have very little contact with each other Thus, a substance system operate side by side with cash cropping reflecting unequal economic and social development, which divided the population between a commercialized sector which is integrated into world trade, and a self-sufficient sector that is not involved in trade , therefore all gains from foreign trade go to the developed modern sector. The existence of such a dual economy that consist of a modern and a traditional sector is a contradiction from the point of view of (SAPs), which promote export production. Thus, the last two decades has resulted in shutting off small farmers from international markets, only the modern agricultural sector has benefited from (SAPs), and smallholders or the rural people, the majority of whom are poor, have been negatively affected by (SAPs) which neglected the agricultural sector. The most recent literature revealed that, the agricultural sector neglect by the government has led many donor organizations to turn away from agriculture looking instead to areas that would increase the wellbeing of the rural poor such as health and education. By adopting the above mentioned modern sector promotion strategy, the government was aiming to remove dualism in the agricultural sector by removing smallholder from their land through privatization. In this respect the government was applying economic development thoughts that have prevailed before the application of (SAPS), i.e. In the 1950s and 1960s.These development theories were based on the fact that smallholders are poor, but they play an important role in the economy. Their production when taken as a whole is very large and their importance to economy is as follows:

1. They are huge reservoir of labour.
2. They are domestic and export crop Producers and source of foreign exchange.

But the problem of smallholder is that they are very poor and since removing poverty is one of the target of economic development as well as a target of (MOGs) of the (UN) and the (PRSIPs) of (WB) and the (IMF), it follows that smallholder should disappear in the process of (SAPs) implementation, this is the motivation behind the privatization of Al-Gazeria and other irrigated schemes. So as to eradicate poverty, the present government's agricultural policies, which encouraged large scale agriculture by privatizing irrigated schemes, aim at expelling smallholders from farming to find other occupations either in the trade or the service sector or even as wage workers in the agricultural sector.

In fact this is what has happened in the now development countries in removing dualism and poverty, but this policy has been very painful in the western countries, so would it be possible for the government of Sudan to obtain similar results at small coasts? It must be noted that the strategy of eliminating smallholders was abandoned in the 1970s under the pressure of the (IMF) and the (WB) (see Jane-Maic 1992, pp. 22-27)

4:2 Agricultural Policies Before SAPs 1955 - 60:

Because of its importance agriculture has been heavily interfered with by all political regimes in Sudan. All governments since the colonial administration spent large amounts of resources on agricultural development by investing in irrigation and in both physical and human infrastructure with the aim of increasing agricultural production for food and cash crops. However, since this study is based on before and after analysis, the review of the early agricultural polices is important because the discussion of the reform polices require to take into consideration pre-(SAPs) economic policies as its term of reference. Further such review of policies will show what kind of problems (SAPs) have to face, and will help us to find out the main causes for the deep economic crisis which led to the involvement of the international monetary institutions in the management of Sudan economy.

During the colonial rule there was a double depletion of Sudan economic resources, because the British used to buy agricultural commodities from Sudan at very cheap prices and sell finished good at high prices. To ensure the continuation of this process the colonial government followed a threefold agricultural policy:

1. Conservation of land and forests.
2. The attainment of self-sufficiency in food production.
3. Rapid expansion of agricultural exports.

The above mentioned agricultural policy has been achieved in the context of a modern export oriented economy and a backward subsistence economy that led to an uneven economic and social development.

After the Sudan got independence from the colonial rule in 1956 agricultural was the main source of national income and occupation as the GDP composition as (table 2:1) shows, but the dependence on agriculture made Sudan economy unstable due to the unstable international prices of the agricultural commodities. About 80% percent of the total population was engaged in agriculture. The small industrial share in the (GDP) reflects the colonial economic policy of discouraging industrial development. This situation means that Sudan economy is backward economy, because it was agriculture based economy at the time of independence, even today about 2/3 of the Work force engaged in agriculture, even the economic growth and employment in other sectors depended on the performance of agriculture to a great extent. All post-independence governments have put efforts to change this colonial economic structure. This objective has been reflected in all economic development plans implemented since independence including the Ten-year-plan (TYP) 1961-1970, the five-year-plan (1970-1975) and the amended five-year-plan of1970-1977. However, in order to make easy the review of the economic policies that has been implemented before

SAPs implementation it is useful to divide these policies into three periods.

Table: 4:1 GDP Composition 1955/56, heavy reliance on agriculture

Sector	GDP share
Agriculture	60.7
Transport	13.2
Government	06.0
Construction	05.7
Real state	02.9
Industry	01.1
Public utilities	0.4
Others	10.0

Source: African Economic Research consortium

4:3 The Period 1960 - 1969:

The economic policies which have been applied in this period were affected by the inherited economic model which was based on primary product production and export as well as affected by the development thinking of the 1950s. At that time the prevailing view was that, the objectives of high sustained economic growth can be achieved through the public sector that is Industry, not through the private sector i.e. agriculture . The application of such policy gave the government to take the leading role in devolvement so as to modernize the economy and the society through industrialization which require the adoption of inward-looking import Substation development strategy. The objective of such development strategy was to shift economic resource particularly lobour and capital from agriculture to the rest of the economic sectors so as to change and transform the colonial economic structure which depended on the agricultural sector only. With this objective in mind the above mentioned development plans, were designed.

However, in the decade of the 60s General Abboud government formulated an economic and social devolvement plan known as the Ten-Year-Plan (TYP) for the Fiscal-Year(FY) 1960-1970. Although the plan has not been carried on to its end, it has achieved a great deal of its objectives. The most outstanding achievement of the (TYP) was the completion of two dams: Al-Rosries and khashim AL-Girba irrigation dams together with a railway extension, other projects that include pump irrigation schemes along the White Nile including both public and private sectors. Also a number of agro-industrial project were established in different parts of the country with the aim of balanced regional development. This decade has witnessed an expansionary economic policy.

One of the most distinct features of the decade of the 60s is the expansion of the manufacturing sector which was agro-based, it was the achievement of this decade, and the public sector played an important role for the promotion and development of this sector which has contributed substantially to the changes of the production structure. Thus, the economy at independence also showed heavy reliance on agriculture, (see table 2:1) which indicate that agriculture was the backbone of Sudan economy, contributing by more than 60 percent to the (GDP).Although, the economic structure of Sudan after independence showed heavy reliance on agriculture. It was in the sixties that the composition of (GDP) changed as shown by table (2:2) which suggest that the

Table 4:2 GDP composition (average)

Period	**Agriculture**	**Industry**	**Service**
1960/1964	52.42	13.07	34.02
1965/1969	39.93	15.59	44.58

Source: Ndola and O'Connell (2000)

Composition changed reflecting structural transformation of the economy, as the figures in the table shows that the share of agriculture in the (GDP) has declined of industry and service increased. But in spite of the fact that the share of agriculture has declined but still agriculture remained the major job provider.

In addition to the economic development the (TYP) was aiming to achieve social development through investment in human development as a complement of economic development, for social development has impact on the work force particularly in the rural areas. In 1967 while the government was financing development projects, the civil war in the south have intensified resulting in resource shortage, so the government resorted to deficit finance and foreign borrowing, then abandoned the implementation of the (TYP).Table 4:3 below shows fiscal imbalances of the 1960s decade.

Table 4:3 government budget surplus/deficit (-)

Year	Surplus	Deficit(millions)
1961-62	-	15.17
1962-63	-	07.7
1963-1964	-	21.8
1964-65	-	8.8
1965-66	-	19.6
1966-67	-	16.7
1967-68	-	22.6

Source: MOF and: Annual Budgets

As shown by the table, the decade of the sixties has witnessed fiscal deficits over years due to the expansionary economic policy, where the government activities and development projects were financed by deficit finance which increased inflation and the internal debt.

However, in some cases deficit finance is justifiable particularly when the resources are used and spent on infrastructure and human development. Thus deficit finance can benefit the economic growth in the long run provided that it is used and spent on financing education , health and physical infrastructure to improve the supply side capacity of the economy i.e. Production.

Thus the economy of Sudan in the 1960s, despite major problems, performed quite well. This fact is reflected by the (GDP) composition that showed structural and employment changes of the economy (table2:2).The experience of the decade suggest that any sound economic growth is based on formulating the right economic policies and priorities for social and infrastructural development. In addition to this social and economic growth depends on maintaining of good governance, transpierce and accountability. The 1960s decade achievements were backed by these measures. Even the (IMF) and the (WB) have demanded these measure as a complementary policies of (SAPs) in 1996 and urged developing countries that implementing its reform policies to observe these measure when applying Their reform policies.

4:4 The Period of The 1970s:

This period starts from 1970 to 1978, and together with 1960s era represents the period before the adoption of (SAPs).This period will be taken as a terms of reference when evaluating the impacts of (SAPs) on the Sudanese economy by employing the before and after approach. Just like the period of the 1960s, the period of the70s witnessed a large dependence of Sudan economy on the agricultural sector. Further, the economic policies that were pursued in this period were socialist policies aiming to reverse the colonial economic structure of Sudan by broadening and diversifying the economic structure. Therefore, the government through quick and rapid measures changed the economic policies and political institutions that have been in place for decades. The most important change have been the land act of the 197o which abolished all communal land holdings and indigenous tenure systems and transformed ownership from communal to state ownership and reduced the authority of local leaders such as Nazirs to manage the land use.

To attain its aims the government introduced socialism as an economic policy in Sudan so as to achieve social equity through the redistribution of resources by means of government interventions in the economy. As a result the government role has increased through the expansion of the public sector which was a direct result of the nationalization of the transportation and baking sector. In the process of pursuing its social equity objectives.

The government increased its spending on basic social development needs such as health and education. Subsidies were introduction on certain stable food and price controls on some commodities.

The above mentioned expansionary economic policies were formulated by the government with the help of soviet planners in the first half of the 70s, so the government implemented a socialist style five- year plan (FYP) which identified industrialization as a key to economic growth, the plan flowed policies of promoting import substitution. Extensive state ownership of means production and distribution, and imports were subject to quantitative controls and high tariffs. However the Five –Year-Plan (F-Y-P) started from fiscal year (FY) 1970 to 1974. The major goals of the (FYP) were economic growth and social development through:

1. Development of education and health services.
2. Expansion of irrigated and rain fed agriculture
3. Expansion in cash and food crops particularly wheat
4. Expansion in non-grain food like meat, milk fisheries and poultry.
5. Realization of self-sufficiency through expansion of food processing industries.

However, the (F-Y-P) has failed to achieve its stated objective of 7.6 percent annual growth rate in gross domestic product (GDP) and was extended to the fiscal year 1977 due to financial problems for the government expenditure exceeded its revenue. As a result the government financed its development projects by deficit finance through borrowing from the Central Bank.

In the first half of 1977 the government formulated another development plan that is the Six-Year-Plan (6-YP) of economic and social development. The plan was aiming at increasing agricultural production and modernization of the traditional sector as well as development of the industrial sector.

4.5 The Impacts of The (F-Y-P):

The Five-Year plan has both positive and negative impacts on Sudan economy. The negative factors that contributed to the failure of the socialist economies is the badly defined property rights particularly regarding land tenure that resulted from the 1970 land reform law which considers all non-registered land as government land. This situation acted as an in proper incentive in the economy. If the property rights are not assigned clearly then the individual will not have incentive to work efficiently. Therefore efficient and sustainable agricultural and pastoral development has been severely constrained by the 1970 land act which limited access to credit for the majority of the farmers who can’t use land as collateral. Second, it does not provide incentive for sustainable land development and capital improvement.

However, the socialist economic policies of the 1970s have affected both directly and indirectly the agricultural sector through specific measure. The direct measures include the industrial sector development; the indirect measures are the exchange rate overvaluation and industrial protection for the new industries which are known as infant industries.

The industrial sector protection has penalized agriculture because it negatively affected its terms of trade, the exchange rate overvaluation have also penalized agriculture because most of the agricultural goods are tradable. The combination of industrial protectionism and exchange rate overvaluation implied bias against agriculture, that is because this type of direct government interventions in agricultural product prices taxed agricultural exports and protected imported substitutes like serials. Thus artificially cheap imports weakened farmer's incentives, so farmers lost form overvalued exchange rates.

Agricultural production pricing have produced negative effects on the agricultural sector in the decades of the 70s and 80s that is because the Sudanese economy was largely dependent on the agricultural sector for financing both the government activities and the industrial sector development. To ensure the achievement of this target the government has used marketing boards as revenue rising institutions.

With regard to the above mentioned objectives, framers are required to sell their produce to the marketing boards which are responsible for the purchase and marketing of exports. Under these conditions the produce prices are set with positive revenue margin for the board. The surplus used to finance the government expenditure not reinvested in the agricultural sector. Sometime famers were not paid for their produce and always producer prices were low so that the government expenditure maintained.

On the other hand, import- substitution strategy was adapted to harness development by adding value to raw materials and creating employment in the other sectors of the economy. Therefore, the government policies and resource were focused on the promotion of industrial development and the agricultural sector was thought of as reservoir from which the resources for industrialization could be squeezed. Thus capital, labour, and raw materials were obtained from the agricultural sector.

However, financing industrial development from the agricultural sector surplus has been viewed as a failure of the financial markets to intermediate between the agricultural and industrial sectors. This situation has severely hurt the agricultural sector. The successive governments' interventions in the agricultural sector has been the object of a lot of criticism in the literature and is usually referred to as urban base and viewed as waste of resources. Even there is an argument by many observers that if all the raw materials that produced were sold aboard the country would have benefited and earned more hard currency because the public-sector industry was subtracting not adding value to the materials it consumes.

However, marketing boards as state controlled institutions had negatively affected the incentive of farmers by extracting surplus from export crops. A good example may be illustrated by Gum Arabic Company. The table below presents domestic and export price for Gum Arabic.

Table 4:4 Domestic export prices of Gum Arabic

Year	Domestic floor price. L.s/ton	Domestic auction price L.s/ton	Export.
1969/70	10	13	255
1970/71	10	13	253
1971/72	10	14	255
1972/73	10	14	275
1973/74	18	24	938
1974/75	34	43	1.625
1975/76	20	29	1.250
1976/77	20	29	1.250
1977/78	20	29	1.250
1978/79	25	36	1.250
1979/80	28	40	1.380

Source: the Sudan Gum Arabic CO.LTD 20001

The table above shows how Gum Arabic Company implements floor price system which was very low because sales were made to local factories to encourage processing such as cotton which resulted in marketing boards losses and hence farmers losses. Therefore, It is fair to say that most marketing boards have not achieved the aims hoped for in terms of development of industry, but rather led to production and export reductions and encouraged smuggling and developed parallel markets. These are the negative elements of the (F-Y-P) that has achieved many development projects including AL-Rahad irrigation scheme, Kenanah sugar factory and many textile plants. Another achievement of the (F-Y-P) was the building of Khartoum- Port Sudan road as well as the expansion of education.

4.6: Industry:

As indicted in the literature industrialization in Sudan started in the year 1918 by the establishment of a cement plant. The establishment of this factory was followed by food processing industry which began in 1940 with vegetable oil extraction and soap production followed by ginning of Catton. At independence, the government passed the act of 1956 to encourage Sudanese and foreign investors.

As a government strategy, industrialization began in the 1960s when the (T-Y-P) formulated to diversify the economy by making use of the linkages between the agricultural and the industrial sectors to process local raw materials so as to diversify the economy and create jobs that is because economic diversification and job creation for the people can't be achieved through row material export only, but need a complementary development opportunities in both the industrial and service sectors.

Unfortunately, in 1961 it became apparent that the private sector lacked both funds and interest in investing in manufacturing that was necessary and essential for the national economy development. Therefore, the government decided to enter in the manufacturing field. This situation explain why in the 1960s many government factories were established the sugar factory in new Halfa, tomato cannery at Karema, onion dehydration in Kassala and cardboard in Aroma.

The government participation in manufacturing sector has increased in the 1970s. The objectives of industrialization in this decade was embodied in the (F-Y-P) as well as in the (6-Y-P) and there have been a heavy emphasis on inward – looking orientation through protectionist policies which has led to widespread inefficiencies in the manufacturing sector and a strong bias against agriculture and exports.

The inefficiencies of the manufacturing sector were attributed to many factors first, the non-agricultural manufacturing has no backward links to the domestic raw materials therefore it was dependent on imported inputs. Second, the small size of the market and the lack of competitiveness have contributed to the low capacity utilization. According to Oesterdckhoff (cited in Wholmuth and Dirk. 1987 , p.15) the total value added to the industrial sector at world market prices was negative and its capacity to create employment was low. However, despite its poor performance in the 1970s the process of industrialization has continued under heavy state protection. Thus industrialization has fallen short of achieving its objective of economic diversification despite the favorable treatment it has received. Import-substitution industrialization was one of the reasons that paved the way for the introduction of (SAPs) that reversed this process in the 1990s see (UNIDO,1985., p.2)

4:7 The Bread Basket Strategy:

The Bread basket strategy was another attempt to overcome the colonial economic structure by restructuring the export sector through processing agricultural commodities that include processing sugar and textile for export as well as promoting self-sufficiency in sugar and wheat. However, the motivation of the strategy was:

1. The US threat to ban wheat exports to Arab counties.
2. The rising prices of cereals and sugar.
3. The willing of Arab counties to finance the plan.

The objectives of this policy were embodied in the (6-Y-P) and targeted the development of the traditional agricultural poor; also the strategy was aiming at developing the industrial sector that uses local inputs. However, the objectives of the strategy were twofold; the first one was the development of the rural areas through the development of the agricultural sector. The second objective was the development of industry which is important for growth in the urban area. So, the strategy concentrated on agriculture and agro- industries to allow Sudan to export row materials and processed agricultural products.

One of the major weaknesses of the bread basket strategy, which was supposed to develop the traditional agricultural sector, is that it has neglected this sector because 88 percent of the total investment of the Six-Year plan was directed towards the modern sector indicating that the resource allocation dose not reflects the declared objectives of the strategy, (Dirk,1985, p.2). Therefore no wonder that by 1978 the implementation of the strategy was stopped due to the worsening macro-economic indicators that include internal and external imbalances for example the trade balance changed from surplus of L.S 6.5 mill in 1971/72 to a deficit of L.S 278.8 mill in 1987/79 Nashashibi (cited in Wohlumth and dirk, 1986, pp. 2-3) The external gab had resin to L.S 297.2 mill in 1970/79(IBRD,1983). Also the government deficit had increased from L.S 11.5 mill in 1971/72 to L.S 171.5 mill in 1977/78 (Umbada, Shaaeldin 1983, p 17) Many factors have contributed to create these imbalances particularly the balance of payment deficit which was a result of the declining quantities of exports this situation led to the negative development of export earnings. The deterioration of the export quantities was due to the reductions in traditional export crops and the decreasing productivity for tenants under the joint account system. Another factor which negatively affected the bread basket strategy was the shortage in foreign exchange which was a direct result of the reliance of the strategy on foreign finance. Thus, the bread basket strategy fell short of its objective that includes the attainment of self-sufficiency and restructuring of Sudan economy. Instead the strategy has worsened the already existing problems of Sudan economy, and has paved the way for the (IMF) and the (WB) intervention in Sudan economy. However, the decade of the 70s represents the period immediately before the implementation of (SAPs); therefore, it is a very important period.

4:8 Evaluation of The Period Before SAPs:

The period before (SAPs) implementation refers to the decade of the 70s. This period witnessed the implementation of command economic policies under government interventions in the economy. It is the era of socialism which was motivated by the objective of redistribution for equity through government intervention in the economy. The socialist policies were successful when measured by their results in terms of social and economic development. Further, although these policies are not growth oriented they have achieved positive economic growth as indicated by the table below

Table 4:5 GDP growth rates

Year	**Growth rates %**
1970	5.9
1971	2.2
1972	-
1973	0.6
1974	1.4
1975	5.5
1976	6.7
1977	6.6
1978	5.9

Source: WB indicators 2006

According to the table the (GDP) growth rate on average was 4.6% from 1970 to 1978, this growth rate was attributed to the peace agreement of Addis Ababa and the foreign aid and investment that poured into the country during this period, this situation indicate that the socialist expansionary economic policies has brought about economic and social development un- like the contradictory economic policy (SAPs) see (Dirk, 1985, p. 14).

However, until the 1970s the command economic policies were successful. Social development received the immediate attention of the development plans that were formulated during this decade the table, below shows the educational achievements of the 1970s.

Table (4:6) Sudan educational achievements over 15 year 1960-1980

Year	% of population with no schooling	% of population with first level of schooling	% of population with post secondary schooling
190	87.3	12.4	0.41
1965	85.3	14.5	0.2
1970	82.2	17	0.3
1975	79	20.8	0.5
1980	74.3	25	0.7

Source: African Economic research consortium 2002

The table above indicates improvements in the quality and quantity of education reflected by the increase of population with different levels of education and the average years of schooling. Education is important in supporting the infrastructure of a country. Having good quality and reliable education is very important to the success of economic and social development,(Ali,1994).

In the 1970s the period immediately before the adaption and implementation of (SAPs) the government expenditure on education exceeded its revenue, and its efforts to finance the gab from tax revenue did not succeed, as a result the government has borrowed from the Central Bank and external donors to finance infrastructure and social development as result of this deficit finance the internal and external deficit as well as inflation has increased leading to a deterioration of the economic situation.

One of the most important impacts of this decade is the economic transformation of Sudan economy. The table below illustrates the changes in the structure of production and employment that took place in this period see (table 2.6) below.

Table 4: 7 shares of economic sectors in GDP 1970-78

Year	Agriculture	Industry	Services
1970	43.6	14.4	42.0
1971	44.6	13.3	41.7
1972	44.2	13.5	42.3
1973	44.9	13.6	41.5
1974	44.4	13.8	41.8
1975	40.6	14.0	45.4
1976	38.8	13.5	47.7
1977	39.9	12.4	47.7
1978	39.0	12.4	48.6

Source: WB (WB indictors 2006)

In 1956 the GDP revealed heavy reliance on the agricultural sector (see table 4:1) the share of agriculture in the (GDP) was more than 60% in the 1970s the composition of the (GDP) changed greatly, the share of agriculture declined as shown by the table the share of industry increased but not sharply, that of services increased sharply. These changes have reflected in the employment distribution among the economic sectors.

Another observation about the (GDP) composition is that, although the share of agriculture in the (GDP) has declined but still agriculture remained the major sector that offers employment in this period, also the share of industry in the (GDP) reflects the fact that most of the agricultural commodities have been exported as raw materials. Thus, the expansionary economic policies of the 1970s was ended by the implementation of the beard basket strategy that has brought positive economic growth and was accompanied by internal and external imbalances, as well as an increase of both foreign debt and inflation leading to the intervention of the (IMF) and the (WB) in Sudan economy.

However, by the end of the 1970s the period of optimism and good economic performance has come to an end due to internal and external shocks that hit hard the country bringing economic deterioration due to the oil price rises. The internal shocks brought about government budget and balance of payment deficits, but the most serious internal shocks were the result of economic mismanagement and official corruption that blocked economic and social development in the country. In 1978 the implementation of the bread basket strategy was stopped because of worsening balance of payment and other domestic imbalances.

The inability of the government to control the growing imbalance and rising foreign debt and inflation led the government to request the (IMF) financial assistance to tackle the economic crisis.

4.9: The First Wave of SAPs in Sudan:

The first generation of the (IMF) reform policies introduced in Sudan, were demand management policies known as economic stabilization policies, they are short-tem measures directed towards temporary macro-economic imbalance to enable Sudan to repay its debt. In order to attain this goal the (IMF) used its reform policies to make changes in policy process, legislation and institutional reforms so as to make the economy more productive. The program took the form of free-market policies which include removing trade barriers, privatization of national resources and government industries, devaluating currencies and changing the national laws to create conducive environment for investment. Thus, the focus of the (IMF) measure was on domestic policies so as to control inflation and manage government budget and balance of payment.

However, the early generation of (SAPs) was introduced in 1978 with the aim of enabling Sudan to repay its foreign debt that was accompanied by inflation, budget and balance of payment deficits. According to the (IMF) the deficits can’t be financed by either tax revenue or foreign credit that is because the origins of the deficit lie in the expansion of the uncontrolled government expenditure. The only way to restore macro-economic balance, in the short- run, is to reduce aggregate consumption including government expenditure. This measure has affected and imposed burden on large groups of the population particularly at that time the (IMF) measure were not accompanied by social safety measures to protect the vulnerable and the poor so as to make the burden fairly shared among the different sections of the society.

However, the (IMF) diagnosed Sudan economic crisis as follow:

1. Economic growth slowdown resulting from an overvalued currency, trade barriers and government control of prices, wages and markets.
2. Inefficiency of the public enterprises.
3. Discouragement of the private sector.

From this diagnosis the (IMF) prescribed its medicine that includes:

1. Currency devaluation to make export profitable imports more expensive.
2. Credit ceiling.
3. Budget deficit reductions.
4. Removal of subsidies.
5. Reduction of spending on basic services such as health and education. (Dirk, 1985 ,p p. 5-12)

It is evident that the above mentioned measure are demand management policies that aim at aggregate consumption reduction, because the (IMF) wants to make Sudan repay its foreign debts as quickly as possible. In fact the easiest way to perform this task is through aggregate consumption that can be reduced easily and quickly through reductions in public spending and money supply control.

Demand management policies tend to be the focus of the first attempts at correcting macro-economic imbalances, but Sudan economic crisis is one of supply management i.e. production increase, but the (IMF) focused on demand management that is aggregate consumption reduction, just because the change in supply side is more difficult and slow to implement. So, for the sake of the short run objectives, the most structural changes that can increase production and exports have been sacrificed.

Thus, the first wave of the (IMF) reform policy which is macro-economic stabilization, has viewed Sudan economic crisis as a problem of fiscal budget and balance of payment problems together with foreign debt crisis. Therefore, it is evident that these measures have not taken into consideration the weak and inappropriate Sudan economic structure and institutions.

This situation has been reflected in the poor performance of the stabilization policies because the stabilization measures were not designed to change the economic institutions of Sudan that has been in place for decades, particularly the government controlled marketing institutions which deprived framers from incentives to increase production and exports that remained untouched during the implementation of the first wave of (SAPs). Even the seven currency devaluation which took place during the implementation of the stabilization measure with the aim of increasing production and the competitiveness of tradable commodities did not stimulated farmers to increase their production that is because the government through its marketing boards kept agricultural prices at a very low level compared to international prices.

However, as the debt crisis deepened and the rate of inflation increased, it became clear that the stabilization program of the 1970s proved not to be working, revealing that short-term economic management through monetary and fiscal policies had serious limitation, because the macro-economic imbalances have their roots in the structure of the economy. This fact called for a review of stabilization policies and their appropriateness for achieving economic growth. Thus, structural adjusting policies were introduced by the (WB) in the 1980s as supporting and accompanying policies of the (IMF) measures.

4:10 The (WB) Measures:

In the 1980s when the (IMF). Short-term economic stabilization policies proved not to be working; the (WB) introduced its structural adjustment policies as complementary measure to the (IMF) stabilization policies. The general idea behind (SAPs) is that the debt crisis is a result of inadequate economic structure, and the solution to this crisis is to redesign the economic structure by changing the economic institutions and the incentive structure. The (WB) policies are directed towards the long-run economic growth. The components of the (WB) measures include privatization of the public sector to correct price distortions, liberalization of financial markets, trade liberalization and prices decontrol with the aim of diversifying exports and improving their competitiveness by restoring the incentive structure in favor of exportable goods. Another objective of the (WB) policies is the minimization of the state role in the economy and its excessive spending on non-productive activities that led to the inefficient use of the scarce resources. So the (WB) measure has reduced the government control over the domestic economy so as to increase the role of private sector. The (WB) diagnosed the Sudan economic crisis as follows:

1. The state intervention in the economy through the public sector and discouragement of the privet sector.

2. Loss making public sector enterprises.

3. Shortage of skilled and unskilled labour.

4. Lack of infrastructure.

According to this diagnosis the (WB) presented its export oriented production solution that includes:

1. Rehabilitation of the public sector projects so as to increase their production potential.
2. Removal of price and cost dissertations.
3. Removal of price controls so that the price system reflects the scarcity of resources in the economy.
4. Liberalization of production relations in the government agricultural schemes by replacing the joint account system with individual account system as well as land and water charges.
5. Reallocation of land from food crops to cotton and ground nuts to earn foreign Currency. (Dirk, 1985, p 7)

It is clear that the (WB) strategy is export oriented strategy. Since the debt must be paid in hard currency, then the (WB) want from Sudan to produce agricultural export commodities to be sold in hard currency so as to enable Sudan to repay its foreign debt.

Unfortunately, the (WB) (SAPs) proved to be unable to promote exports for many reasons including the incomplete implementation of these polices. Also, the measure has not taken into consideration the weak and the inappropriate economic structure of Sudan economy that consist of a dual agricultural sector consisting of a modern commercialized agriculture and traditional self-sufficient agricultural sector. Despite the fact that more than half of the total agricultural output is form the traditional sector (SAPs) neglected this sector, so a significant contribution by this sector, that can help to correct macro-economic imbalance, has been forgone. (SAPs) are export oriented policies and the existence of such a dual economy indicate that Sudan economy is not ready for market economy (SAPs) focused on the modern agricultural sector and neglected the traditional sector. This situation has been reflected in the miserable performance of the agricultural sector as indicated by the table below.

Table 4: 8: Annual growth rate of Agriculture

Year	Growth rate %
1982/1983	8.8
1983/1984	4.6
1984/1895	13.2
1985/1986	20.3
1986/1987	0.6
1987/1988	13.8
1988/1989	27.0

Source: Ministry of agriculture and forest, Government of Sudan

As the table shows, the performance of the economy has been disappointing, the reasons behind this poor performance is the neglect of the traditional sector and the incomplete implementation of (SAPs) because modern agricultural sector remained under the state control through the marketing boards that has not been privatized. Also the government controlled farm gate price of export crops, these measure resulted in depriving framers incentive to increase production and exports. The performance of the agricultural sector was poor during the first wave of (SAPs) 1978/1985.

4:11 Industry and (SAPs):

Before the introduction of (SAPs), Sudan tried to industrialize its economy through import substitution strategy by using trade barriers to protect its local industry from foreign competition, but (SAPs) measures prevented the protection of local industries, the result was wide spread de-industrialization that contributed to the increase of the rate of unemployment. Further, cheap imports from Asia and China eroded the competitiveness of the local production. According to (Umbada and Shaaeldin, 1983, pp 17-18), the industrial sector had been affected by devaluation because Sudan industry was heavily dependent on imported inputs. Therefore, prices of industrial products raised considerably, protection declined for most commodities, and the capacity utilization rate for most factories was below 20 and40 percent. The performance of the industrial sector has declined after the implementation of (SAPs) in the 1980s the average was 7.8 percent which was below the level of the 1970s when manufacture sector contributed 13.2 percent to (GDP). Thus, with the deterioration of the industrial and agricultural sector, the size of the service sector has increased as indicated by the table below:

Table 4 .9 shares of economic sectors in GDP 1970/1985

Year	Agriculture	Industry	Services
1970	43.6	14.4	40.0
1971	44.6	13.7	41.7
1972	44.2	13.5	42.3
1973	44.9	13.6	41.5
1974	44.7	13.8	41.8

Table 4 .9 cont.

Year	**Agriculture**	**Industry**	**Services**
1975	40.6	14.0	45.4
1976	38.8	13.5	47.7
1977	39.9	12.4	47.7
1978	39.0	12.4	48.6
1979	35.5	13.3	51.2
1980	32.9	14.1	53.0
1981	36.4	14.3	49.3
1982	36.9	14.6	48.5
1983	33.7	15.3	51.0
1984	30.7	16.0	53.3
1985	33.5	16.5	50.0

Source: Central Bureau of Statics

As indicated by the table above, the sector composition of the (GDP) is dominated by the service sector particularly after the implementation of (SAPs) moderate growth of agriculture and poor performance of industry means most of Sudan economic growth after the implementation of (SAPs) came from the service sector growth. In 1978 the growth rate of the service sector was 46.6% and 1984 the service sector growth increased to reach 53.3%. This fact suggests that the growth process in Sudan after the implementation of (SAPs) is fragile.

Another observation regarding economic growth is that, the share of agriculture declined after the implementation of (SAPs) compared to the period before the implementation of (SAPs) 1970 to 1978, but the pattern of decline is not uniform, some periods recorded fluctuations for the period 1979 to 1982, the share of industry has raised but slowly since 1980. A third observation is that the sector composition of the Sudanese economy has not been accompanied by structural transformations.

Nevertheless, agriculture has remained the dominant production sector in terms of employment and income generation, as indicated by the table. The economy of Sudan before the implementation of (SAPs) has performed quite well with relatively stable macro-economic environment, increasing industrialization, human and physical infrastructure were improving.

However, since(SAPs) aim to achieve economic stability, then the best way to evaluate its impacts is to look at the situation of macro-economic indicators, that include economic growth, inflation, and foreign debt burden as follows :

1. GDP growth rate:

A common measure of success has been to evaluate (GDP) growth rate as an overall measure of economic health. Table (2:8) shows the (GDP) slowdown in real economy sectors i.e. agriculture and industry and an increase in the service sector during the implementation of (SAPs). Extending the criteria of success to include social indictors we find the reduction in government expenditure was at the expanse of economic and social development. The share of basic needs that include health and education has decreased in the period 1977/1978 from 8.5 to 2.8% in the year 1983/84 (Umbada/ Shealdin,1983, pp. 17-19). Reduction in government expenditure affected public investment and the welfare of different groups in the society.

2. Inflation:

Curbing inflation is one of economic stabilization policies objectives but the rate of inflation has increased worsening the economic situation of the people particularly the small holder farmers and wage earner, because the purchasing power of their incomes decreased due to the sharply increasing rate of inflation see the table below.

Table 4:10 rate of inflation 1971-1985.

Year	Rate of inflation	Year	Rate of inflation
1971	1.2	1979	22.0
1972	8.1	1980	28.4
1973	15.2	1981	31.7
1974	14.1	1982	50.7
1975	20.0	1983	47.2
1976	17.7	1984	28.4
1977	20.0	1985	28.7
1978	-1.5		29.5

Source: Central Brue of Statics

The table shows an average increase of about 12% per annum inflation in the period before the implementation of (SAPs) compared to annual rate of increase of 33% per annum in the period after the implementation of the reform policies.

Thus, the data on inflation shows that the objective of curbing inflation has not been met. Further the rising inflation has lowered economic growth by lowering the contribution of the agricultural sector to the (GDP). In a situation of high inflation farmers will not be able to accumulate capital so as to increase farming areas to expanded production so they will not be able to play the role assigned for them by (SAPs) to increase economic growth.

1- The Debt Burden:

Over the period from 1978 to date the external debt burden for Sudan has grown to the extent that the debt has become impediment to economic growth and social development. Sudan foreign debt increased by 109% from 1978 to 1983 to reach 6.56 bl., this outcome contradicts the goals of the (IMF) policies which were supposed to reduce debt burden. Thus, the first wave of (SAPs) failed to achieve its goals, but rather it has worsened the already existing balance of payment defect, rising inflation and foreign debt.

4:12-The second Wave of (SAPs):

A lot of literature indicate that this period started in the 1990s after the coup d'état of1989. The new government formulated a different economic policy with the aim of reforming the reform policy of (SAPs) that had been in place since the 1970s.The plan designers has argued that the economic strategy should be based on the spiritual values of the country. The new government was implementing what it called real independence from western economic, political and cultural domination. Further the new government implemented an economic policy that aim at achieving food security and self-sufficiency in wheat by expanding its area at the expense of the area devoted to cotton. In this respect it is important to note that the natural endowment of Sudan can not to produce wheat widely and efficiently. Therefore, the government was supposed to link food self-sufficiency to the country's production capacity because if the consumption habits rely on imported wheat then Sudan will not be able to achieve food self sufficiency. However, the new government measures were expressing hostilities towards the IMF and the (WB).

Thus, the new government polices created a hostile environment for Sudan that led to shutting off Sudan from the global economy and exposed Sudan to sanctions. At the background of these events the (WB) suspended financing 15 development projects, further the (IMF) responded violently by declaring Sudan as non-cooperative and suspended Sudan right to vote,(the right was restored in 2000), further, the (IMF) took the unusual step by threading to expel Sudan from the membership of the international monetary institutions. To avoid confrontation with the international financial community the new government quickly reversed its economic strategy which was known as the comprehensive national strategy by accepting to implement all the components of (SAPs) in a very short time even without financial support from the (IMF) or the (WB).

4.13: The 1990s and SAPs:

In the 1990s as a respond to the (IMF) retaliatory measures, the government implemented a home grown (SAPs), they are fully owned by the government. They are neither supported nor negotiated by the (IMF) or the (WB). They are harsher than the (IMF) / (WB) version of (SAPs), the new government did not implemented (SAPs) in the proper time because they were implemented in a period dominated by the 1990 civil war and its aftermath.

The program targeted fiscal deficit reduction without protecting social expenditure like government spending on health and education Also the components of the program were not properly sequenced therefore, the elements of the program did not worked in support of each other and they were not complemented by parallel complementary measures like transpierce, good government and accountability, these measures play an important role in the success of any program.

Although the reform policies of the 1990s were designed and owned by the government they were not country specific they were not designed in accordance with the economic, social, and political conditions of Sudan so the harmful side effects of the policies were more severe than was expected, that is because the planers of the reform policies have not taken into consideration the trade-offs between short-run and long-run costs and between economic and social objectives. Second, the self-imposed (SAPs) were implemented in a period dominated by official corruption that has become public knowledge. The Auditor General annually presents his reports in the national assembly. The reports reflect many cases economic mismanagement. In this respect it has been argued that (SAPs) encourage corruption by marking the government accountable to the (IMF) and the (WB) instead of its own people. Therefore the Potential for unaccountability and corruption increased. Also there is argument that corrupt governments have borrowed money from the (IMF) and the (WB) or directly from various donor nations and ended up using that money to pursue conflicts for arms deals or to divert resources away from their people, in most cases this has been done with the support of various rich countries due to their own national interests, corruption has resulted in misuse of scarce resources and led to underdevelopment of many countries, (see Oxfam, 2000).

The most serious problem about the home grown (SAPs) is that they were not gradual enough so that they can enable the negatively affected groups to adapt to them and accept the change but rather they were quick and rapid, the restructuring was implemented without consideration to the capacity of the people and the country to bear the coasts, particularly the social coats. In a country where the majority of the population is extremely poor such policies can't be imposed in such way. . However, adjustment above all is a political process because the elements of the policy are shaped by the agenda of the creditors and the ruling class within the adjusting country to defend and promote their own narrow interests.

In the 1990s i.e. during the second wave of (SAPs), economic growth was derived by oil revenue, the dependence on oil revenue led to the negligence of the other productive sectors mainly agriculture and industry. Unfortunately the oil revenue was not used to diversify the economy; it neither improved the welfare of the population nor the repayment of foreign debt.

The heavy dependence on oil revenue has led to Dutch-Diseases in Sudan economy because it prevented diversification of exports. In fact the Sudanese experience and the Dutch one (in this respect) are not comparable, because what has happened in Holland is quite different from what has taken place in Sudan, the Dutch disease in Holland was the result of an economic policy that designed and implemented by the Dutch national government. But in Sudan it was the outcome of an economic policy that has been imposed by an outside institutions the (IMF) and the

(WB) who encouraged developing countries, including Sudan, to export the commodity in which they have comparative advantage. Thus, (SAPs) discouraged economic diversification and focused on the commodity that bring foreign currency to service foreign debt by depending on the export of a single product. Accordingly, what has happened in Sudan is not Dutch disease, but rather it is (SAPs) diseases. Another point regarding the Self-imposed (SAPs) is that since the 1990s Sudan was isolated and subjected to sanctions from US and EU, this situation has severely affected economic growth.

This is the environment in which the Sudan home grown (SSAPs) were designed and implemented. So, there is no surprise that the reform policies did not worked properly to achieve its declared objectives of stabilizing and restructuring the economy.

4:14 Evaluation of the Second Wave of (SAPs)

Since the second wave of (SAPs) in the 1990s was designed to correct imbalance in macro-economic factors then the yardstick of accessing this policy is to investigate the performance of the macro-economic indicators that include:

1. Economic Growth:

The table below shows positive economic growth for the period 1990 to 2012, the growth rates is not uniform there is fluctuations but not very high. The positive growth rate is accompanied by high rates of inflation and government budget deficit the positive growth rate has been achieved at the expense of social welfare as indicated by Sudan economic memorandum (2003) that revealed the following:

High economic growth but skewed distribution, Stabilization has been costly in social terms; expenditure was cut by more than 50 percent relative to (GDP), causing considerable reductions in social services. Key services were delegated to states and local communities which had neither resources nor the administrative capacity for these tasks.

Table 4.11: GDP growth, Inflation, Poverty rate, and foreign debt bl 1990- 2016

Year	Agriculture	Industry	Service	Inflation%	GDP%	Foreign Debt	Poverty%
1990	30.3	15.4	54.3	65.3	5.4	15.3	79
1991	28.7	`17.5	53.85	119.1	7.9	15.8	-
1992	33.9	17.1	49.0	156.7	6.5	16	-
1993	38.1	17.3	44.6	181.5	1.5	16.3	91
1994	40	16.5	43.5	114.5	1	17.2	-
1995	43.1	15.8	41.1	64.5	3.9	19	-
1996	43.3	13.5	43.1	109.8	5.9	19.4	-
1997	46.4	11.9	41.7	48.4	10.5	19.3	95
1998	39.6	15.2	45.2	18.7	6.4	20.4	-
1999	36.6	13.1	50.3	18.9	6.7	20.4	-
2000	39.8	20.0	40.2	7.8	8	20.5	-
2001	40.6	20.1	39.2	4.4	6.3	20.7	-
2002	41.2	19.4	39.4	6.9	6.5	23.6	-
2003	42.1	20.4	37.5	6.2	6	25.7	-

Table 4.11, con.

Year	Agriculture	industry	service	Inflation	GDP	Foreign debt	Poverty rate
2004	39.3	24.6	36.1	9.5	7.2	26.7	-
2005	39.0	28.0	32.0	8.6	8	27	-
2006	36.8	27.5	35.7	7.2	10	28.4	-
2007	35.3	30.6	34.1	6.2	10.5	31.8	-
2008	29.3	29.2	41.5	14.3	7.8	33.8	-
2009	31.1	23.9	45	11.2	6.1	35.6	46.4
2010	31.3	23.3	46.4	13.0	6	37.4	-
2011	28.9	26.5	44.6	20.1		37.1	-
2012	30.4	24.6	45	31.5		43.6	-
2013	33.6	27.4	39.0	37.1	4.4	34.8	-
2014	31.5	16.8	51.7	37.9	3.6	46.6	-
2015	3.1	28.9	20.4	50.7	3.5	49.4	-
2016	3.1	30.1	19.7	50.2	3.1	50.1	-

Source: Central Bank of Sudan and Central Bureau of Statistic.

The table shows high economic growth which has not been trickled down to the poor, this in turn suggest that the home grown (SAPs) has achieved its expected short-term objective of causing daily hardships to the people through its austerity measures, but it has failed to achieve its long-term objective of changing the economic structure because agriculture still remained the leading productive sector. In fact this is not economic growth but rather it is income redistribution

However, the self imposed reform policies have failed to improve exports performance and also failed to reorient the productive structure of the economy as the table (2-10) suggests.

The Service Sector: as the table shows its share in the GDP increased from 1990 to 1995 and again from 2000 to 2011 the sector has dominated the (GDP) composition. This situation indicates that agriculture is no longer the leading economic growth driver. But rather it is the service sector that led to the economic growth and is followed by the agricultural and the industrial sectors respectively. This situation is the result of oil production becoming the focus of the government policies. Unfortunately the service sector products are not exportable.

Another factor that has contributed to the expansion of the service sector is that the rapid increase in the number of new banks whose activities have monetized Sudan economy. The non-productive nature of the activities of these banks has increased speculation and discouraged production and development, the activities of these banks has increased the rate of inflation. Further, the services produced in this sector are not exportable.

The purchasing power of the Sudanese pound decreased to the extent that the Sudanese pound deprived from one of its most important functions of money that is money as a store of value, as a result people resorted to real state, gold, and foreign currencies to protect the value of their assets form erosion.

A third observation related to the expansion of non-productive activities that led to the expansion of the informal sector is the government agricultural policies that discouraged this sector. Sudan has a comparative advantage in producing many export products that can contribute to the (GDP) growth, correct internal and external macro-economic imbalances, control inflation, repay foreign debt, and contribute to poverty reduction.

Unfortunately, this comparative advantage has not been exploited because the agricultural policies were highly politicized, preferences was given for wheat cultivation in irrigated areas at the expense of export crops that provide employment and income to the rural population.

The aim of this policy was to attain self-sufficiency. While the traditional sector was neglected, the government has disengaged from the irrigation sector development and management, the role of the government in this subsector was delegated to the so called organized water users association. As a result, there was shortage in irrigation water in the irrigated schemes. This situation resulted in farmers abandoning their land and the agricultural sector and leaving to urban areas in search for non-farm employment. Thus, the self-imposed (SAPs) acted as a major mechanism in the urbanization of Sudan .It has led to country wide migration towards towns and increased the informal sector which in turn contributed to the service sector domination in the (GDP) composition. What can be learned from this experience is that a good understanding of the drivers of economic growth is important for economic policy formulation. An economy that depends on the service sector such as the Sudan economy is vulnerable to changes in the financial and trading services.

2- Inflation**:**

Economic Theory tells that inflation is not a decision of economic policy, but rather it is result of a number of decisions. In some cases inflation is viewed as a second best and a way of avoiding a more dramatic situation. However, inflation is one of the targets that (SAPs) aim to control, but after the application of the reforms for more than two decades, (SAPs) does not resulted in decreasing inflation , but rather inflation has escalated as indicated by the table (2.10). In the period from 1990 to 1998 inflation increased to an average rate of 85 percent annually drastically reducing the parching power of the Sudanese pound so that people were impoverished and many basic commodities become unaffordable and inaccessible.

The causes of inflation in Sudan are many, among them is the uncontrolled government spending and the miserable performance of the economic productive sector particularly agriculture and industry. Other factors that contributed to the rise of inflation is the incomplete implementation of the reform polices the government controlled the exchange rate prices and kept the value of the Sudanese pound higher than its real value. This situation has created parallel markets and increased inflation.

The government was supposed to allow the exchange rate to play the role assigned to it by (SAPs), through devaluation of the local currency. Exchange rate deprecation is an essential component of (SAPs), it is the most important factor in deciding the success of (SAPs), but the fixed and overvalued exchange rate imposed tax on the agricultural sector and undermined production incentive through price and marketing controls. Further devaluation strengthens market mechanism which send signals that reflects resource scarcities. Foreign exchange and domestic savings are scarce in Sudan, and their prices were supposed to reflect their scarcity so that they can be efficiently used. But the government through its economic policies disregarded foreign currency markets liberalization and kept its local currency value higher than its real value which led to skyrocketing inflation rates, so (SAPs) did not led to inflation control. Further there is no co-ordination between the government monetary and fiscal policies, while monetary is an expansionary one based on printing money the fiscal policy is a contradictionary economic policy based on austerity measures.

4.15 Foreign Debt:

Sudan is a heavily indebted poor country and considerable amount of its income, is spent on the debt servicing every year. Initially the huge amount of the debt was the result of the rich countries encouraging the developing countries, including Sudan, to borrow so as to finance their developments projects, in 1979 The US and Western European countries raised interest rates so as to control inflation. By the 1980s developing countries, found themselves had to service large debts, at the same time the prices of commodities decreased in world markets.

However, the external debt is one of the major problems that Sudan currently facing. The total external debt of the Sudan as at Dec 2012 is estimated by the (IMF) to be 43.6 bl. The debt continued to grow in spite of cutting spending on education and health. by more than 50 percent, as the table below shows the debt stock that kept on growing has become a major obstacle to economic development, investment and property reduction , indicate that the debt was not used efficiently ..

Table 4. 12 Foreign, Debt 1993- 2016

Year	Total debt
1993	16.321
1994	17.194
1995	19.062

Table 4. 12 Cont.

Year	Total debt
1996	19.451
1997	19.357
1998	20.483
1999	20.547
2000	20.521
2001	20.797
2002	23.608
2003	25.710
2004	26.784
2005	27.006
2006	28.457
2007	31.873
2008	33.542
2009	35.687
2010	37.450
2011	37.100
2012	43.600
2013	34.8
2014	46.6
2015	49.4
2016	50.1

Source: central Bureau of Statics / IMF

As a result of a need for shared responsibility to solve the debt crisis that face developing counties , many attempts were made by creditors to solve the problem of the debt crisis for example in the 1970s debt payment were rescheduled but with interest added to the principle leading to an endless cycle of indebtedness. This attempt did not succeed to solve the debt problem.

In 1996 creditors introduced the Heavily Indebted Poor Country Imitative (HIPICs) which targeted low income countries as beneficiaries provided that they comply with the harsh austerity program contained in (SAPs), many countries have found that it is difficult and unfair to abide by these conditions. As a result, they were considered not in compliance with the demands of the (IMF) and the (WB).Very few countries benefited from (HIPICs). Sudan is not among them.

Sudan debt crisis made the country vulnerable to external pressures. The (IMF) and the (WB) who forced Sudan to implement their policies promised Sudan debt relief provided that Sudan allow the people of South Sudan self-determination. After South Sudan become and independent state the (IMF) and the (WB) did not honoured their promises. The benefits of such debt cancelation, that link debt forgiveness to dividing the Sudan into two states, do not deserve such coasts even if it has been materialized.

Hypotheses Testing

Model Analysis:

Researches use different models to test hypotheses variables. But not all researches need study measures because some researches depend on observing the results of an event in the field and then draw conclusions based on theoretical framework. Other studies may use statistical test.

When there is outside factors affecting the results then these exogenous factors limit the confidence placed on the studies' findings. Further, complicated statistical tests do not necessarily produce better results because the performance of (SAPs) in Sudan is affected by outside factors, for example when we use statistical test if the situation improved or worsened we may wrongly conclude that the change in the situation is a result of (SAPs). This is incorrect conclusion because there are outside factors affecting the outcomes, so the variable examined reflects the effects of the outside variable not that of the program. To avoid the limitations of the statistical test models as well the problems of the early models this study will use the descriptive statistical model based on before and after approach, also the study will extend the criteria of testing (SAPs) effects to include non- economic indicators i.e. social indicators to provide comprehensive examination of (SAPs) so as to capture the effects of economic growth on inflation, poverty, and foreign debt reduction. The descriptive statistic have the advantage of providing empirical materials to draw conclusions based on comparative test that show increase or decrease in the variables in the process of testing the study hypotheses as follows:

1- The first hypothesis predicts that Sudan self imposed Structural Adjustment Program which is neither negotiated nor financed by the (IMF) will not reduce inflation.

The period before the implementation of (SAPs) was a period of positive economic growth despite the fact that the economic policy was not growth oriented policy. The growth rate of the pre- SAPs period was %5.6 in 1992 and inflation rate was %156.7 which was the highest rate table (4.11) in contrast immediately after the implementation of (SAPs) in 1993 inflation sharply increased to reach %181.5 and economic growth dropped to reach %1.5 reflecting the short- run effect of the program. The pre- (SAPs) era witnessed high economic growth with relatively low inflation rate. During this there was no economic sanctions, see table: (4.11).

In contrast, after the implementation of (SAPs) all this have changed. One of the most crucial conditions of the implementation of (SAPs) is local currency devaluation and the reductions of the aggregate expenditure, these two variables are critical policy variables affecting the rate of inflation. Unfortunately, the government violated this condition, both the fixing of the exchange rate and the government over spending resulted in high rates of inflation, instead of decreasing inflation (SAPs) implementation increased inflation, For example, as indicated in 1993 immediately after the application of the self- imposed (SAPs) inflation increased sharply to reach an all time high rate of 181.5%, then inflation started to decrease but unfortunately, at the expense of social development. In 2011 South Sudan became an independent state taking two third of the oil revenue with it, indicating that the reduction of inflation was not the outcomes of (SAPs) implementation, but rather it was the result of the huge capital inflows and the revenue from oil exportation, as the increasing rates of inflation from 2011 up to now indicates. In 2016 inflation increased to reached 36% but unofficial calculations reveals high rates.

In fact inflation in Sudan reflects the combined effects of the government uncontrolled unproductive spending, deficit finance, removing subsidies from basic commodities, and printing money to buy gold from the local gold miners. These factors produced high rates of inflation reflecting the government non- commitment to the program. Thus, most of the causes of inflation are not related to (SAPs), but rather they are related to exogenous factors.

2- The second hypothesis predicts that (SAPs) will not reduce poverty despite the high rate of economic growth.

Before the implementation of (SAPs) poverty rate was %78 in 1990.

In contrast immediately after the implementation of Sudan self-imposed (SAPs) in 1993 poverty intensified and increased to reach 91, indicating that poverty was next to the implementation of (SAPs), then inspite of the robust GDP growth that reached 10.5% in the year poverty continued to increase to reach 95% in 1997 see table (4.11). However, the record high economic that averaged 7.6 % from the year 2000 up to 2009 was supposed to increase the incomes of the people and reduce poverty as (SAPs) assumed, table (4.11). Unfortunately, inspite of the record high economic growth the majority of the population remained in extreme poverty. In fact the source of economic growth do matter, the government relied on the revenue from oil and gold, (both are capital intensive sectors) and neglected agriculture where the poor find employment. Another reason that contributed to the high rates of poverty is the government spending on the civil war, for example in 2004 the expenditure was 40.3% of the total government budget and the expenditure on human development was 3.4% another exogenous factor that not related to (SAPs) is the wide spread official corruption. According to the 2016 corruption percentage index reported by Transparency International Sudan is the 170 least corrupt nations out of 175 countries. There is no current estimate of poverty. However, most of the factors affecting poverty are outside factors for which (SAPs) is not responsible. The economic reform failed to reduce poverty even to pre-(SAPs) level. The combination of poor governance, weak institutions, and poor policies explain a large part of poverty intensification in Sudan.

3-The third hypothesis predicts that (SAPs) will not reduce foreign debt.

Before the implementation of the self-imposed (SAPs) Sudan was not facing severe external debt problem. In 1992 Sudan foreign debt was manageable it was 16 bl. US $.In contrast after the implementation of (SAPs) foreign debt increased, for example in 2010 foreign debt increased to reach 35.6 bl US $ see table (4.11). Thus despite the harsh austerity measures and high rate of economic growth (SAPs) failed to reduce Sudan foreign debt. Instead the debt increased in an accelerated momentum, (SAPs) will not resolve the problem of Sudan foreign debt due to rampant corruption and civil war both are the source of Sudan problems and sufferings. Civil war and corruption are solved by political and legal measures not by economic reform program. In the presence of corruption and armed conflict there is no good reason to expect that (SAPs) will neither be able to control inflation, nor decrease poverty or pay back foreign debt.

1- Results :

This study intends to assess the impacts of (SAPs) on Sudan economy. In fact it is difficult to evaluate the effects of (SAPs) on Sudan economy because there are many methodological difficulties that affected the performance of the program and include market failures due to the liberal approach of (SAPs) and government failures due to the weak government institutions of transparence and accountability. However, after more than two decades behind (SAPs) produced disappointing results, the program failed to achieve its objectives of controlling inflation, reducing poverty and paying foreign debt, and the study reached following findings:-

1. Peace and political stability are pre- conditions for the success of any program. The timing of the implementation of Sudan self- imposed

(SAPs) was not significant, because the civil war undermined the success of the program through its effects on the fiscal and monetary policy. The government over- spending on the civil war led to the worsening of macro- economic imbalances which in turn led to the interruption of the process of the fiscal budget and the Central Bank monetary policy.

2. The study found that the success of (SAPs) requires a well-structured economy, but Sudan economic structure is very weak that is because Sudan economy is functioning within the framework of dual economy that consists of a relatively modern export- oriented agriculture and traditional subsistence agricultural sectors, the existence of such dual economy acted as an obstacle to the reform policy, dualism prevented farmers in the traditional sector to respond to the incentives offered by the reform program because they producing for their own consumption not for export.

3. Structural adjustment program, (SAPs) in Sudan focused on economic growth and left out social development, but economic growth is impossible without human development. Also, structural adjustment program lack income redistribution mechanism, the absence of this mechanism led to mass poverty and income inequality.
4. The (IMF) macro-economic policies and the (WB) structural adjustment measures are not integrated, the (IMF) polices have negative impacts on the (WB) adjustment measures, because increasing and improving both the quantity and the quality of production need educated and trained labour force, but the (IMF) stabilization measures require cutting expenditure on education.
5. Also the study found that Sudan has not implemented many of the conditions associated with (SAPs) for example the , and the economy is still not fully liberalized. The above mentioned short-comings of (SAPs) together with the outside factors indicate that the program in its present form is an inappropriate economic development policy for

Sudan economic recovery. Therefore, (SAPs) need to be redesigned and tailored in a way that suit the economic and social development needs of Sudan.

2-Recommendations:

Sudan is an agrarian country, and both agriculture and agro-industries are critical for Sudan economic recovery. Therefore, the study recommends that agriculture should be given the importance it deserves so as to achieve the economic and social development objective of (SAPs), this can be illustrated as follow:

Export oriented agriculture integrates all economic sectors by creating division of roles among economic sectors. For example, agriculture provides the industrial sector with raw materials for processing and receive from the industrial sector fertilizers and machines. From the service sector the agricultural sector receives marketing and banking services and provides it with profits.

Thus, export oriented agriculture on the one hand connects all economic sectors and create employment out side the agricultural sector and contribute to poverty reduction and social development.

On the other hand, agricultural production expansion for both exports and import-substitution will bring in hard currency as well as save hard currency and hence reduce balance of payment defect. Also production expansion will broaden the tax base which in turn leads to balancing the fiscal budget.

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3- http://www.unetad.org
4- http://www.wto.org

Appendix1 :

Table 2.4: Unemployment rate (% of labour force) for Sudan**:**1990-2016

Year	**Rate**	**Year**	**Rate**
1990	15.6	2004	16.1
1991	15.9	2005	12.0
1992	15.4	2006	17.0
1993	15.7	2007	16.7
1994	15.1	2008	16.0
1995	14.6	2009	14.0
1996	14.0	2010	13.73
1997	13.5	2011	12.5
1998	13.0	2012	11.6
1999	12.5	2013	10.11
2000	15.2	2014	19.8
2001	15	2015	21.6
2002	15.9	2016	20.6
2003	15.8		

Source: IMF, 2002

Appendix 2:

Table 4.11:GDP growth, Inflation, Poverty rate, and foreign debt bl. 1990-2016

Year	Agriculture	Industry	service	Inflation%	GDP%	Foreign Debt	Poverty%
1990	30.3	15.4	54.3	65.3	5.4	15.3	79
1991	28.7	`17.5	53.85	119.1	7.9	15.8	-
1992	33.9	17.1	49.0	156.7	6.5	16	-
1993	38.1	17.3	44.6	181.5	1.5	16.3	91
1994	40	16.5	43.5	114.5	1	17.2	-
1995	43.1	15.8	41.1	64.5	3.9	19	-
1996	43.3	13.5	43.1	109.8	5.9	19.4	-
1997	46.4	11.9	41.7	48.4	10.5	19.3	95
1998	39.6	15.2	45.2	18.7	6.4	20.4	-
1999	36.6	13.1	50.3	18.9	6.7	20.4	-
2000	39.8	20.0	40.2	7.8	8	20.5	-
2001	40.6	20.1	39.2	4.4	6.3	20.7	-
2002	41.2	19.4	39.4	6.9	6.5	23.6	-
2003	42.1	20.4	37.5	6.2	6	25.7	-

Table 4.11, con.

Year	Agriculture	industry	service	Inflation	GDP	Foreign debt	Poverty rate
2004	39.3	24.6	36.1	9.5	7.2	26.7	-
2005	39.0	28.0	32.0	8.6	8	27	-
2006	36.8	27.5	35.7	7.2	10	28.4	-
2007	35.3	30.6	34.1	6.2	10.5	31.8	-
2008	29.3	29.2	41.5	14.3	7.8	33.8	-
2009	31.1	23.9	45	11.2	6.1	35.6	46.4
2010	31.3	23.3	46.4	13.0	6	37.4	-
2011	28.9	26.5	44.6	20.1		37.1	-
2012	30.4	24.6	45	31.5		43.6	-
2013	33.6	27.4	39.0	37.1	4.4	34.8	-
2014	31.5	16.8	51.7	37.9	3.6	46.6	-
2015	3.1	28.9	20.4	50.7	3.5	49.4	-
2016	3.1	30.1	19.7	50.2	3.1	50.1	-

Source: Central Bank of Sudan and Central Bureau of Statistic.

Appendix 3

Table 4. 12 Foreign Debt : 1993- 2016

Year	Total debt
1993	16.321
1994	17.194
1995	19.062
1996	19.451
1997	19.357
1998	20.483
1999	20.547
2000	20.521
2001	20.797
2002	23.608
2003	25.710
2004	26.784
2005	27.006
2006	28.457
2007	31.873
2008	33.542
2009	35.687

Table 4. 12 Cont.

2010	37.450
2011	37.100
2012	43.600
2013	34.8
2014	46.6
2015	49.4
2016	50.1

Source: central Bureau of Statics / IMF