CHAPTER ONE

INRODUCTION:

MONEY, FINANCIAL DEVELOPMENT

AND ECONOMIC GROWTH

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The Dark Continent '**Africa**' has had the horrible most of the colonial rule in the past. This has had the impacts on the economic growth and development. Since most of the officials in high positions, today, had their high level education in Europe, and North America, viz. Britain, France, Belgium, and the USA etc, plus to that the African governments get most of their technical assistances from these countries, and some of the Sub-Saharan Africa (SSA) countries depend upon France for most of their needs. Subsequently, the past colonial countries influenced the economic development policies [*Okwuosa, 1967; p. 14*].[1] The availabilities of the rich resources '***gold, natural gas and oil, water resources, forests etc.***' and mass scientific knowledge should have made it possible to achieve very rapid economic growth, but the spoil point is that, linked to the Europeans who would like to keep Africa mere satellite [*Okwuosa, 1967; p. 15*]. Though, after all these obstacles, still the progress goes on slowly but steady and in the near future, we work and hope to achieve the required development, to the fifty three African countries.

1.1 INTRODUCTION

This is an introductory chapter to the case study of the working of monetary system and its role in the economic Growth of the Sudan, during the period 1980/81 to 2000/01. This chapter is divided into two parts: The first part is devoted to the role of money, financial development and structure in economic growth, which is divided into the following sections: the first section is concerned with an introduction, while the second section is concerned with the means of growth and development. Section three studies savings mobilisation, financial development and economic growth. The fourth section shows the role of money and monetary policy in economic growth. Lastly, we study the statement of the problem, and concluding remarks. In the second part, we would like to have a glance at the Sudanese economy during the last two decades in section six. Section seven is concerned with the geographical location and area. The eighth section narrates the historical sketch and political background. While the ninth one, is concerned with the human resources development profile. The tenth section, studies the national economy. Section eleven studies the planning and development in the Sudanese context. The twelfth section explains the resources mobilisation. While, section thirteen studies the major development constraints and reforms process in the Sudan, and lastly the concluding remarks.

1.2 MEANS OF GROWTH AND DEVELOPMENT

Kuznets (1973) in his work (*Modern Economic Growth*), has defined economic growth: "*as a sustained increase in per capita or per worker product, most often accompanied by an increase in population and usually by sweeping*

structural changes,".[2] And in his Nobel Prize Memorial Lecture, he has defined economic growth:

> "*as a long-term rise in capacity to supply increasingly diverse economic goods to population, this growing capacity based on advancing technology and the institutional and ideological adjustment that it demands.*" [*Kuznets, 1974, p. 165*].[3]

Kuznets (1974) has asserted the importance of the basic concepts in the economic growth: (i) capital formation (ii) population and labour force growth, and (iii) technical progress. Already, it has been clarified that the standard of living of people depends upon their productive capacity to produce goods and services, which constitutes the gross domestic product (**GDP**) of a country. Productive capacity of the people depends upon formation of human capital as well as non-human capital. Capital formation is called net increase in investment [*Meier, 1984; p. 234*].[4] It is net addition to the existing capital stock. But people who invest and are busy in forming or producing non-human or human capital cannot produce the consumer goods at the same time, because they are busy in producing capital goods. Nevertheless, they have to utilise consumer goods e.g. shelter, clothes, food-grains etc., in order to survive and live with reasonable efficiency to produce capital goods and help in building up human productive capacity. Therefore, other people who produce consumer goods have to save some consumer goods and provide these consumer goods to producers of capital goods, so that, they may continue their activities of producing capital goods uninterruptedly. The production of these capital goods will help in producing consumer goods or other capital goods, once they are produced. Thus, saving is very important for investment. Real saving of consumer goods is reflected for the financial saving as the part of one's income.

1.3 SAVINGS MOBILISATION AND ECONOMIC GROWTH

For most of the less-developed countries (*LDCs*) the 1980s, has been a decade of unsatisfactory economic growth and slow economic development. Given the immense burden of servicing their external debt and poor prospects of increasing the inflow of foreign capital, developing countries are now in the process of reshaping their growth and development. Economic growth depends upon the mobilisation of resources i.e. human resources, advanced technology, institutional and ideological adjustment that it demands, and utilization of resources in a planned way, [*Mishra and Puri, 2001; pp.84-94*].[5] The financial institutions play a very useful and dynamic role in the economy of any country. They are important constituents of the money market, and their demand deposits serve as money in the modern community. Thus, they have considerable part of the stock of money; in fact, their lending and investing activities cause changes in the quantity of money in circulation which in turn influence the nature and character of production in any country. Financial institutions, instruments and markets that constitute the financial sector, play the crucial role as a channel for the transfer of financial resources from net savers to borrowers, i.e., from those who spend less than they earn to those who earn less than they spend, [*Jadhav, 1994; p. 211*].[6] Hence, growth is related to the rate of investment, functionally, the banks are both the repositories of the society's savings and the purveyors of credit for economic activity, banks provide to the saver convenient avenue for investment of surplus funds and to the investor a source of finance.

Avadhani,[7] in his book, states that, the financial system has normally two functions in money economy, viz. mobilisation of savings, and creation,

distribution of money and credit. But, in the developing countries (e.g. the Sudan), there is another important function and that of promoting growth of the economy, [*Avadhani, 1978; pp.5-6*]. If we compare the present stage of development of banking industry, with what it was in the years 1950s, 1960s and 1970s in the Republic of the Sudan, it is found to be eleven folds more than it was, in the year 1971 there were fifty three branch-offices in twenty seven cities and towns, with 3.48 offices per million, but, in the year 2001 there are 571 branch-offices with 55,387 of population per office. Then banking companies are the institutions that collect the savings of the people, and also encourage them to save more so that more loans and advances can be given to the productive enterprises in agriculture, industry, trade, construction etc., and for consumer durables. These consumer goods can be utilised for consumption purposes as well as for productive purposes. As person gets income by contributing to the production of a good or a service, so income of a person represents corresponding real output of a good or a service.

So money-saving implies real saving of goods, when people deposit their savings in banks and when banks lend these savings to borrowers who invest in agriculture, industry, trade etc., then this investment turns into capital formation that helps in increasing the productive capacity of the people, which ultimately, gives rise to economic growth. Thus, banking and financial institutions are helping in the process of economic growth of the country, by gathering the savings of the people and directing savings to the productive channels [*Wai, 1972; p. 47*].[8] The savings units accumulate financial claims on investment or financial intermediaries, Wai said:

> *"there are three majors ways in which efficient financial intermediation helps in development process: by allocation of additional savings, by the allocative function and, redistributing the benefits of longer returns in capital investment,"* [*Wai, 1972; p. 31*].

Which then transmit the mobilised funds to the investment units, which lead to ever-growing ratios of financial assets of all kinds to income and wealth with a concomitant rise in saving and investment ratios? Savers and investors, who hitherto had been scattered and isolated from each other, are joined together by various kind of credit instruments, markets and financial institutions, and if growth and development of economy are to be accelerated, it is essential that the resources saved by surplus units be put to the most productive uses and be increased.

Without banks and financial institutions the savers would have kept their savings in the form of cash at home, in the form of gold and silver, land, or would have been used for the purposes of hoarding goods, leading to undue consumption, which do not help in producing other goods, or building up productive capacity. Investors in the absence of banking institutions could face difficulties in expansion, modernisation and diversification of their business projects, because their own funds are insufficient. As noted by several economists, financial intermediation is seen as the extent to which financial institutions (banks) bring savers (surplus spending units) and productive investors (deficit spending units) together so that, more investment and greater build-up of productive capacity of the people take place. Such a joining of spending units is likely to result in more deepening of financial system (Goldsmith, 1969; Ghani, 1992; Greenwood and Jovanovic, 1990). Thus, banks continue to dominate the financial system of most of the

developing countries, and in contributing a great deal to the economic growth of the country and thereby, for improvement of the standard of living of all classes of the society, and for the eradication of poverty and removal of unemployment, [*Car-Johan, Garcia, and Saal, 1996, p. 6*].[9]

Goldsmith (1969)[10] observes that the financial superstructure of an economy accelerates economic performance to the extent that it facilitates the migration of funds to the best user. The opinion of Greenwood and Jovanovic (1990)[11] is in line with this view, they state that financial intermediation promotes growth, because it allows a higher rate of return to be earned on capital, and growth in turn provides a means to implement costly financial structure. It is argued that growth and financial development/intermediation are mutually dependent means that the level of per capita income partially determines the level of financial development, while financial development/intermediation can contribute to economic growth in the long run.

Since financial deepening means increase in the supply of financial assets in the economy, it is important to develop some measures of the widest range of financial assets, including money. This will involve identifying these financial assets, determining their measures and summing them up. The sum total of all the financial assets is one broad measure that represents financial deepening; the other, is the growth rate of per capita real money balances. The range of financial assets to be considered in this study includes broad money (M_2), liabilities of non-bank financial assets (**NB**) treasury bills (**TB**), value of shares (**VS**) and money market fund (**MMF**). The sum of these financial assets can thus approximate one of the widest measures of financial deepening. The summing up of these financial assets to represent a broad

measure of financial deepening is not a problem, but the availability of data for some of them is. Because of narrow and undeveloped or rather to say an infant capital market in the Sudan, data on value of share (**VS**) and money market funds (**MMF**) in particular are not available. It is equally difficult to get consistent annual data on all financial assets except M_2. If data had been available on these financial assets, the degree of financial intermediation, which is an important part of financial deepening (**FDY**), would be the sum of the measures of these financial assets, thus, the model is:

$$FDY = (M_2 + TB + NB + VS + MMF) / Y$$

The financial deepening based on such identity is unlikely in the Sudan because of the narrow, shallow and infant capital market. Thus, the market capitalisation as percentage of gross domestic product (**GDP**) has been seen to be quite low compared with much high percentage in advanced counties. In view of the lack of information, our study uses M_2 as a proxy for the measure of financial deepening. Given the empirical and scientific work of Jao (1976), Fry (1978) and others, however, financial deepening is represented by two variables: the degree of financial intermediation measured, in our case M_2/y, and the growth rate of per capita real money balances (**GPRMB**). According to Barro (1998)[12] the framework for determination of growth can be written as $Dy = f(Y, y^*)$, where **Dy** is the growth rate of per capita output, **Y** is the current level of per capita output and y^* is the long-run or steady state level of per capita output. The growth rate is diminishing in **Y**, given y^*, and increasing in y^*, given **Y**. The steady state level of per capita output, y^*, depends on an array of choice and environmental variables, [*Barro, 1998; p. 8*].

1.4 ROLE OF MONEY AND MONETARY POLICY IN ECONOMIC GROWTH

The role of money and monetary policy has been one of the often-debated issues in development economics. The role of money in economic growth is under dispute. A group of thinkers led by Whittlessy insist on the active role of money in sense that money is a powerful motivating force. At the other extreme is the view that money has no role of its own to play in economic growth, and if it does, have any it is purely accidental. Radcliffe Committee (1959) represents this school to which the use of monetary instruments for economic growth is a new phenomenon and it depends on the monetary policy which is followed for the fulfillment of some other objectives. Another view was that the role of money and monetary policy were dominated by the then prevailing perception of growth. It is difficult to find a consensus about whether money is permissive or passive factor in less developed economies. The theoretical and empirical accumulated experiences have now begun to crystallize the importance of money in the development process of the developing economies, [*Coats and khatkhate, 1980*].[13]

The usage of money is an invention with remarkable externalities for the technology of commodity production and exchange. Money increases the size of markets, promotes specialisation and trade and shifts the commodity production frontier drastically. Money also helps in increasing the supply of labour to industries and productive firms. The role of money and monetary policy has been more frequently debated among the policy makers and economists, right from the classical economic thinking, up to post-Keynesian development, the neutrality of money and classical dichotomy has attracted the attention of not only the theoretical, but also empirical investigators in this

area. In the post the Second World War period, in both developed and less developed (third world or developing countries) economies, interest in money augmented by the occurrence of inflation and unemployment that led to the revival of the monetary policy.

The Monetary Policy: There is probably no field of economics in which writings of economists are so strongly influenced by both current fashions in opinion and current problems of economic policy as the field of monetary policy [*Johnson, 1962*].[14] Monetary policy is seen playing an active and a very important role not only in maintaining a stability of currency (money-creating by monetary system and money hoarding by the public) but also in promoting full employment and economic growth and the functioning of a modern complex economy [*Shaw, 1950; pp. 24-25*].[15] The monetary policy was viewed as influencing aggregate spending regulating the interest rates, availability and allocation of credit. The monetary policy is one of the economic policies at the disposal of the authorities to influence the economic targets such as price stability, maximum feasible out put and balance of payments (**BOPs**) stability, full employment etc., through its effect on variables like money, credit bank deposits, rate of return etc. The monetary policy is the link between its indirect instruments (open market operations, bank rate, etc) and the economic variables. Since the monetary policy is mainly a tool of demand management, its role in the Sudanese economy should also be primary sought in economic stabilisation rather than in economic growth. It is believed that an appropriate monetary policy can ensure price stability and balance of payments stability by a controlled expansion in the quantity of money.

Modern economists (Gurley and Shaw, Morgan, Newlyn, Yeager, Radcliffe Committee and Chicago School etc.) are more broadly, explaining money along with different types of near-money and liquid assets. The near-money assets consist of: time and savings deposits, treasury bills, or short-term commercial papers that are converted into currency and demand deposits. Money is leading species of a large genus, and the role by money, historically and analytically, may be, divided into three stages; replacement of barter economy, replacement of commodity money by credit money, and replacement of non-interest bearing credit money by interest bearing money. Gurley and Shaw (1960)[16] have developed and analysed the role of finance and particularly, non-bank financial intermediaries in economic development, and according to them real economic development is accompanied by a process of financial development.

One pertinent issue, which has given these to blood of literature and articles, is the role of financial institutions in deepening and widening of financial sector. The extent to which a country's financial sector influences the real economic growth is a controversial issue; numerous empirical studies have emphasised a strong and positive relationship between finance and the country's economic growth. The idea was propounded by the German economist Schumpeter (1911),[17] he was the first economist, who studied the relationship between banking system and economic development. Schumpeter (1911) describes money and credit as a phenomenon of development, but the nature of monetary policy remained ill-defined until recently, and to show the banking system (in Developed Central European Countries) as one of the two key agents for economic development, the other

being the entrepreneurship in the whole process of the development, he stated that:

> *"the banker, therefore, is not so much primarily the middleman in the commodity (purchasing power) as a producer of this commodity. However, since all reserve funds and savings today usually, flow to him and the total demand for free..."* [*Schumpeter, 1911; p.74*].

Considering Schumpeter's dramatization of money and credit as a phenomenon of development, the credit and monetary policy remained indistinct and ill-defined until recently, due to the credit availability and its allocation, plus to that the monetary policy was viewed in a narrow perspective as influencing aggregate spending through the rates of interest regulation, [*Warren and Khatkhate, 1998*].[18]

In the review of the literature by Gurley and Shaw (1967)[19] and others have written that recent experience strongly suggest that banking systems as intermediaries are not highly essential to the growth process, they concentrated their attention on non-European countries (developing), those individual economic units endowed with entrepreneurial talents and drive do not generally have surplus resources to invest in other enterprises, what matter crucially from the view-point of development process is the existence of channels through which the resources of the surplus capital are transmitted to units in greatest need of those resources and with profit potential [*Gurley and Shaw 1967*]. It is probably safe to say that, the true importance of the banking system lies somewhere between two extremes, Patrick (1966), Goldsmith (1969), McKinnon (1973), Shaw (1973), Thirlwall (1974) and many other eminent economists; especially those of the 1990s; since then the matter has remained in the forefront. These results are having significant

implications for setting up development in developing countries [*Goldsmith, 1969; p. 44*]. Theoretical disagreements do exist about the role of financial systems in economic growth. Some economists see the role as minor or negligible while other see it as significant. Robinson (1952) for example, argues that the financial system does not spur economic growth; rather the financial system simply responds to development in the real sector. In contrast, Goldsmith (1969), McKinnon (1973), Levine and Zervos (1996), and others emphasised the positive role of financial system in economic growth. In particular, King and Levine (1993a) and De Gregorio and Guidotti (1996) show convincingly that measures of banking development are strongly corrected with economic growth. In addition, they share the view that a well functioning financial system is critical to sustain economic growth.

1.5 STATEMENT OF THE PROBLEM

Our study is chiefly, concerned with working of the monetary system of one of the developing country from Africa i.e. the Sudan, and we would like to highlight and find a solution to the monetary structure of a such dualistic structure [*El-Shibley and Thirlwall, 1981*],[20] the dynamic problems posed by the high rate of population growth and the desired changes in technology in the era of globalisation under the banner of economic reforms, human resources development (**HRD**) and the information technology (**IT**) of the new millennium. Economic development has been generally viewed in terms of wealth, labour force, output and income. The literature of economic growth as compared to the neglected role of financial aspects has been a centre of attention. Since our study mainly concentrates on the role that is played by

the monetary institutions in the process of the economic growth of the Sudan, which is important to understand. Shaw and McKinnon (1973) have both separately, underlined the critical importance of the financial deepening of the less-developed-countries. In their views most stagnant economies of the developing countries suffer from shallow finance of the financial repression characterised by slow growth, while Thirlwall (1974) [21] has argued mainly from Keynesian view-point, still thinks that moderately inflationary policies can accelerate economic growth in the developing countries. Attempt has been made to qualify the relationship between economic growth using dependent variables, which encompassed all economic activities, financial, fiscal and monetary variable as explanatory or causal arguments, though the causal literature among these variables has been accurately established, but the indirect connections enhancing economic activities can not brushed aside. With these aims of examining several hypotheses and to survey that vast literature on the subject, the appropriate methodology will be used to analyse empirically. The main issues involved in financial development and economic growth of the Republic of the Sudan, which came into prominence for democratic character and economic and structural adjustments.

There are several ways in which financial development and structure can affect real growth of output. As observed by goldsmith (1969) and others, the first way is to raise the volume of investment (the Sudanese monetary authorities should make concerted efforts to improve the growth of real money balances), and the second is to improve the volume and structure of savings (efforts should be made to substantially improve financial development or financial intermediation in the Sudan). Fry (1988) agrees that these are the basic ways financial development can affect real growth of output. From the

work of Greenwood and Jovanovic (1990) and King and Levine (1993), financial development is likely to affect growth by improving the efficiency of investment through selection of project, innovation and entrepreneurship growth. Besides financial deepening, there are other variables that may affect long-run endogenous growth. We will examine these variables in the as much as possible in coming chapters (imports and exports behaviour, balance of payments, fiscal operations, and overall deficit etc). To achieve substantial and sustained economic growth, therefore, the Sudan needs to put in place a sound monetary policy aimed at improving financial depth, and public policies towards maintaining external competitiveness, promoting structural reforms, encouraging human capital development. Addressing the shortages, which are identified in this work and other theoretical and empirical studies, can do this.

1.6 A BRIEF GLANCE AT THE SUDANESE ECONOMY

The monetary system in the Sudan has passed through different stages of development, since the independence. The evolution of the monetary system has been associated closely with overall development of the Sudan's economy, and with its rising needs, during the era of globalisation, liberalisation and privatisation, for increased modern banking and credit facilities.[22] The financial institutions and other economic variables are related to one another directly or indirectly. However, before we go deep into a detailed analysis of the working of the monetary system and its role in the economic growth of the Sudan during 1980/81-2000/01, it becomes essential to have a glance at the Sudanese economy. In this chapter, an attempt has been made to describe the Sudan's economy; predominantly, an agricultural

state, supplying food products to the Middle East. The progress of the economy has however been hampered in the 1980s onwards, by the civil war (*1955-72*) [*Hallet, 1989; pp. 178-180*][23] and (*1983-till now 2004*), chronic political instability, adverse weather, dry and desertification recurrent draught, high inflation, drop in remittances from abroad, infrastructural short comings, and counter-productive economic policies.

1.7 GEOGRAPHIC LOCATION AND AREA

The Republic of the Sudan, is situated in North-East of Africa, as a vast country and the largest in land in the continent, with an area of 2,505,813 sq. km. makes 8.3% of Africa's area and 1.7% of the world land, and extends between latitudes 3`N to 22`N, and longitudes 22`E to 39`E, and is coterminous with Egypt and Libya in North, Chad and Central Africa Republic in the west, Democratic Republic of Congo, Uganda and Kenya in the South, Ethiopia, Eritrea in the East, and the Red Sea (the Sudan's Red sea coast is around 858km.), which separates the Sudan from Saudi Arabia. The river Nile Valley "*consist of Blue Nile, Nile and other rivers*" runs through the country, from the south "*Lake Victoria in Uganda comes the White Nile*" and from the East "*Lake Tana is Ethiopia, comes the Blue Nile*" to the north meanders and enters Egypt. The river Nile and others small rivers provide the Sudan plenty of water in excess of what the Sudan's requires for irrigation of its agricultural projects. The country displays a wide range of geographical and weather ranging from tropical continental climatic feature; known to be hot and dry during summer (March-June) in the north, however, it starts raining in March in the South "*forest area*" and in June/July in the centre of north of the country, with zero rain in the desert area (Libyan and Nubian desert), but in

winter (November-February) season, there is cold weather with strong winds accompanied by very fast dust blowing, all these influence the structure of the economy and the course of its development.

One third of the land consists of arid and barren desert (the Great Sahara - Nubian and Libyan). Unfortunately, it is these vast unproductive part that lie closed to the Red Sea coast, whereas, more productive regions like al-Gezira, Blue Nile, Dar Fur, Kordofan and White Nile (200 million acres) are separated from the coast by the distances ranging from 800 to 1500 kilometres. Their remoteness was a major factor referring the development of the economy, until the beginning of the last century (20^{th}) when the railways networks (constructed by Kitcheners in 1898), steamer lines, roads (1970s) were developed, but still the problem of relatively high transportation costs remain a major obstacle to a faster rate of economic growth and to a more even geographical distribution of development efforts.

1.8 HISTORICAL SKETCH AND POLITICAL BACKGROUND

Arab nomads gave the Sudan its present name "*As-Sudan, derived from Arabic, Bilad al-Sudan, which means the land of the Black people*". The Sudan as an international entity came into being long back, an archaeologist have found temples, tombs, inscriptions, frescoes, and antiquities dating from the Nubian-Egyptian civilization along the River Nile valley between the Proto-dynastic era 4777 – 3500 B.C. It is significant to note that prior to the invasion of Egypt by the Dynastic Race "3400 B.C" the Nubia (Northern of the Sudan) was very thinly populated [*Emery, 1965; p. 124*].[24] Historically the Sudan is an

ancient land with continuous civilization of more that 7000 years, the Nubian-Egyptian, the Nepta, Morwe, Alwa, the Christian era, and in the 7th century (641) [*Legum, 1975; p. 100*],[25] the Muslims entered the Sudan from the north "via Egypt, which was under Amr ibn al-Aas, during the caliphate of al-Khalifa Umar ibn al-Khataab when they have signed the famous peace agreement (Baqat Pact) with the Christian Nubians at Doungola town, which lasted for 600 years[*Legum, 1975; p. 10*].In the 15th century the Muslims (Fung and Alabdalaab) ruled almost the northern, eastern and central parts of the present Sudan [*Legum, 1975; p. 80*] while Dar Fur was ruled by Sulaiman Solon, Kordofan was ruled by al-Musba'at on behave of Fur's Sultans, in the west of the Sudan.

In 1820/21 Muhammad Ali,[26] the Albanian and the Turkish rules of Egypt, conquered Northern Sudan, Sennar, and Kordofan, and declared the start of Turco-Egyptain regime in the Sudan, [*Hallet, 1989; p. 119*]. On 26th January 1885, the British Governor General, Lord Charles Gordon[27] and his troops fell to the forces of Imam al-Saiyyid Muhammad Ahmad ibn Abdullah (*Known as al Mahdi "the Rightly Guided One"*) and his followers "*Ansar al-Imam al-Mahdi*" where were subsequent Islamic state "*Shura Shariy'ah, Baiyt-al-mal etc*" lasted for around 13 years. On 2nd Sept. 1898, the Mahdiyah state under leadership of the caliph al-Khalifa Abdullahi Altaa'yeeshi were defeated by General Kitchener's Anglo-Egyptian troops at Karare battle at north of Omdurman city, [*Leeds and Brooks, 1977; pp. 6-10*].[28] The Anglo-Egyptian condominium agreed for the independence of the Sudan, and the general elections were held in 1953 and a Sudanese government was sworn-in, subsequently, the nationalisation of the army, public civil services was done.

In December 1955, the Sudanese Parliament unanimously approved a unilateral declaration of independence, and the national flag rose on 1st January 1956, and as usual after the departure Britons, the worst-ever civil war was started in August 1955 in South of the Sudan, as the last straw on back of the camel, which is one of the reasons of political instability, leaving the last fifty years with military coups with democratic veil, like in 17/11/1958 to 21/10/1964, 25/5/1969 to 06/04/1985 and the last on 30/06/1989 till now, the impact of political instability, civil war and regional conflicts have clearly affected the economic growth and stood on the way of economic development progress.

1.9 HUMAN RESOURCES DEVELOPMENT PROFILE

The Sudan (*10th in the World*) and Canada (*2nd in the World*) both are under populated countries despite of the size of their land. According to the first census which had been carried out in the Sudan (January1956) the population of the country was estimated to be 10,262,536 inhabitants with annual growth of 2.81% per year, and in the second census "April (1973) were estimated to be 14,113,590, but in 1983 were around 20,594,197 and in 1993 were 25,588,429 and in the 2001, total population of the Sudan was estimated to be 31,626,526 (15,611,951 female and 16,014,575 male) the masculinity ratio is 51%, composition of the Sudanese population is of 52% indigenous Black Africans, 39% Arab, 6% Beja and 3% others, the population under 15 years are 43% of the total, this high percentage shows the population are to be young, hence, a high investment in human capital is needed and we belief that a very good outcome would be achieved, while these people who are over 60 years account only 3.8%. Here, we can say that, the active labour

force consists of 53.2% of the total population; the Sudan density of population is about 13 persons per one square kilometre. The life expectancy at birth in the year 1993 was 54 years (52.5% male and 55.5% female) and it is 56.4 years in the year 2001.

As is well known, the stock of human capital is usually measured as the average number of years of schooling in a population. This measure is reported for the population over age 15 years, and it is generally agreed that the measure for population over the age 15 years is the relevant indicator of human capital in the developing countries. The Sudan is ranked 138th out of 162 countries covered by **UNDP's** annual Human Development Index (**HDI**) for the year 2001. Despite improved macroeconomic performance and oil-related growth, human development indicators remain low due partly to inequality and the effect of civil war and other regional conflicts. To make headway with poverty reduction (per capita income estimated at US $330 in 2001 remains low and poverty is widespread), economic growth will need to be broad based and pro-poor. The direct and indirect development costs of the civil war have been enormous with implications for poverty situation in the Sudan. It is estimated that more than two million people have died since 1983, four million people internally displaced and more recently, two million people displaced due to Dar Fur conflicts, the highest internally displaced persons in the world. More than a million refugees in neighboring countries, widespread famines occurred (1984-85, 1992 and 1998) arising from combination of uncertain population movements within the country and chronic food shortage caused by civil war, regional conflicts and draught. Social and economic infrastructures have been damaged and presently constitute major constraints to development.

(i) Religion and Language: The Sudan is administratively divided into 26 states in the year 1994, with Khartoum as the political capital of the country, as well as the financial centre with most of the financial institutions' head offices, but in general, we observed that, the north (Arab & Nubians), east (Beja) west and central states predominated by Africans and Arab; meanwhile in the southern states are inhabited by Africans (Nilotic). There is 70% Sunni Muslim, 25 % Indigenous Beliefs (African Spiritual Beliefs or "animists"), and 5 % Christians. The constitution provides the right of worshipping. Arabic languages is the main official language, while English is regarded as an international language and is widely used in the south and among the educated people, other languages like Dinka, Nuer, Nubian a part from more than 130 African dialects are widely spoken.

(ii) Education: Education is compulsory in the country at the primary level (basic). There are 26 universities in the country; the University of Khartoum is the oldest 1899 formerly opened in 1902 as Sir Charles Gordon Memorial College, built by the then Governor General Sir Reginald Wingate and it was named the University of Khartoum in 1956. In addition to that many training centres and vocational institutions, the co-education system is only at the university level and the missionary schools. The literacy in 1995 was about 53.4% and varies up to 10% in the southern states among the womenfolk. The quality of services is declining, with only 64% of teachers having some training, the situation in war-affected areas is worst.

Although progress has been made in achieving literacy since 1993, it has been slow in reducing the gap between boys and girls. As we know, for the year 2000 (2.14 years) the educational achievement of the Sudan was much

lower than that of the World (5-1 years) and that for Sub-Saharan Africa (**SSA**) is 3.5 years. With this level of achievement the Sudan is still far below the threshold of four years level beyond which increasing returns to scale for human capital being to accrue. The quality of education in schools has deteriorated. There is shortage of teacher and books since students have had to pay for school level education it has become more difficult for the poor families to send their children to schools, and thus those pulled out of school are mainly girls. The percentage of students from rural areas going onto university-level has remained static, and in urban areas has increased more among men than ladies since 1990s. These figure would question the importance of opening twenty one new universities, however, one would question the quality of education that these increasing numbers receive [*ElNagar and Badri, 1997*].[29]

The main objective of the education system is to improve access and raise quality to a uniform national standard irrespective of location and gender. Actions needed to achieve this objective include to evaluation of public sector's role in education and increase the proportion of public expenditures devoted to education in order to ensure that priorities are given to primary and secondary schools education and incentives for teaches to work in remote rural schools. Efficient budget allocation should be promoted in accordance with priorities for school infrastructure, salaries, other operating costs and maintenance. A high priority needs to be given to some urgent action namely: strengthening the planning capacity and improving of primary education. Here, if can be said that the government should put a well-studied policy to improve the standard of education to grapple with new level of quality and outreach necessary to spawning competent workforce capable of

implementing innovating intellectual policies. New trusts are inevitably needed to meet the current and emerging domestic, regional and global challenges. This includes preparing people and availing competent workforce that would benefit from the opportunities provided by the information technology and technological developments through universities, research institutions and information centres.

(iii) Health: It is related to national development and poverty status. **WHO** reports that for the period 1989-1990 the total national health expenditure as a percentage of **GDP** was 0.3%; whereas, the central government financing to states health budgets was 5% to 7% in 1997. Again this does not tell us much in the absence of a national expenditure report, including all sectors, and comparative data [*WHO Report, 1998; p.2*].[30] The health sector is in shabby condition; despite of development process that has taken place, whereby health services coverage has reached 70% (with child immunization of 80%). The role of public and private providers of health care services need to be clarified, and the functions among the different levels of government spelled out. Government of the Sudan (**GoS**) services would typically be national immunization programmes, control of communicable diseases, primary health care services in villages and communities, research and dissemination of information on better health, and inspection of public and private health care facilities. All of these activities have substantial externalities, namely, benefits over and above the direct effect of improved health services.

Some health indictors show improvement, but geographical disparities are also wide. Some people in conflict and war affected areas suffer from tropical diseases eradicated or brought under control elsewhere in the world. The

deadliest killer, however, is malaria, which affects 24-36 percent of the population. Outbreaks of other diseases, such as Leishmaniasis, are severe health problems that cause large number of deaths. Malnutrition rates vary widely; legacies of the civil war are reflected in the condition of households. Children (child soldiers) and women are particularly vulnerable. Urgent priority activities for action need to be identified. These could include: strengthening the planning capacity in the health sector so that improvements in primary health care can take place efficiently; attacking the increasing thereat of malaria; and disseminating essential information about the causes of **HIV/AIDS** infection and its prevention-widely and rapidly. Private sector should be encouraged to play its role in health sector. The government should give greater attention to general health and should encourage more investment in this field, but also not to forget its duty towards the needy and poor people who cannot afford to pay for their health.

(iv) Labour Force: As it is known the economy of the country is basically agricultural and pastoral, nearly 74 % of the country's population lives in rural areas. Over 70 % of its labour force (labour force was 11 million in 1996) engaged in primary activities, male make 56 % of the total economically active population in the labour force, 86% were primary producers and 4% were secondary producers, and 10 % tertiary producers. Female folk plays a prominent role in the economic field, constituting 26.5% of the total labour force. The low participation of the people in the Labour force is due to the demographic, economic, social and political factors such as: (1) the imbalance in age structure of the Sudan's population, due to the fact that the age group less than 15 years accounting for 45.7 % (with male = 8,064, 592; and female = 7,712,839), and those of more than 65 years constitute2 % in the year 2000

who are not considered in labour force. (2) the percentage of people going on with education after 15 years are only 53.4 % (male 66% and female 40.8 % in 1993), (3) the retirement is politically motivated (4) the phoneme none of migration and immigration. In 1960s one of the country major problems was considered to be the shortage of skilled workers. There was heavy dependence on expatriates who filled a high proportion of skilled jobs, managerial and executive posts. However, the establishing of the institutes of technical education and training centers, their graduates could meet the demand fro skilled labour, and in fact after 1965 the economists and businessmen began to believe that the shortage of skilled workers was no longer a serious problem to the industrialisation of the Sudan.

In 1990 the size of the labour force was 45% of the population, which increase to 47.5% in 1996 of which 5% have university level education, albeit no indication can be found to labour force's overall literacy level. Unemployment in 1990 was 16.5% and rose to 16.6% in 1996. Government (**GoS**) reports maintain that the Sudanese economy is traditional and agriculture based. In 1996 the distribution of the labour force was as follows: Agriculture 53%, Services 18%, commerce 10% and industry 6% (these figures, however, do not explain the entire labour force and it is not clear where the rest of the unexplained labour force is). Regarding the university educated labour force, in 1997, 83.4% was evolving in the industry and services sectors, and 21% of this group was unemployed. Now in the country, there is a skillful and highly qualified cadre in agricultural, industrial, and economic services sectors. Moreover, skilled labour is very easily obtainable and at low cost, but the low payment forced many scientifically and highly qualified professional; qualified

personnel at different fields of professionalism in production and civil services etc., have been forced to migrate and work in so many countries especially in the oil rich Gulf countries and others to the UK, the USA, Canada and other countries.

1.10 NATIONAL INCOME, ECONOMIC GROWTH AND DEVELOPMENT

Growth and structural transformation of the economy that is accompanied, it is generally agreed, are ultimately driven by investment, learning and innovation. The role of investment in effecting growth is facilitated by physical infrastructure, macroeconomics stability, and the rule of law and solid institution. Thus, according to this view the fundamentals of growth continued to be investment supported by solid institutions inclusive of macroeconomic management. Building relevant institutions, it is generally recognized, as part and parcel of the development process. It is also generally recognized that institutions evolve over long periods of time in response to the demands of social, political and economic interactions. The evolutionary processes involved are influenced by the history and culture of the societies concerned. The direct channel through which institutions affect growth is the design and implementations of growth supporting policies. Hence, growth comes to be closely related to policies at the micro and macro levels.

The Sudan, as one of the African countries, has inherited institutions that have influenced the growth performance of the country such as the high degree of political instability that produced alternating democratic regimes with short durations. The country also, has inherited an institutional structure that was not only weak but also extractive in nature. Such institutional

structure was not changed in any significant fashion to become growth supporting. Thus, polarization of politics, external influence and the civil war along with the regional conflicts may have been major factors associated with the volatile growth performance of the country. While overall economic performance has been filled by structural reforms and oil-related developments, sustained growth will be achieved with increased investment rates which stood at an average of 18% during 1998-2001, domestic savings averaged 11% of **GDP** during the period-overall domestic saving can be boosted by efforts to improve the banking system. In the year 1981/82 the gross national savings was SDD 86.2 million, while the figure multiplied several times to become SDD 356592.4 million in the year 1999.

The implementation of the government's economic philosophy of liberalisation and free market economy to induce economic growth and development can be considered aggressive for which the results have nothing to show except, increased poverty, increased informal sector, and relative increase inflation rate. Therefore, the national income of the country has its root in the macroeconomic policy objectives, which deteriorated during 1984/85 due to draught and desertification and the famous famine as well as shortage of food-grains. During 2000 the story was somewhat different with the implementation of the macroeconomic policy objectives aimed at deepening economic liberalisation policies and achieving sustained positive rate of growth of **GDP.** The real **GDP** at current market prices increased from (SDD 2,448,876.3 million) i.e. 6.0% in the year 1999 to (SDD 2,969,448.0 million) i.e. 8.3% in the year 2000. This increase was attributed to the structural reforms aimed at increasing productive base, diversification of income sources and incentives to private sector to play major activities in the

economy. The movement of the **GDP** is basically due to the growth rate in mining sector (125.5% in 1999 to 327.8% in 2000), the increase in the petroleum production, the rise in the irrigated agriculture (4.8% in 1999 to 7.6% in 2000), and the increase in the rate of growth in the manufacturing sector (6.0% in 1999 to 11.5% in 2000), also there are increases in other sectors (see the table), despite the noted decrease rate of growth in the rain-fed mechanical agriculture due to unfavourable climatic conditions and draught during the year 2000. The Sudan is primarily an agricultural country. Agriculture accounts for over one-third of the gross domestic product. Manufacturing and mining sector barely accounts for one tenth of the **GDP**, and is mostly related to the processing of agricultural products and recently the exploitation of oil. The rest, more than half of the **GDP** since 1980/81, has come from a mushrooming services sector.

1.10.1 THE AGRICULTURAL SECTOR

The agriculture is related to the history of, and civilisations from greater fertility of the Nile (Egypt and the Sudan) and others valleys; the Sudan is primary an agricultural and pastoral country. Agriculture, including livestock and forestry, is the mainstay of the Sudan's economy. Agricultural sector is the source of virtually almost all exports and domestic goods for consumption, as well as providing inputs for a large proportion of industrial sector, the Sudan, which heavily depends on agriculture despite of its urge for industrialisation. The significance of agriculture in the Sudanese economy is also reflected in the distribution of manpower among different economic sectors, the agriculture including crops, livestock, forests, fish and wild-life, has been the balance and

engine of the Sudan's economy and as a leading economics sector contributed 46.5% of the **GDP** in the year 2000 and 2001, gave employment to 53% of the population as labour force in the same period. The role of agriculture in generating export is particularly crucial. In 1981/82, nearly 95% of the total value of commodity – exports came from agriculture. Agriculture provided the country with about 80% of exports earnings in the late 1990s, which were estimated at US $ 600 million and US $ 1.62 billion in the year 2000 and 2001 respectively. No strategy for meeting the Sudan's foreign obligations can succeed without a substantial increase in agricultural exports. While almost all export-earnings come from agriculture, and although parts of it are highly capital intensive, the sector probably accounts for less than one fourth of the total import bill even if all indirect imported inputs are included.

The agricultural sector is the source of raw materials to the processing units in the country including textile, sugar vegetables oil, soap factories, grain mills, milk factories, tanneries, sawing mills etc. The availability of water is the governing factor for agriculture in the Sudan. In most part of the rain-lands of the Sudan drinking water of human and animals is a crucial factor, especially, before the rainy season (March-June), with extensive rain-falls varying from about 50 mm in the extremely North (sub-desert) to 1800 mm in the extremely south, and the country is also rich with the underground water that has hardly been tapped showing water resources mismanagement in the country. The River Nile with its various tributaries contribute an annual flow of 84 milliard cubic meters, and the Sudan share of water 18.5 milliard cubic meters at Aswan High Dam (*Nile water 1959 Agreement*) or 20.5 milliard cubic meters in the Sudan. However, land does not impose any constraint on agricultural development of the country, land estimated to be more than 85 million

hectares of which only 15% of the cultivated land is being utilised with more than two million hectares area under irrigation. In spite of the significant role played by irrigation in economic development, the rain-lands are still more important, in the agricultural sector and thus, the Sudan does not face any serious land tenure problems, the rain-lands in particular are very free from such problems and also enjoy the advantage of relatively production costs.

The country has animals wealth which contribute about 10% of **GDP** annually, it is estimated to be about 124.8 million head in the year 2000; which consists of cattle, camels, sheep, and goats. However, **FAO** estimations are somewhat higher than that, it adds that there are more than 60 million domestic birds and a storage of fishery resources that is estimated to produce 11000 ton per annum of meat. Therefore, animals' wealth contributed 22.4% to **GDP** and more than 18% of exports revenues in the year 1999, which is a remarkable increase in **GDP** contribution, comparing with the year 1997 when it was 20.1%, US $ 133.5 million to $142.3 million in 1999.

1.10.2 INDUSTRIAL (MANUFACTURING AND MINING) SECTOR

Many developing newly independent counties have strived to industrialise to achieve rapid and sustainable economic development. In many countries the drive towards industrialisation was based on import-substitution policies and public enterprises were main vehicle used to achieve this policy [*Adhikari and Kirkapatrick, 1990*].[31] This derive towards industrialisation emerged as a recurring theme in policy statements of developing counties because industrialisation was believed to lead to a more rapid rate of economic growth

than would otherwise be possible [*Knight, 1989*].[32] In the Sudan, for instance, industrialisation was seen as a means of diversifying and widening the economic growth base of the country and the most appropriate strategy to implement the economic development targets envisaged by the policy makers.

Industry existed for sometimes before the First World War, but consisted of narrow range of small rural industries viz. shoe-marking, manual tread making, weaving by local handlooms, brick-kilns and tile making. The year 1918/19 witnessed the establishment of the first modern factory in the Sudan (al-Makweer Cement Factory), which was established by the condominium authorities, primarily for the construction of Sennar Dam on Blue Nile River, but the factory ceased production after the completion of the dam in 1925/26. By the time the Republic gained her independence, there was only the ginning of cotton encouraged the beginning of industry in the country. With exceptional to soap, soft-drink, oil pressing, tanning manufacturing of hide also preservation and dehydration of food grains industries; the large industries, which manufacturing import substitutes started after 1960; when **GoS** involvement in industry began to increase and by 1962; **GoS** formed an Industrial Development Corporation (**IDC**) to support the large public sector factories.

The contribution of the industrial and mining sector was 8% in 1980/81 and fell to 5% in 1984/85, the decline was due to the problem facing the Sudanese economy in general and the industrial sector in particular; lack of production inputs, new tools, machinery and technology as well as financing of the projects. Of late 1990s, the share of industrial sector in **GDP** increased from

9.1% in the year 1999 to 15% in the year 2000. The increase was mainly, from the increase in the production of petroleum and its by-products. The government has encouraged industrialisation in the Sudan through various means; like approved enterprise concessions, exemption from business profits tax for years, protection on imported machinery, allowing fair rates of depreciation and last establishing the Industrial Bank in 1961, which later on in 1997 merged with el-Nilein Bank that formed el-Nilein Industrial Development Bank to assist in financing of private enterprises. Availability of most of infrastructure facilities and the basic services which are indispensable natural resources i.e. forest, mica, iron-ore, magnesium, transport and communication, marketing insurance and banking services, but most of these infrastructure facilities require rehabilitation expansion and new investment ventures.

There are major problems which prevent the manufacturing sector in the Sudan today from reaching acceptable level of capacity utilisation, efficiency and profitability are (a) inadequate infrastructure – particularly power and transports, (b) shortage of material inputs – both foreign and domestic, (c) limited size of domestic market, (d) competition from imports and price controls, (e) management and labour shortage. Some of these constraints, such as past choice of product and technique are so severe for various activities that **GOS** will need to give serious thought to closing permanently certain plants and reallocating any salvageable assets. Such plants could probably be sustained only at continuing loss, which would be inconsistent with the nation's economic recovery effort. The industrial sector still depends on agricultural raw material inputs such as vegetables oil, sugar cane, cotton, hides skins etc. with more development of these natural resources agro-

industrial potential investment opportunities will thrive and encourage manufacturing of agricultural related means of production that is required for improving productivity of both plant and animal sectors. To speed up the industrialisation process, the various national governments have issued industrial acts (Act 1956, Act 1968, Act 1972 and the Encouragement of Investment Act 1980) to promote public and private investment in the manufacturing industry. Moreover, in the early 1990s the promotion of the private sector in general and the manufacturing sector in particular, took an unprecedented u-tern due to the home growth Sudan Structural Adjustment Programme (**SSP**) which fully liberalized the entry of the private enterprise to all sectors of economy except oil production. The contribution of manufacturing industry to the **GDP** continued to slide as indicated from 10-4 in 1992/93 to 7.4% in 1997, this due to immense problems of the sector continued to face.

1.10.2.1 OIL SECTOR

Mobil oil (1953) Shell (1928), Total (1954) and Agip (1959) were the first companies to refine and contribute oil commercially in the Sudan. Total company was sold out to Greater Nile Petroleum a Sudanese company while Agip Company was also sold off to **GAPCO** a Mauritius-Indian company. In 1976 the government of Sudan established the General Petroleum Corporation. Oil was first discovered in 1973 and exploration concession covering 3,360,000 acres on the Red sea coast and offshore was granted to several Industrial companies; mainly American. America's Chevron Company began working on 19th. April, 1979 and discovered Hejlij field in 1982 with 200,000 barrels per day and reserve of 15-20 years but it however pulled out

due to political reasons, but according to the **IMF** report, the Sudan's proven oil reserves estimated to range from 1.2 to 5 billion barrels, which would last from about 19 to 93 years. It is not surprising then that the advent of oil will have significant impact on the Sudan's production structure and the composition of its exports. The Sudan's oil sector provides estimated annual export receipts of US $1.5 billion, about 77% of exports earning in 2002, up from US $275.9 million (35.4%) in 1999 when oil production started.

According to Amnesty International Report, the major companies currently active in the oil sector are the following: the Greater Nile Petroleum Operating Company (**GNPOC**) has been established in 1990 to develop the al-Mojlad basin, Unity and Hejlij fields in Kordofan. The Sudan National Petroleum Corporation holds 5% stake of the consortium, the Chinese National Corporation holds 40%; Petrones Garigali of Malaysia hold 30%, and Talsiman Energy of Canada the remaining 25 %, (the Indian Government is negotiating to purchase the share of Talisman for US $750 million). The consortium has pledged more than US $1200 million to develop the field, including the construction of 1600 km. Pipeline from the fields to Bashayeer terminal at the Red sea. Production is estimated to be 150,000 barrel-per-day (**bpd**) and could grow to 400,000 **bpd** over the medium term. In August 1999, the Sudan dispatched its first oil shipment after almost forty years of oil explorations started and about twenty years after serious efforts on oil exploration began. The oil products at Abu Jabrah and al-Ubbiyyid refineries was 179,497 metric ton in 1997, it increased to 10,426,073 metric ton in the year 1999 (an increase of more than 58 fold).

In terms of production structure of the economy, preliminary projections by the **IMF** show that the share of the oil sector in **GDP** will increase from about 4% in 2000 to 6.4% in 2005 and this value of crude oil exports will increase from about US $1350 million and $1376 million in 2000 and 2001 respectively to more than US $1.5 billion in 2005. An oil saving account was established in Bank of Sudan, which allows the government to save windfall revenues resulting from oil prices budgeted oil prices. The purpose of this account is to enable the Sudanese authorities smooth fiscal adjustment in case of lower oil prices with accumulated financing margin. Fiscal reforms seek to strengthen the non-oil revenue in order to reduce the vulnerability of the budget to the volatility of oil prices.

1.10.3 THE ECONOMIC SERVICES SECTOR

The Sudanese services sector, includes both social and economic service, and is relatively large, constituting roughly 50% of the **GDP**, which is high compared to low-income counties with an average of about 30%. Within this sector, transport and trade dominate. These two sub-sectors present a variety of critical issues with respect to the country's economic recovery. It is the basic element in the development of all other sectors. It has contributed around 40% to gross domestic product in 2001. It includes miscellaneous economics services, for instances: transportation and communications, warehousing and storage water and electricity housing and construction and tourism. (a) The transportation sector includes railways road inlands waterway civil aviation marine and shipping. The contribution of the services sector to the national income stood at 49.7% of **GDP** in 1980/81, the picture has never

changed. The share of this sector increasingly fluctuated throughout the 1980s and 1990s, thus, during this period the share of services sector registered a non-significant rate of growth, and by the year 2000 its share amounted to 32.2% and subsequently increased to 42.6% of **GDP** in the year 2001.

1.10.4 FOREIGN TRADE SECTOR

The basic Sudanese exports consist of agricultural products, and recently, the petroleum products. The value of exports rose from US $ 508.15 million in the year 1980/81; to US $ 1806.7 million and $ 1698.7 million in 2000 and 2001 respectively. The value of imports rose from US $ 1563 million in 1980/81; to US $1552.73 million and $ 1585.50 million in 2000 and 2001 respectively. The balance of trade (**BoT**) was unfavourale and the balance of payments (**BoPS**) were more serious despite the government's policies of clamping down on imports and encouraging exports through economic reforms programmes, like freeing the domestic and foreign trade through abrogation of state monopoly on these activities. And **GoS** freed agricultural and industrial commodities prices, as well as imposing high imports duties on a large number of goods and light export tax and abolishing need for export licenses among others. But still the imports rose, thus, the pulling renewed on **BoPS,** owing to low productivity and wrong policy, the trade deficits widened enormously; but the situation improved registering US $ 254 million and $ 113.2 million in 2000 and 2001 respectively; the balance of trade was favourable due to the increasing in the exports earnings specially often the export of oil in August 1998. The European Common Market Countries (**ECC**) is the biggest imports

of the Sudanese exports, followed Saudi Arabia, Japan, China, Jordan, Thailand and Malaysia. The Sudan imports foodstuff, raw materials, equipment, agricultural and industrial equipments, chemicals and all sort of vehicles and means of transport, mainly from the **ECC**, Libya, Saudi Arabia, Egypt, China and India. The Sudan has economic and trade protocols with some countries viz. Egypt, Libya, Jordan, Turkey, Malaysia and Indonesia, and also conduct border trade with the surrounding African countries.

1.11 PLANNING AND DEVELOPMENT IN THE SUDAN

The Sudan's economy has been characterized by the following main factures: low per capital income ($480), civil war, dry and draught (1983-85), counterproductive policies, chronic trade deficit problem, unemployment (30% in 1993-96) and low payment scale, low productivity, lack of proper administrative machinery to initiate the development process, and the political instability among others. The above brief survey of economy highlights that the Sudan is a developing country. The then government introduced a developmental programme in the year 1949, during the Anglo Egyptian condominium to achieve a high growth rate in domestic product and modernised infrastructure. A number of manufacturing industries started and agriculture and irrigation project i.e. al-Gezira agricultural project scheme was introduced in 1925; had taken place in the areas of education, health, housing and construction banking (foreign branches) and the administrative set-up during the development programme of 1949-1955.

The developments of agricultural industrial and financial sectors along with the creation of infrastructural facilities facilitate the growth and development of an economy. The industrial, agricultural and infrastructural sectors are the backbone of an economy, while the financial sector is the key sector in the economy. The financial sector plays a vital role in promoting the planned development of these sectors as it facilitates the efficient payment system. The first plan after the independence of the Sudan was a ten-year plan (1960/61–1970/71). Then a five year plan (1970/71– 4/75) was introduced in 1970 latter revised due to the nationalisation process in 1970/71; till June 1977. Again, a five-year plan was introduced from 1977/78 to 1982/83. The current regime put a three-year programme, latter extended to ten-year programme ending 2002. However, most of the plans and development programmes have failed to address and to achieve their targets and goals due to the on-going civil war, inefficiency, shortage of financing, mismanagement among others, though most of the projects were completed. The general aims and objectives of the plans and programmes were to: (a) promote the welfare through an insurance in the productivity, (b) realisation of full employment (c) economic growth (d) expansion of services (e) increase **GDP** to more than 5% (f) increase the agricultural industrial production (g) to increase government revenue etc.

1.12.1 RESOURCES MOBILISATION

The major structural problems noted in the Sudanese economy are the imbalances between savings (**S**) and consumption (**C**).[33] The inefficiencies in production, the large deficit on external account, and the imbalance between

public revenues and expenditures are closely tied to pricing policies and to related non-price resource allocation decisions. The basic challenge facing the Sudan include a globalised economy tainted with declining official financial flows coupled with fierce competition at the international markets, issues related to the mobilisation of domestic resources, increasing savings and provision of profitable investment to achieve high levels. The savings rate in the country stood at 3% of **GDP** in 1980/81 and registered 10.1% of **GDP** in 2000 and 2001 respectively. The highly inflationary borrowing from the Bank of Sudan (printing money) and the massive current account deficits seen in recent years are a direct result of the exceptionally low savings efforts by both the public and private sectors. A variety of measures could be taken that would substantially increase deconstruct resource mobilisation.

Although considerable portions of public sector deficits were financed by external sources, none of this financing went directly to public sector. It also borrowed heavily from the baking system, thus rapidly expanding the money supply, while commercial banks and Bank of Sudan borrowed from abroad. Declines in both national and domestic saving have been paralled by increased reliance of foreign resources mobilisation. While the line of causality between decreased savings and increased foreign financing is not entirely clear, the two trends were undoubtedly mutually reinforcing. Simultaneously, the decline in saving rates favoured increased dependence on foreign financing. In early 1980s, domestic savings dropped still further relative to **GDP**, by 1981/82 and 1982/83 savings had in fact turned negative, meaning that all investment was financed either by transfers or borrowing from abroad.

Improving the Sudanese resource mobilisation, some efforts should have been taken to rationalised fiscal exemption, the public sector should adopt a resource mobilisation strategy based on fundamental principles such as, government current revenues should at least be equal to current expenditures; the government should provide assurance against state expropriation of private investment. **GoS** should limit new tax exemptions and establish a one-window system of uniform facilities to provide a field for all investors. Also redefines overlapping licensing roles of the authorities and eliminating investment-sanctioning procedures for small investors, based on an established threshold.

Investment inflows to the Sudan have increased substantially since 1996, mainly as a result of developments in the oil industry, coupled with reforms in investment policy and privatisation. The combined amount of foreign direct investment (**FDI**) and exceptional financing increased from almost zero in 1996 to about five percent of **GDP** in 2001. Oil-related investments are still important, but also other sectors have received significant inflows, notably power projects, telecommunications, and food processing industries. But as a matter of fact, a large part of these investments have targeted urban area (Khartoum and Port-Sudan) with strong growth. However, the rural areas and the regions of southern and western of the Sudan have so far not registered any inflows of foreign investments, which may lead to more conflicts.

1.12.2 INFLATION (PRICING RISING)

Regarding the prices stability, the inflation rate declined (16.1 in 1999 to 8.1 in 2000) and that was attributed mainly to continuous efforts towards

encouraging investment, reduction in public expenditure, stability of foreign exchange rate and the decline in deficit financing. It is widely believed that a country striving hard to develop cannot escape from inflation, but economists are not in agreement. Limited resource mobilisation of for development through taxation is not possible in the Sudan due to widespread poverty. Under such circumstances the government is left with two options, viz, the foreign aid and expansion of money supply by the central bank. Consequently, the factor prices or the cost of production rise, and eventually the general price level is pushed up. In other words, this technique of resource mobilisation for development plans gives increasing to the inflation rate. Theoretically, the strategy of reliance on inflation for economic development looks sound and naturally attractive but not easily implemented. It is common experience of developing counties that recourse to inflation even to resource mobilisation for development purpose gives rise to all kind of problems [*Misra and Puri, 2001; p. 489*]. Inflation puts restrain on country's balance of payments generates social tensions and the government also has its share of blames. Quite often newly created money is spent on unproductive activities, such as defense, police and general administration. The accumulative result of all these development is that the economy is caught deep into the inflation, while the expected growth fails to materialise, [*Misra and Puri, 2001; p. 489*].

With regard to price stability, the inflation rates in the Sudan ever increase over the last two decades mainly due to civil war and other international sanction and government policies. Decline in inflation rate may mainly be attributed to continuous efforts towards encouraging investment, reduction in

public expenditure, stability of foreign exchange rate but still we doubt how these can take place with the civil war and other regional conflicts along with international sanction imposed on the Sudanese regime. **GoS** printed money more than once and floated the new SDD 1,000 note in the market, which cannot be considered as a 'restriction policy'. As far back as late 1970s, **GoS** had initiated a series of reforms efforts aimed at arresting economic deterioration. The early waves of reforms covering 1978-1984 were, well sequenced nor fully implemented; macroeconomic and price stabilisation was not emphasised. While the reforms in the begging of the 1990s revived growth performance somewhat and reduced fiscal imbalances, inflation rates escalated and other reduced fiscal imbalances, inflation rates escalated and other macroeconomic imbalances persisted. Efforts to suppress inflation through administration prices were unsuccessful, and economic growth recovery did not seem sustainable.

The inflation rate in the year 1980/81 stood at 22.4% with consumer prices (**CPI**) at 6.0 (1990 base year as 100), in the year 2000 and 2001, the inflation rates registered only 8.1% and 4.9% with **CPI** at 24,190.1 and 25,377.5, we have observed that the **CPI** steadily and highly increasing. The escalation of inflation during 1990/91-1994/95 which registered an average of 106.4% was accompanied by a sharp deterioration in the balance of payments. Part of the problem was that there were many distortions and government interventions in the economy, including fixed and controlled exchange rate regimes, import controls, export retention controls, and cumbersome investment policies that dampened private investment, exports, and economic growth.

1.13 MAJOR DEVELOPMENT CONSTRAINTS

The main constraints too economic growth and development process are: (a) institutional (politically motivated) (b) the external debt-burden (c) the weak financial sector and (d) the infrastructure constraints. The civil war and now the regional conflicts in Dar Fur and the Red sea politically motivated should be solved, these massive brain drain, which deriving the country's qualified human resources affecting the formulation of public policies and the effectiveness of the public administration. The civil war and other conflicts also divert government's attention away from focusing on growth, development, capacity building and absorbing substantial amount of fiscal revenues. As it is well known the Sudan's current external debt remains unsustainable. Its capacity to service its external public debt has been constrained by the deterioration of the balance of payments and the need to build up its foreign reserves. Indeed, prior to the oil era, the Sudan had been relying on weak export base mainly consisting of rain-fed agricultural products. The contractual interest and principal payments had even exceeded the exports earnings prior to 2000, consequently, the country's obligations falling due between 1995 and 2000 accumulated as arrears. Subsequently, donors, including the **IMF**, **ADB** and the World Bank, suspended their development assistance to the country, which weakened capital inflows needed for growth and poverty reduction.

The financial sector is central to the mobilisation of savings for investment. The financial intermediation role of banking system, however, has been constrained by narrow capital base coupled with low levels of deposits, high rate of return, and increasing non-performing of loans. Bank of Sudan has

initiated a restricting programme, which aimed at consolidating the banking sector as well as over hauling the accounting system and banking operations among others. The government has requested for a financial sector assessment programme from the **IMF**, which could form the basis of a comprehensive banking sector reform plan.

The country's infrastructure network and services are inadequate and constrain economic development. The physical settings of the country make the provision of efficient and reliable road networks difficult. Under these constraints, the road network is very sparse leaving many states disconnected, particular the war-affected areas of southern states. Although the Sudan Railways (**SR**) network is one of the largest in Africa, it has deteriorated due to poor maintenance and inadequate rehabilitation, therefore, 25% of the rolling stock to be estimated out of services. With regard to electricity, substantive investment in power supply, the grid and transmission systems are required to overcome the effect of past neglected maintenance and should cover all over the country (due to inequality and less coverage of most of the country). The telecommunication marked with improved by the privatisation of Sudatel, though in need of up gradation to international standards.

The foresaid are the major constraints of economic growth and development of the Sudan. No future development plan or strategy has been fully formulated to address the development constraints, challenges and the risks, but our strategy is being built on these pillars: (i) the pursuance of macroeconomic stability with the objective of subduing inflation, sustaining economic growth and marinating foreign exchange stability (ii) generating,

employment from the private sector (iii) the promotion of primary of health centre, educational institutions and rural water supply (iv) strengthening the non-oil sectors, with emphasis on traditional agriculture and livestock.

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Table No. 1:1

POPULATION (1980/81 - 2001)

YEAR	FEMALE	MALE	TOTAL
1980/81	N.A	N.A	19,703,000
1981/82	N.A	N.A	20,260,000
1982/83	10,085,478	10,508,719	20,594,197
1983/84	N.A	N.A	21,377,000
1984/85	N.A	N.A	21,931,000
1985/86	N.A	N.A	22,567,000
1986/87	N.A	N.A	23,214,000
1987/88	N.A	N.A	21,724,000
1988/89	N.A	N.A	22,394,000
1989/90	N.A	N.A	23,079,000
1990/91	N.A	N.A	23,780,000
1991/92	N.A	N.A	24,495,000
1992/93	12,957,736	12,840,292	25,588,429
1993/94	12,957,736	13,330,992	26,288,728
1994/95	13,316,035	13,692,158	27,008,193
1996	13,684,222	14,063,126	27,747,348
1997	14,061,963	14,444,769	28,506,732
1998	14,527,956	14,738,449	29,266,405
1999	14,826,576	15,219,746	30,046,322
2000	15,478,773	15,602,227	31,081,000
2001	15,611,951	16,014,575	31,626,526

Note: N.A stands for data not available.
Source: (1) World Tables, World Bank, Ed.1988/89; (from 1980/81 to 1986/87)
(2) Central Bureau of Statistics, Government of the Sudan; (from 1987/88 to 2001).

Table No. 1:2

The Republic of the Sudan: "states, capitals, area, population distribution and percentage of population per state", during 2001.

Sr. No.	Name of the State	Capital	Area (sq. km.)	Population	%age
1	aL-Gedarif	aL-Gedarif	075,263	1,414,531	4.7%
2	aL-Gezira	Wad Madani	023,373	3,310,928	10.9%
3	Bahr aL-Jabal	Juba	022,956	1,234,486	4.1%
4	Blue Nile	al-Damazine	045,844	0,633,129	2.1%
5	East Equatorial	Kapoita	082,542	-	-
6	Jungoli	Bor	122,479	-	-
7	Kassala	Kassala	036,710	1,433,730	4.7%
8	Khartoum	Khartoum	022,142	4,740,290	15.7%
9	Lakes	Rumbek	040,235	-	-
10	North Bahr aL-Gazal	Awil	033,558	-	-
11	North DarFur	al-Fashir	296,420	1,409,894	4.6%
12	Northern	Dongula	348,765	0,578,376	2.0%
13	North Kordofan	aL-Ubbayyid	185,302	1,439,936	4.7%
14	Red Sea	Port-Sudan	218,887	0,709,637	2.3%
15	River Nile	aL-Damar	122,123	0,895,893	3.0%
16	Sennar	Sennar	037,844	1,132,758	3.7%
17	South Dar Fur	Nyala	127,300	2,708,007	8.9%
18	South Kordofan	Kadugli	079,470	1,006,117	3.5%
19	Unity State	Bantio	035,956	-	-
20	Upper Nile	Malakal	077,773	1,342,943	4.4%
21	Warap	Warap	031,027	-	-
22	West Bahr al-Ghazal	Wau	093,900	2,256,942	7.4%
23	West DarFur	al-Geneina	079,460	1,531,682	5.0%
24	West Equatorial	Yambio	079,319	-	-
25	West Kordofan	al-Fula	111,373	1,078,336	3.6%
26	White Nile	Rabak	030,411	1,431,701	4.7%
	The Sudan	- - -	2,505,813	31,801,600	100%

Source: Central Bureau of Statistics (CBS), Government of the Sudan

Table No.:1:8

SUDAN OIL BY PRODUCTS

at Abu Jabra and al-ubbiyyid Refineries (metric tons)

Type	1997	1998	1999
Crude Oil	179,497	1,783,087	10,426,073
Gasoline	8,367	145,089	756,800
Kerosene	33,963	43,197.3	032,396
Ferris	133,989	158,652.5	624,621
Gas	000.000	000.000	142,786

Source: Sudan Oil Corporation.

Table No. 1:3

Contribution of Economic Sectors to Gross Domestic Product (GDP) at Current Market Prices, During 1980/81-2001.

(Percentage)

The Sector	1980/81	1981/82	1982/83	1983/84	1984/85	1985/86	1986/87	1987/88	1988/89	1989/90
Agriculture and its Allied Activities	36.5	36.46	32.38	30.22	27.36	30.99	37.55	38.02	40.13	35.29
Manufacturing and Mining	06.3	06.57	06.69	07.39	08.08	06.89	05.13	06.44	05.71	05.58
Public Utilities (Electricity and Water)	02.1	01.07	00.97	01.48	01.79	01.72	01.35	01.36	01.02	01.40
Housing and Construction.	05.4	05.36	06 24	05.48	05.37	04.96	04 33	04.33	03.06	04.95
Governmental Services	12.0	15.78	15.74	16.02	13.87	13.38	08.41	11.16	09.95	10.44
Other Services	37.7	34.74	37.96	39.39	43.51	42.04	43.20	38.68	40.09	42.31

Calculated from table No. 1:4, page:

Sources: Central Bureau of Statistics, Government of theSudan.

Table No. 1:3 (Cont.)

Contribution of Economic Sectors to Gross Domestic Product (GDP) at Current Market Prices, During 1980/81-2001.

(Percentage)

The Sector	1990/91	1991/92	1992/93	1993/44	1994/95	1996	1997	1998	1999	2000	2001
Agriculture and its Allied Activities	41.14	39.74	38.01	40.85	32.37	39.85	45.17	40.24	36.72	40.29	38.07
Manufacturing and Mining	04.47	05.37	04.75	04.80	04.53	07.10	06.47	06.19	06.90	10.30	10.78
Public Utilities (Electricity and Water)	01.05	01.04	01.16	01.03	00.78	01.50	00.88	00.91	00.82	01.62	01.96
Housing and Construction.	05.01	04.57	04.68	05.93	03.04	04.41	04.05	07.21	05.31	06.14	05.94
Governmental Services	07.60	07.87	07.97	05.79	05.09	06.36	06.92	05.85	03.53	05.18	04.97
Other Services	40.54	41.38	43.41	41.58	54.16	40.71	36.48	39.57	46.66	36.44	38.36

Calculated from table No. 1:4, page:

Sources: Central Bureau of Statistics, Government of the Sudan.

Table No.1:4

Gross Domestic Product by Sector at Current Market Prices

(Million Sudanese Dinar)

	1981/82	1982/83	1983/84	1984/85	1985/86	1986/87	1987/88	1988/89	1989/90	1990/91	1991/92
Agriculture Forestry & Fishing	256.7	310.6	356.9	420.2	626.6	1369.9	1779.3	3313.7	3886.3	7927.7	16764.7
Mining & Manufacturing	46.3	64.2	87.3	124.2	139.4	186 3	361.0	5.6	7.3	12.6	34.5
Electricity & Water	7.6	9.4	17.5	27.6	34.8	49.6	63.9	84.8	155.0	203.0	440.8
Construction	37.8	59.9	64.8	82.5	100.3	158.0	202.8	253.4	545.2	996.2	1928.1
Government Services	58.4	77.6	101.8	111.2	141.6	163.1	268.8	406.1	680.1	772.5	1669.7
Other Services	7.9	10.9	15.1	20.9	25.8	33.5	37.6	89.7	214 0	378.3	789.0
GDP at factor costs	651.3	885.8	1093.3	1433.8	1892.8	3504.1	4425.8	7840.3	10541.3	18573.7	40528.2
Indirect taxes less subsidies	52.7	73.4	87.4	101.9	129.0	143.9	253.4	415.9	469.8	692.3	1653.6
GDP at Market prices	704.0	959.2	1180.7	1535.7	2021.8	3648.0	4679.1	8256.2	11011.1	19266.0	42181.8

Source: Central Bureau of Statistics, Government of Sudan

Table 1:4 (Cont.)

Gross Domestic Product by Sector at Current Prices (Continued)

(Million Sudanese Dinars)

	1992/93	1993/94	1994/95	1996	1997	1998	1999	2000	2001
Agriculture Forestry & Fishing	36049.4	76857.3	179028.9	419968.2	731649.8	863965.6	986825.6	1165491.2	1233899.3
Mining & Manufacturing	257.2	539.8	1014.0	4508.2	4197.7	5790.2	38250.0	25665.9	36622.3
Electricity & Water	1106.2	1939.4	4295.3	15799.0	14327.9	19654.9	21992.8	46875.5	63676.1
Construction	4444.1	11172.5	16813.9	46497.7	65597.3	154987.0	142696.3	177768.0	192676.7
Government Services	3339.5	5035.0	9133.8	28801.0	50672.0	67260.7	10384.0	89900.0	95700.0
Other Services	1718.7	4311.0	8260.2	19311.0	30556.3	35323.3	44352.5	27155.4	28947.2
GDP at factor costs	90624.0	182262.1	533875.7	1014940.8	1557902.9	2088541.1	2601137.8	2832109.6	3174850.5
Indirect taxes less subsidies	4220.8	5866.8	19035.0	38300.0	61541.9	58347.9	85955.6	60186.7	65407.2
GDP at Market prices	94844.8	188128.9	552910.7	1053829.1	1619444.8	2146889.0	2687093.4	2892296.3	3240257.7

Source: Central Bureau of Statistics, Government of Sudan

Table No.: 1.5

Gross National Product by expenditures at current Prices

(million Sudanese Dinar)

	1980/81	1981/82	1982/83	198/84	1984/85	1985/86	1986/87	1987/88	1988/89	1989/90	1990/91
GDP at factor cost		6513_	885 8	1093.3	1433.8	1892.8	3476.3	4425.8	7840.3	10494.2	18603.7
Indirect taxes less subsidiaries		52 7	73 4	87.4	1019	129.0	170 8	253.4	415 9	516 9	692 3
GDP at market prices		704 0	959.2	11807	15357	2021.8	3647.1	4679 11	8256 20	11011.01	19296.3
Resource gap		-102 0	-138.4	-89 3	-128 3	-154.8	-80 1	-186 1	-265.6	-138.8	-739.8
Export of GNFS		68 5	96.8	130 0	99 7	117.2	149.3	243 3	342.3	465 8	254.8
Imports of GNFS		170 9	235.2	219.3	228 0	272.0	229.4	429 4	607.8	604.6	994 6
Gross domestic expenditures											
Consumption		645 8	944.6	11074	1594 7	19363	3255.2	4149 0	74217	10123 3	174169
Private		569.9	856.6	992 6	1447.3	1755.5	3051.7	3791 5	6878.9	9345.0	16469.8
Government Consumption		75 9	88 0	114 8	147 4	180.8	203 5	357 5	542.8	778.3	947.1
Change in stocks		127 5	159.4	184.0	177 9	240.3	472.8	716.3	1100.0	1026.7	2588 8
Gross National Product		692 9	945.2	1150.2	1511.0	2006.1	3639 0	4669.1	8250 8	111061	19344.4
Gross Domestic Savings		58 2	14 6	73 4	-59.0	85.6	392.7	530.2	834.5	887.8	1849.1
Net factor income		-11.1	-14.0	-30 4	-15 8	-15.7	-9.1	-10 0	-5.4	-95.0	-78 3
Net current transfers		39 1	28.7	51.3	92.5	95 4	78.5	97 7	150.5	295 8	70.6
Gross National Savings		86.2	29 4	94.3	17 8	165 3	462 1	617.8	979 6	1278.6	1998 1

Source: Central Bureau of Statistics, Government of the Sudan

Table No.: 1.5 cont'd.

Gross National Product by expenditures at current Prices

(in millions of Sudanese Dinars)

	1991/92	1992/93	1993/94	1994/95	1996	1997	1998	1999	2000	2001
GDP at factor cost	41028.2	90724.2	182262.1	533875 7	1014940.8	1557902 9	2088541.1	2601137.8	2832109.6	3174850 5
Indirect taxes less subsidiaries	1153.6	4120.6	5866 8	19035.0	38888.3	61541.9	58347 9	85955.6	60186 7	65407.2
GDP at market prices	42181.8	94844.8	188128.9	552910.7	105329 1	1619444.8	2146889.0	2687093.4	2892296.3	3240257 7
Resource gap	-1399.9	-7625 5	-20551 9	-27100.0	-82128.5	-202220.9	-350371 6	-162532.1	65016.3	29047.1
Export of GNFS	1583.2	4234.0	9018.9	25395.8	57739 6	813112.8	102953.4	19969.8	462517.2	435886.4
Imports of GNFS	2983.1	11859.5	29570.8	52495 8	139868.1	283533.7	45335 0	362226 9	397500 9	406839.3
Gross domestic expenditures										
Consumption	36276 4	83674.3	166036 9	490606 1	889458.5	1579158.0	1924692.0	2286600.0	2400605.9	n a
Private	31888 2	78100 7	155782 5	465030.1	812407.1	1487899.9	1820566.5	2159400.0	2238637.3	n.a
Government Consumption	4388.2	5573 6	10254 4	25576.0	77051 4	91258.1	104125.5	127200.0	170645.5	n.a
Change in stocks	7305.3	18795.9	42643.9	88563.9	225737.8	300000 2	730833.0	52854.8	Na	n.a
Gross National Product	43880.8	96974.9	187714 9	552674 5	103736 7	1678778.1	2305757.6	2371757 9	2588605.2	2916231.9
Gross Domestic Savings	5905.4	11170.5	22092 0	62304.6	143609.3	97779.3	222197 4	315274.7	Na	n.a
Net factor income	1699.0	2130.0	-414 0	-236.2	668 8	18408.0	604 1	-25965 7	--	--
Net current transfers	51287.4	2280.0	4144 6	4151 0	4604.8	19920.2	71091.4	102639 3	--	--
Gross National Savings	58891.8	15580 6	25822 5	66219.4	148883.0	119540 3	293892.6	356592.4	--	--

Source: Central Bureau of Statistics, Government of the Sudan

Table 1:6 Macroeconomic Indicators

	1980/81-84-85	1985/86-89/90	1990/91-1994/95	1996-2000	2000	2001
Growth rate a/	-2.0	2.3	3.5	5.7	5.1	8.0
Real GDP b/	-4.2	-1.2	0.7	10.9	5.3	5.6
Agriculture / GDP	-5.5	-0.8	1.6	3.6	2.8	5.6
Inflation	32.1	43.3	10.64	43.6	8.0	4.9
Gross Capital Formation / GDP c/	15.5	9.2	12.8	14.2	12.5	N.A
Government Savings/ GDP d/	-4.9	-8.7	-4.2	0.4	1.8	1.6
Export /GDP	5.6	1.9	2.2	8.4	16.1	13.6
Import / GDP	11.6	4.0	4.4	14.0	11.8	12.1
Trade balance / GDP	-6.0	-2.6	-2.2	-5.6	3.9	12.1
Current account/ GDP	-1.7	-1.0	-2.3	-7.2	-4.9	-7.9
Fiscal deficit /GDP	-9.9	-12.6	-6.6	-0.9	-0.8	-1.4
Government Revenue / GDP	11.4	8.8	7.3	8.0	11 4	11.3
Government Expenditure/GDP	21.3	21.4	13.9	8.9	12.2	12.7
External debt stock / GDP (%)	n.a.	197.5	282.1	204.5	179.4	161.4
Schedule external debt service / exp of GNFS	n.a.	175.8	290.9	173.9	75.5	57.5
Actual external debt service / exp. Of GNFS	n.a.	18.0	12.5	8.9	5.0	5.0

A/ Growth rates for the periods are exponential growth rates apart from annual rates for 2000 and 2001.
b/ GDP at factor costs (constant prices, 1981/82 = 100)
c/ Average for 1991-95 covers only four years. No data for 1994/1995.
d/ Government revenue less recurrent expenditures 2001 is estimated.

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