



THE WILLIAM DAVIDSON INSTITUTE
AT THE UNIVERSITY OF MICHIGAN

POLICY BRIEF #52

CURRENT PRIVATIZATION POLICY IN SUDAN

Osman Suliman *

April 2007

* Osman Suliman is a professor of economics and chair of the Economics Department at Millersville University of Pennsylvania.

I. OVERVIEW

The current Sudanese government (1989 - present), dominated by the National Congress Party (NCP), has expanded privatization programs. Motives behind privatization are complex and controversial.¹ While ostensibly claiming the efficiency gains, and public finance imperatives of privatization, the ruling party in Sudan expediently used privatizing state-owned enterprises (SOEs) to acquire more economic and political power for the NCP. The consequences of such relation-based (crony) capitalism, of which political patronage is an integral part, were grave on the Sudanese economy. This paper envisages three main social losses (hypotheses): (1) increased prices as firms capitalize on market power, and hence, (2) increased inequality through accelerated self-dealing, and (3) profit incentives to restructure privatized businesses swamped by official corruption, bureaucracy, and a punitive tax system. The discussions in Sections II and III on self-dealing and inequality, respectively, encapsulate these three issues.

Callaghy (1990) argued that as independence came to Africa in the late 1950s, political rather than economic logic prevailed. He contends that a new class of elites emerged and used the state as its instrument of action and source of power, status, rents, and other forms of wealth. Thus, in contrast to competitive private capitalism, all groups concentrated on the weak and vulnerable, newly autonomous state to reach power and wealth. The result was a formation of networks to build support through rent distribution, creation of a large parastatal sector, and purchase of urban support via state welfare services and subsidies. Callaghy's (1990) point that new political groups used rents from the state to reward allies and, at the same time, crosscut and control complicated ethnic, regional, religious, clientelistic, and emerging class ties, is well taken. With the advent of the Sudanese privatization programs in the nineties, the government has been widely accused of practicing favoritism in selling SOE's to NCP members. At the same time, over taxation and confiscation have forced established businesses to leave. The World Bank Report (2000) reveals that in 1997 alone, 374,110 Sudanese sought asylum in other countries, and in 1994, 282.6 per 100,000 people were jailed. As Campbell and Bhatia (1998) contend, self-dealing prevails when noncompetitive methods of privatization exist, where preemptive rights are absent, and in systems with unclear bidder selection processes. To maintain their power while claiming economic reform, the NCP regime applied privatization by favoring their allies. As Due (1997) points out, when parastatals are not exposed to open competition, income inequality often worsens.

Although published data (Table 1) indicates that legal ways of privatization, such as asset sales on a competitive basis have seemingly been followed, it is naïve to believe that the government will execute income distribution reforms that challenge their political interests (Ridell, 1999). The government controls the banking system and individuals with political patronage are able to carry more debt, giving them an unfair advantage in bidding for state assets. This hypothesis is

¹Campbell and Bhatia (1998) noted that the real incentives for African governments to divest include political change for more democratization and openness; the need for donor assistance, especially from the World Bank and the IMF; the need to generate cash to meet budgetary needs; eliminating troubled public enterprises; the need to maintain employment levels; and the need to satisfy vested interests. Prioritization of these incentives differs from one country to another. For more details on the multi-dimensional purposes of privatization, refer also to Suliman and Ghebreyesus (2001).

based upon the institutional setup of policy objectives, the nature of the banking sector, and the lack of a viable bond market.

In Sudan, privatization is perceived as unfair, hurting the poor (especially those living in the peripheries of the country), and empowering the powerful and privileged NCP affiliates. Consistent with Birdsall and Nellis (2003) and Buchs (2003), privatization is seen as causing layoffs and demotions, increases in the price of goods and services, enrichment of a corrupt leadership, and ultimately a widening of the gap between rich and poor. The main complaint is that even if privatization contributed to improved efficiency in some sectors (such as telecommunications), it had a negative effect on the distribution of wealth, income, and political power. Birdsall and Nellis (2003) argue that the distributional effect of privatization matters in three ways: (1) most societies have a limit on their tolerance of inequality, regardless of the effects on growth and efficiency; (2) inequality hinders growth, particularly in developing countries where institutions and markets are weak; and (3) inequality can perpetuate itself by affecting the nature and pace of economic policy and establishing unproductive political arrangements. In a very similar way to the Russian case documented by Hellmann et al. (2000) and Nellis (1999), in Sudan a lack of institutional checks against corruption has helped a set of connected people illegally acquire resources and property rights. As their resources and economic power increased, this leadership became capable of blocking subsequent competition-enhancing and redistributive reforms.

This paper aims to give a broad overview of contemporary privatization policies in Sudan and to derive some general trends and conclusions based on available empirical evidence. In Phase I (1992-1997), fifty-seven privatization transactions were recorded (Table 2), which secured an amount of 554 million Sudanese dinars for the Treasury.² In Phase II (1998-2003), efforts are underway to privatize twelve more enterprises (Table 2). A total of thirty-one enterprises are proposed for privatization in Phase II, which is ongoing. Table 1 displays that the peak of privatization activities occurred in 1993. The Sudanese sectoral distribution of privatized entities approximately matches the framework set up by Cambell and Bhatia (1998) for Sub-Saharan Africa, with the bulk of privatization transactions occurring in agriculture and manufacturing, followed by trade and services, transport, telecommunications and tourism, and energy. Public utilities and energy remain far behind (Chart 1). This situation is likely to change, however, with the increase in Sudatel's (telecom) divesture by about nine million U.S. dollars in 2001. Currently, the government's share of equity in privatized sectors is noticeably high, reaching up to forty percent in Sudatel. Sudatel's shareholders include Etisalat of the United Arab Emirates, Q-tel of Qatar, and investors from the Gulf Cooperation Countries (GCC).³ Mobile telephone services were introduced in Sudan in 1997 through Mobitel, a new company, which is forty percent owned by Sudatel and sixty percent owned by local investors, mainly NCP affiliates.⁴

In terms of the privatization methods used (Table 2), most transactions were conducted by free transfer of ownership (34.9 percent), followed by full sale (28 percent), liquidation (10.5

² http://mof-sudan.net/english/privatization_program.html. One Sudanese dinar = 10 Sudanese pounds.

³ Dahel (2001).

⁴ Ibid.

percent), restructuring (7 percent), partial sale (5.3 percent), lease (1.8 percent), and public offering of shares (3.5 percent).

II. SELF-DEALING

In 1990, the present government of Sudan initiated a privatization program by establishing the Technical Committee for the Disposal of Public Enterprises (TCDPE). Based on financial viability, the TCDPE listed 117 SOEs for privatization in 1992. There were two phases for application of the program. In the first phase (1992-1997), fifty-seven SOEs were privatized. During the second phase (1998-2003), however, the proposed sales and liquidations of thirty-one SOEs were not completed. Out of the fifty-seven enterprises divested in the first phase, twenty-five were freely transferred to state government, farmers, and government and voluntary organizations (Table 2). As Table 1 and Chart 2 display, privatization activity peaked in 1994, but gradually tapered off as an increasingly wary public began to suspect the government's motives.

Consider the legal and institutional constraints on self-dealing. Tables 3 and 4 reveal the absence of democratic institutions which bolster economic and social participation and minimize corruption. The presence of these institutions is a vital prerequisite for privatization to be successful. It is abundantly clear that Sudan wholly lacks the institutional infrastructure to control self-dealing. Prosecutors, judges, and lawyers are mostly political appointees and members of the NCP. Proscriptions against self-dealing are nonexistent. Business laws and accounting regulations are violated with impunity. Table 3 shows a lack of democratic accountability, poor application of the rule of law, and rampant corruption. Dagdeviren (2006) argued that several weak institutional factors have negatively affected the outcomes of privatization in Sudan: (1) the absence of appropriate accounting practices led to inaccurate valuation of assets; (2) there were no appropriate workers' compensation mechanisms included when privatization policies were first launched; (3) capital markets were very rudimentary and the Khartoum Stock Exchange was not operational before a substantial part of privatization had been completed; (4) the absence of anti-monopoly and other legislative frameworks and regulatory organizations led to problems; and (5) corrupt methods of privatization and intentional lack of transparency (such as sales without tender and lack of documentation) eroded the credibility of the privatization endeavors. Examples abound. The privatization of telecommunication services occurred with no tender and, as reported by Dagdeviren (2006), some 'specific personalities' were invited to become joint stock partners in Sudatel. Sudatel was essentially a government protected monopoly until 1997 when another communications company (Mobitel) was established, albeit under the auspices of the ruling elites. Moreover, as Dagdeviren (2006) asserts, the asset valuation of Sudatel and initial sale price was substantially downgraded by an unknown company (East-West Co.) selected by the NCP-controlled government. Awad (1999) reported that by raising the connection charges, after only three months of privatization, Sudatel was able to reap a profit of five million U.S. dollars.

Self-dealing is almost inevitable in the Sudanese case where the system is controlled by the NCP managers. It is not surprising that most of the privatization stock shares are held by the government and NCP. Non-NCP citizens are directly excluded from participation because most

of the potentially profitable ventures' stocks were sold by invitation. Indirect methods of over taxation and confiscation threats also exist. Selective tax audits have become a potent political weapon against businesses that are not supportive of the NCP. Further, the lack of appropriate institutions discourages workers' ownership and public participation. Falsified books preclude strong public capital markets. Companies that are deliberately allowed to get away with tax avoidance cannot report honestly to investors. Hidden transactions also preclude using the courts to enforce contracts.⁵ It is no coincidence, therefore, that the seven most profitable companies (see Table 5), are dominated by NCP managers, and mostly located in the central area of Sudan around Khartoum. The rest of the companies that are either barely surviving or working at a loss, have been privatized mainly through free transfer of ownership to regional states, farmers, other public sectors, or voluntary organizations. The latter are mostly ill-equipped agricultural schemes located in the peripheries of the country. It is noteworthy that all the regional conflicts in Southern Sudan, Darfur, and Eastern Sudan erupted partly because of concentration of wealth and power around Khartoum leading to disproportionate regional development. The result is a massive migration to Khartoum and a drastic increase in open unemployment. Deng (2007), succinctly, points out that, since independence in 1956, the fundamental root cause of regional conflicts in Sudan lies in the concentration of governance and development around Khartoum, and the ensuing marginalization of rural Sudanese in the governance of their country.⁶

III. INEQUALITY

Ali (2006) reported that the Sudanese Gini coefficient of inequality shows a high degree of inequality approaching 0.5, and the existence of relatively low Kuznets' elasticities (a measure of the sensitivity of inequality to changes in income), indicates that changes in the distribution of consumption expenditures are expected to stay at relatively low values, averaging to 0.1132 during the decade of the 1990s.

Besides, the existence of self-dealing which widens the inequality gap between the rich and the poor, other privatization and market liberalization effects that may worsen income distribution include an increase in the cost of living indexes and higher unemployment. Table 6 shows that the only enterprises that increased their employment after privatization are Commercial Bank, National Poultry, and International Nile Textile. It is clear that privatization in Sudan led to a substantial increase in unemployment. Most of the privatized enterprises in the table exhibit significant cuts in the workforce, reaching up to sixty percent of the employment level in firms like Grand Hotel and Gezira Tannery (Table 6). Not including the free transfer of ownership enterprises (where in some cases all of the employees were dismissed), the TCDPE (2004) estimated that the total number of job losses was thirteen thousand. As a matter of fact, most of the retrenchments of operations were applied with no compensatory plans for the displaced labor. The TCDPE contends that no retraining or compensatory early retirement programs were offered to workers. Furthermore, many privatized enterprises did not adjust their pension regulations to

⁵ Such actions are common in corrupt regimes, as widely documented in Russia and other transition economies. See Black et al. (2000)

⁶ Garang (1987) argues that under such circumstances, if the marginal cost of rebellion is negligible, or even negative, then it pays to rebel.

advance their contributions to the Pension and Social Insurance Fund for the existing or newly entering workers. That is why workers' unions in many of these firms (e.g. Nyala Tannery, Kadogli Textiles, etc.) were disgruntled and fought for a just solution to the problem.⁷ Following these massive layoffs, real wages deteriorated while the cost of living continued to rise.

The self-imposed market liberalization policies of Sudan (equivalent to structural adjustment policies elsewhere) of the early nineties, coupled with the self-serving privatization policies of the NCP-controlled government, resulted in pernicious income distribution effects on society. With the urge of acquiring more economic and political power, existing public finance imperatives, inflationary debt monetization policies, high foreign debt (over one and a half billion dollars owed to the IMF in 1992), the government launched an aggressive privatization program, removed most of the subsidies, floated the Sudanese pound, and increased user fees. Even worse, was a system of discriminatory taxation where some businesses and individuals have to pay astronomical income and property taxes, and Zakat (wealth taxes). Such prohibitive levels of taxation drove many non-NCP supporting enterprises out of business and compounded the problem of exorbitant living expenses. Tables 7 and 8 and Chart 2 display that by 1996, the average national inflation rate exceeded 130 percent.⁸ In fact, as of 1994, the prevailing minimum wage was only enough to cover twenty-five percent of the monthly cost of living (Musa, 2002). Tables 7 and 8 and Chart 2 show that during the mid-nineties when privatization was at its peak, hyperinflation in necessary goods was extremely high. The abysmal living conditions of the poor have, furthermore, been worsened by the continuous depreciation of the Sudanese pound against the U.S. dollar, due to the ill-founded adoption of a floating exchange rate system. As shown in Table 8, between 1989 (the first year of the current regime) and 1995, the Sudanese pound depreciated from twelve pounds per dollar to 720 pounds per dollar, a depreciation of over five thousand percent. By 2005, the dollar was worth 2,600 pounds. To inflict further damage on an already impoverished society, the government pursued a defacto privatization policy of the healthcare and education systems. Such privatization policies are not only punitive to the poor, but are also incompatible with the development of a small, capital-poor economy. With a poverty rate well above fifty percent, export-led growth and minimalist state views cannot succeed without democratic social and economic institutions, which buttress a sound development process by regulating self-dealing and encouraging an equitable income distribution.⁹ Such inequity has not been alleviated by the recent higher growth in the Sudanese economy bolstered by higher oil revenues.¹⁰

⁷For more details on this, see TCDPE (2004).

⁸These are the official government calculations. The actual figures are suspected to be higher than that (Musa, 2002).

⁹In September 2000, the Steering Committee of the Strategic Comprehensive Program for Poverty Reduction in Sudan concluded that more than half of the Sudanese population live under the poverty line (Musa, 2002). According to a 1997 report sponsored by the ILO and UNDP in conjunction with the Sudan Ministry of Manpower, about ninety percent of the Sudanese population is living in poverty (Dagdeviren, 2006; Musa, 2002).

¹⁰Based on a World Bank and UNDP report (2005), Deng (2007) maintains that even with the increase in oil production, growth in Sudan has been concentrated in central states around Khartoum, which further exacerbates regional disparities.

IV. CONCLUDING REMARKS

This article critically discussed current privatization policies in Sudan. While claiming the efficiency benefits and the public finance imperatives of privatization, the ruling elites, dominated by the NCP, exploited the program to expand their economic and political power. Two main issues arose: self-dealing and inequality. In terms of self-dealing, it is clear that all of the potentially profitable privatized enterprises are managed and controlled by NCP affiliates. In many cases, enterprise shares were sold by invitation to specific personalities. In fact, some of the successful companies, such as Sudatel, have been allowed to exercise monopoly power for an extended period of time and to reap exorbitant profits within a short period of time. The rudimentary nature of public capital markets and the absence of democratic accountability and institutions precluded public participation and eroded the credibility of privatization policies. Furthermore, selective over-taxation and speedy market liberalization (inflationary) policies have increased inequality and caused poverty rates to soar well over fifty percent.

References

- Ali, A.A.G. (2006), *The Challenges of Poverty Reduction in Post-Conflict Sudan*, Arab Planning Institute.
- Awad, M.H. (1999), "Poverty in Sudan: Anatomy and Prognosis." University of Khartoum, mimeo.
- Birdsall, N. and J. Nellis (2003), "Winners and Losers: Assessing the Distributional Impact of Privatisation," *World Development*, 31, (10), 1617-34.
- Black, B., R. Kraakman, A. Tarassova (2000), "Russian Privatization and Corporate Governance: What Went Wrong?" *Stanford Law Review*, 52, 1731-1808.
- Buchs, T. (2003), "Privatizations in Sub-Saharan Africa: Some Lessons from Experiences to Date," Working Paper, International Financial Corporation.
- Callaghy, T. (1990), "Lost Between State and Market: The Politics of Economic Adjustment in Ghana, Zambia, and Nigeria," in *Economic Crisis and Policy Choice: The Politics of Adjustment in the Third World*, ed. by J.M. Nelson, Princeton, NJ: Princeton University Press, 257-320.
- Cambell-White, O. and A. Bhatia (1998), *Privatization in Africa*, Washington, DC: The World Bank.
- Dagdeviren, H. (2006), "Revisiting Privatization in the Context of Poverty Alleviation: The Case of Sudan," *Journal of International Development*, 18, 469-88.
- Dahel, R. (2001), *Telecommunications Privatization in Arab Countries: An Overview*, Arab Planning Institute.
- Deng, L. (2007), "The Sudan Comprehensive Peace Agreement: A Framework for Sustainable Peace and Democratic Transformation of Sudan," A Statement before the United States Congress Sub-Committee on Africa and Global Health, Washington, DC.
- Due, J. (1997), "Privatization in Tanzania and Zambia," *World Development*, 21, (12), 1981-1988.
- Garang, J. (1987), *John Garang Speaks*, London: Kegan Paul International.
- Hellmann, J, G. Jones, and D. Kaufmann (2000), "Seize the State, Seize the Day: State Capture, Corruption, and Influence in Transition," Washington, World Bank, report prepared for World Development Report 2001 Workshop.

- Ministry of Finance and National Economy website (2002). www.mof-sudan.net.
- Ministry of Manpower (1997), Poverty in Sudan, A report sponsored by ILO and UNDP, Khartoum.
- Musa, K.A. (2002), “Employee Ownership in the Privatization Programme of Sudan: Progress, Problems, and Prospects”, Mimeo.
- Nellis, J. (1999), “Time to Rethink Privatization in Transition Economies?” Washington, DC: International Financial Corporation Discussion Paper No. 38.
- Ridell, R. (1999), , “The end of Foreign Aid to Africa? Concerns about Donor Policies,” African Affairs, 98 (392), 309-335.
- Suliman, O. and G. Ghebreyesus (2001), “Determinants of Privatisation in Selected Sub-Saharan African Countries: Is Privatisation Politically Induced?” Journal of Economic Development, 26 (2), 33-48.
- Technical Committee for the Disposal of Public Enterprises (TCDPE) (2004), Report on the Performance of Privatisation Program. Sudan: Khartoum.
- University of Pennsylvania (1995), Sudan News and Views.
<http://africa.upenn.edu/newsletters.snv14.html>.
- World Bank (2000), World Development Indicators, CD.
- World Bank (2005), World Development Indicators, CD.
- World Bank (2006) Private Sector Development in Sub-Saharan Africa.

TABLE 1: PRIVATE SECTOR DEVELOPMENT IN SUDAN

Firm Name	Sector	Year	Privatization Type
Abu Name Kenaf Factory	Industry	1993	Shares Sale on Competitive Basis
Arkawit Rest House	Tourism	1992	Assets Sale on Competitive Basis
Arousa Tourist Village	Tourism	1992	Assets Sale on Competitive Basis
Atbera Rest House	Tourism	1992	Lease
Aybe National Corp	Agriculture	1993	Shares Sale on Competitive Basis
Blue Nile Agricultural Corp.	Agriculture	1993	Shares Sale on Competitive Basis
Blue Nile Packing Co.	Industry	1993	Shares Sale on Competitive Basis
Friendship Palace Hotel	Tourism	1993	Debt/Equity Swap
Gazira Tannery	Agroindustry	1992	Debt/Equity Swap
Juba Hotel	Tourism	1993	Assets Sale on Competitive Basis
Khartoum Dairy Products	Agroindustry	1993	Transfer of Ownership for Nil Consideration
Khartoum Tannery	Agroindustry	1993	Assets Sale on Competitive Basis
Koku Milk Processing Factory	Agroindustry	1993	Assets Sale on Competitive Basis
Kosti Rest House	Tourism	1992	Assets Sale on Competitive Basis
Krikab Sweet Factory	Industry	1992	Assets Sale on Competitive Basis
National Mining Co.	Mining	1993	Assets Sale on Competitive Basis
Nuba Agricultural Corp.	Agriculture	1993	Shares Sale on Competitive Basis
Port Sudan Spinning	Industry	1994	Debt/Equity Swap
Rabak Cotton Ginnery	Agroindustry	1994	Assets Sale on Competitive Basis
Red Sea Hotel	Tourism	1992	Assets Sale on Competitive Basis
Red Sweet Factory	Industry	1992	Assets Sale on Competitive Basis
State Cinema Corp.	Services	1992	Shares Sale on Competitive Basis
Sudan Commercial Bank	Financial	1993	Assets Sale on Competitive Basis
Sudan Cotton Co.	Agriculture	1993	Assets Sale on Competitive Basis
Sudan Hotel	Tourism	1993	Assets Sale on Competitive Basis
Sudan Oil Seed Co.	Agroindustry	1993	Transfer of Ownership for Nil Consideration
Sudanese Footwear Co.	Industry	1993	Debt/Equity Swap
Sudatel	Telecom	1994	Shares Sale on Competitive Basis
Supplies and Catering Dept.	Tourism	1993	Shares Sale on Competitive Basis
Wafra Chemical Co.	Industry	1992	Transfer of Ownership for Nil Consideration
Watania Distillery Co.	Industry	1992	Transfer of Ownership for Nil Consideration
White Nile Tannery	Agroindustry	1992	Assets Sale on Competitive Basis

Source: World Bank: Private Sector Development in Sub-Saharan Africa: Sudan

TABLE 2: PHASE I - PRIVATIZATION PROGRAM AND METHOD OF PRIVATIZATION 1992-97

Privatization Method	Manufact.	Agriculture	Trans. and			Total	Percent
			Comm.	Energy	Commercial		
Full sale	8	1	4	2	1	16	28
Partial sale	1	-	2	-	-	3	5.3
Lease	-	-	1	-	-	1	1.8
Liquidation	-	6	-	-	-	6	10.5
Reconstruction	-	4	-	-	-	4	7
Public offering of shares	-	-	-	-	2	2	3.5
Free transfer of ownership	5	5	4	2	9	25	34.9
Total	14	16	11	4	12	57	-
Percent	24.6	28	19.3	7	21.1	-	100

Source: Adapted from Musa (2002) and Sudan Ministry of Finance and National Economy (2002)

PHASE II - PRIVATIZATION PROGRAM AND METHOD OF PRIVATIZATION 1998-2003

Entity	Mechanism of Privatization	Status of Implementation
Sudan Airways	To be transformed into a public limited company	Bids of four investors are under processing
Sudan Free Shops and Zones Company	To be transformed into a public limited company in 5 years time	Turned into private limited company with 75% of shares private. The Government is willing to sell more of its shares.
Sudan Shipping Lines Company	To be transformed into a public limited company	Study under revision
Sea Ports Corporation	To be transformed into a public limited company	Study under revision
Irrigation and Excavation Public Corporation	To be transformed into a public limited company	Study under preparation
Roads and Bridges Public Corporation	To be transformed into a public limited company	Turned into public limited company
National Electricity Corporation	Under restructuring for accommodation of private investment	BOT (build, operate, transfer) project finance has been arranged
Bank of Khartoum	To be transformed into a public limited company	Turned into public limited company
Cooperative Development Bank	To be transformed into a public limited company.	
Real Estate Bank	To be transformed into a public limited company	Registered as private company
Rabak Cement Factory	A public limited company. The Government is willing to sell its shares.	
Friendship Palace Hotel	A private limited company.	Government share of 40% is for sale

Source: Sudan Ministry of Finance and National Economy (2002)

TABLE 3: MEASURES OF EFFECTIVE DEMOCRATIC INSTITUTIONS AND SOCIAL

Year	Government Stability	Socioeconomic Conditions	Investment Profile	Internal Conflict	External Conflict	Corruption	Military in Politics	Religion in Politics	Law and Order	Ethnic Tension	Democratic Accountability	Beuracratc Quality
1987	3.42	4.00	4.17	1.17	5.83	2.00	2.00	1.00	2.00	1.00	1.00	0.00
1988	1.25	2.92	3.92	3.00	5.92	2.00	1.58	1.00	2.00	0.58	1.00	0.00
1989	1.83	1.42	2.00	2.08	5.00	2.00	1.00	1.00	1.92	1.00	1.00	0.00
1990	1.00	1.08	1.75	1.00	3.33	2.00	1.00	1.00	1.00	0.08	1.00	0.00
1991	1.00	1.00	1.00	1.00	4.25	2.00	1.00	1.00	1.00	0.00	1.00	0.00
1992	5.50	1.83	1.42	2.00	6.08	2.00	1.00	1.00	3.00	0.00	1.00	1.00
1993	3.50	3.00	2.00	2.75	7.50	2.00	0.00	1.00	2.67	0.00	1.00	1.00
1994	4.42	3.42	2.42	1.58	8.00	2.00	0.00	1.00	2.00	0.00	1.00	1.00
1995	4.75	4.33	3.17	1.67	8.00	2.00	0.00	0.75	2.00	0.00	1.00	1.00
1996	5.17	4.50	4.00	2.00	7.75	1.83	0.00	0.00	2.00	0.00	1.00	1.00
1997	7.42	2.00	5.67	1.75	5.33	1.00	0.00	0.00	2.00	0.00	1.00	1.00
1998	10.00	2.00	7.17	4.00	5.17	1.00	0.00	0.00	2.00	0.00	1.00	1.00
1999	10.00	2.00	6.00	4.17	7.83	1.00	0.00	0.00	2.00	0.00	1.92	1.00
2000	9.33	2.00	3.00	4.00	9.50	1.00	0.00	0.00	2.00	0.00	2.00	1.00
2001	10.00	2.00	5.92	4.75	9.33	1.00	0.00	0.67	2.00	0.67	3.08	1.00
2002	10.00	2.00	5.67	6.29	9.50	1.00	0.00	1.00	2.50	1.00	3.50	1.00
2003	10.00	2.00	6.00	7.58	9.50	1.00	0.00	1.00	2.50	1.00	3.50	1.00
2004	10.00	2.42	7.25	7.67	9.79	1.00	0.00	2.00	2.50	1.96	3.38	1.00
	/12	/12	/12	/12	/12	/6	/6	/6	/6	/6	/6	/4

Note: Lowers scores reflect higher political/investment risk
Source: International Country Risk Guide

INFRASTRUCTURE

TABLE 4: FREEDOM INDICATORS

Year	Political Rights	Civil Liberties	Freedom Status
1987	4	5	Partly Free
1988	4	7	Partly Free
1989	7	7	Not Free
1990	7	7	Not Free
1991	7	7	Not Free
1992	7	7	Not Free
1993	7	7	Not Free
1994	7	7	Not Free
1995	7	7	Not Free
1996	7	7	Not Free
1997	7	7	Not Free
1998	7	7	Not Free
1999	7	7	Not Free
2000	7	7	Not Free
2001	7	7	Not Free
2002	7	7	Not Free
2003	7	7	Not Free
2004	7	7	Not Free

Source: Freedomhouse.org

TABLE 5: PROFITABILITY OF SELECTED PRIVATIZED SOES*

Name/Sector/Method of Sale/Year	Profitability
Commercial Bank (Service) - Sold to the Farmers Union in 1992	Since privatization annual profits are estimated to be 71 million SD.
Gezira Tannery (Manufacturing) - Joint stock in 1993	Profits were estimated to be 242 million SD from 1995-99.
Grand Hotel (Service) - Leased for 25 years in 1996	Profits were 47.8 million SD in 2001 and 24.6 million SD in 2000.
Intl. Nile Textile Factory (Manufacturing) - Sold for debt settlement to Dawoo (Korea) in 1995	Production increased to 4760 tons per year after privatization.
Kirikab Corp. (Manufacturing) - Sold in 1991	Made U 33.2 million SD profit in 2001.
Sudanese Cotton Co. (Service) - Sold in 1993	Made 460 million SD average yearly profit from 1994-2001.
White Nile Tannery (Manufacturing) - Sold to Dawoo (Korea) in 1992	Profit from 1994-2000 was estimated at 12 million SD.

Source: Technical Committee for the Disposal of Public Enterprises (TCDPE) (2004)

*Other companies struggling to survive or working at a loss include, Wafra Chemicals, National Project for Poultry, Rabak Cotton Ginnery, Delta Toker, Blue Nile Agricultural Project, and White Nile Agricultural Project.

TABLE 6: EMPLOYMENT IN SELECTED PRIVATIZED SOES*

Name/Sector/Method of Sale/Year	Employment
Commercial Bank (Service) - Direct sale to the Farmers Union in 1992	Increased by 12% after privatization, from 729 to 817
Gezira Tannery (Manufacturing) - Joint stock in 1993	Declined by 50% after privatization, from 440 to 181
Grand Hotel (Service) - Leased for 25 years in 1996	Declined by 55% after privatization, from 339 to 152
Intl. Nile Textile Factory (Manufacturing) - Sale for debt settlement to Dawoo (Korea) in 1995	Increased by 1674% after privatization, from 72 to 1258
Kirikab Corp. (Manufacturing) - Direct sale in 1991	Declined by 22% after privatization, from 90 to 70
Sudanese Cotton Co. (Service) - Direct Sale in 1993	Declined by 59% after privatization, from 972 to 399
White Nile Tannery (Manufacturing) - Direct sale to Dawoo (Korea) in 1992	Declined by 20% after privatization, from 368 to 296
Sudatel	Declined by 50% after privatization, from 6041 to 3021

Source: TCDPE (2004)

* For all of the companies working at a loss (see note under Table 5) employment decreased significantly. In some cases (e.g. Delta Toker and White Nile Agricultural Project) all employees were dismissed after privatization.

TABLE 7: INFLATION 1980-2004

Inflation, consumer	
Year	prices (annual %)
1980	25.35
1981	24.58
1982	25.71
1983	30.59
1984	34.15
1985	45.41
1986	24.45
1987	20.56
1988	64.7
1989	66.72
1990	65.16
1991	123.58
1992	117.62
1993	101.38
1994	115.4
1995	68.38
1996	132.82
1997	46.65
1998	17.11
1999	15.99
2000	5.69
2001	7.2
2002	8.37
2003	7.77
2004	8.51

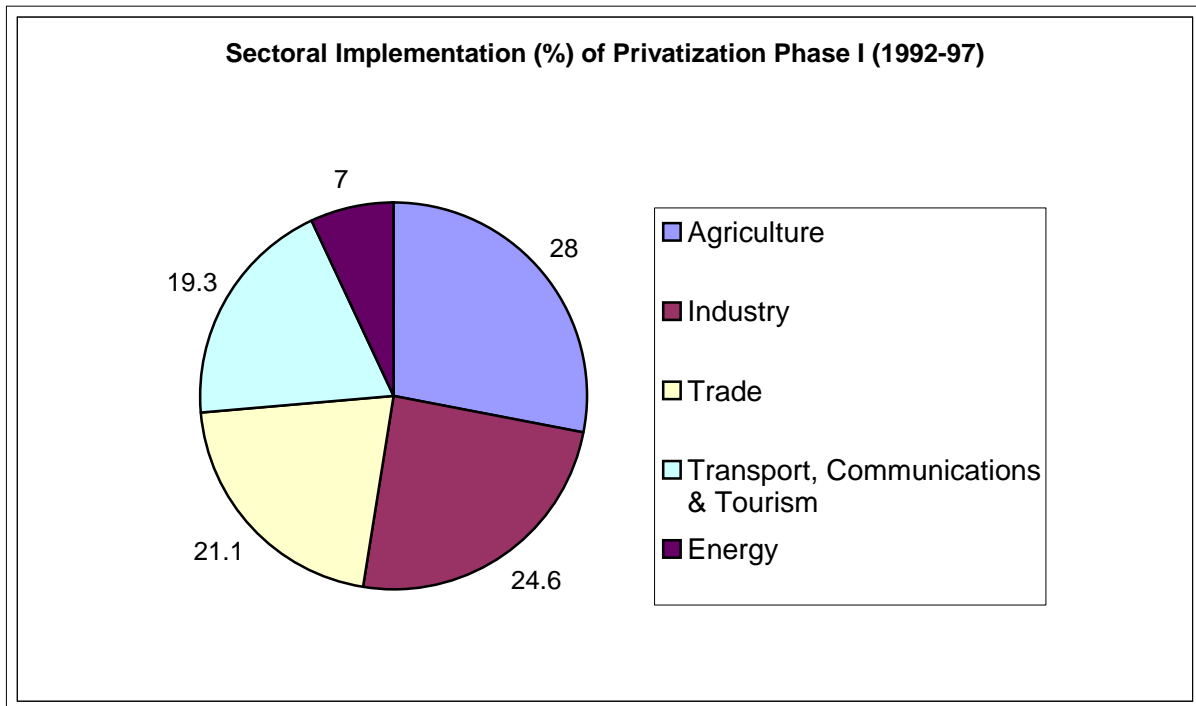
Source: World Bank Development Indicators CD-Rom (2005).

TABLE 8: INFLATION IN NECESSARY GOODS DURING THE PERIOD OF ACTIVE PRIVATIZATION (Mid-Nineties)

Item	Unit	May 1989	September 1995	Change (%)
Item	Quantity	1989 Price	1995 Price	% Change in Price (1989-1995)
Dollar	1\$	12 SP	720 SP	5900%
Lamb	1 kg	18	1400	7677.78
Beef	1 kg	12	1200	9900.00
Sugar	1 lb	0.15	450	299900.00
Tea	1 lb	12	800	6566.67
Coffee	1 lb	0.9	150	16566.67
Bread	1 piece	0.15	25	16566.67
Fish	1 kg	0.3	1600	533233.33
Egg	1 dozen	1.8	840	46566.67
Aspirin	100	0.5	1250	249900.00
Rice	1 kg	0.6	450	74900.00
Lentils	1 kg	0.25	500	199900.00
Tooth Paste	1 tube	0.4	450	112400.00
Toilet Soap	1 bar	0.15	250	166566.67

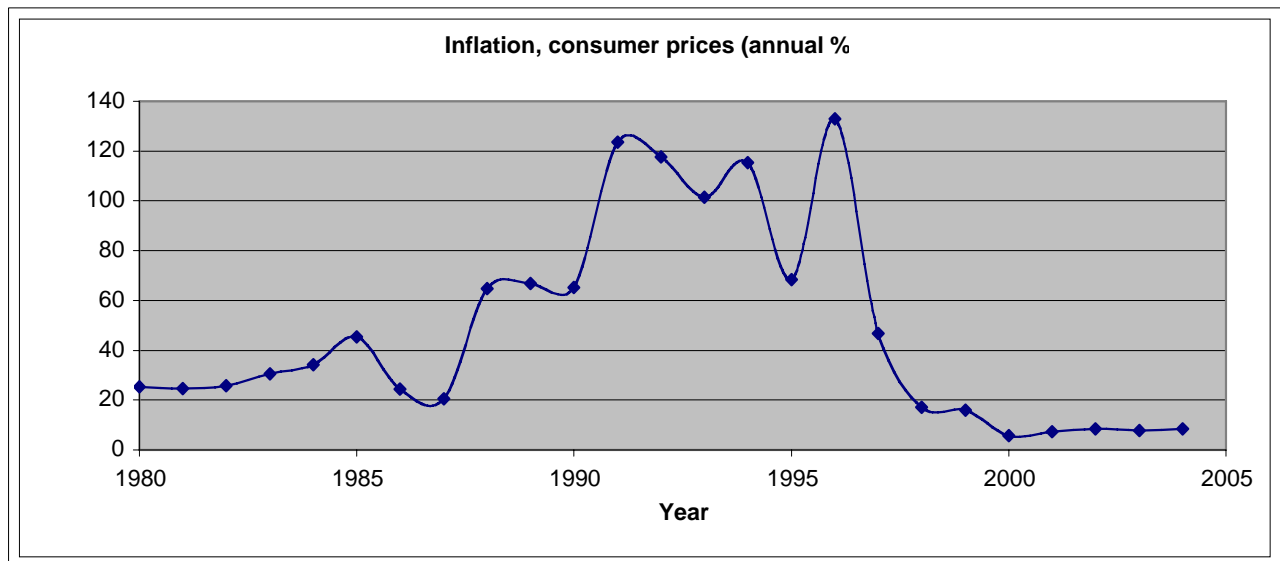
Source: University of Pennsylvania African Studies Center, Sudan News and Views, 1995

CHART 1



Source: Ministry of Finance and National Economy (2002). www.mof-sudan.net

CHART 2: INFLATION 1980-2004



Source: World Bank Development Indicators CD (2005)

ABOUT THE AUTHOR

OSMAN SULIMAN is a professor of economics and chair of the Economics Department at Millersville University of Pennsylvania. His research interests include international finance, trade, and development. His ongoing work focuses on capital inflows, capital structure, and quality of governance. He is a research fellow at the Economic Research Forum (ERF). His research has been published in journals such as *Review of International Economics*, *Applied Economics*, *Journal of Post Keynesian Economics*, and *Journal of Economics and Business*.