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INVESTMENT AND FINANCIAL RESOURCES
IN THE SUDAN'S TEN-YEAR PLAN
OF ECONOMIC AND SOCIAL DEVELOPMENT
1961/62 - 1970/71

By

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ABSTRACT

In deciding on a topic for this thesis the writer was influenced by his deep interest in the field of economic development in underdeveloped countries, and by his natural inclination to write about an economic issue pertaining to his country. After considering several possible topics on the Sudanese economy and with the valuable help and advice of Professor B. Daouk, the writer finally made up his mind to write about Investment and Financial Resources in the Sudan's Ten-Year Plan of Economic and Social Development 1961/62 - 1970/71.

This work falls in five chapters. The first chapter deals with economic planning in underdeveloped countries which is the framework of the whole study. This chapter briefly discusses the need for planning in underdeveloped countries, the political influence in economic planning, and the major problems of planning economic growth in underdeveloped countries.

The second chapter generally surveys the economy of the Sudan. It covers the traditional and the modern economic activities and the role of the public and the private sectors in the Sudanese economy. Finally the major characteristics of the economy of the Sudan

are summarized and the objectives of the Ten-Year Plan, as formulated by the Planning Organization, are pointed out.

The third chapter deals with investment in the period of the Plan. However, the major criteria for determining priorities of investment projects relevant to underdeveloped countries are discussed in a brief introduction. The fourth chapter is reserved for the financial resources in the Sudan's Ten-Year Plan. It begins with a short introduction on financing economic development plans in underdeveloped countries.

In the fifth chapter the Sudan's experience in economic planning is outlined, the results of the first three years of the Plan are critically discussed and the whole Plan is generally evaluated with special emphasis on the major sources of weakness in the Plan.

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CHAPTER I

INTRODUCTION: ECONOMIC PLANNING IN UNDERDEVELOPED COUNTRIES

Economic planning in underdeveloped countries is an urgent need dictated by the miserable living conditions in these countries. Although underdeveloped regions show a diversity of economic conditions, they, nevertheless, share certain characteristics implicit in the definition of underdevelopment itself. Some of these characteristics are:

1. Low per-capita income and low propensity to save;
2. Subsistence economy with the agricultural sector dominating the scene and investment channelled mostly into extractive industries. This is well reflected in the occupational distribution of underdeveloped countries' population. In the Sudan, for instance, some 86 per cent of the working population live on land;
3. Primitive and backward techniques used in the different productive sectors, particularly in agriculture and industry; and lack of the entrepreneurial class;
4. Market imperfections;
5. High rate of population growth relative to the rate of economic progress;
6. Relatively high propensity to import;

7. High percentage of illiteracy;
8. Poor transport facilities;
9. Inequalities in income distribution.

The living conditions in underdeveloped countries look worse, and the need for planning becomes more urgent, when compared to those in advanced countries. While in the United States of America, for instance, the per-capita income was about \$1800 and in each of the United Kingdom, Canada, France, West Germany, Australia and New Zealand, per-capita income was about \$1000; the per-capita income of India was only \$60,¹ and that of Sudan was only about \$90 in 1960/61. "According to international standard, per-capita income of less than \$100 is considered as sub-human."² About two thirds of the world population live in countries which can be called underdeveloped.

Many of these countries have attained their political independence recently, most of them after the second World War. The political leaders, after independence, found themselves up against socio-economic factors that led to stagnation or deterioration in the living conditions of their people. The market forces in these countries tended

¹K. Bhattacharyya, Indian Plans: A Generalist Approach (Bombay: Assia Publication House, 1963), p. 4.

²Ibid., p. 3.

to be working in the direction of increasing internal and international inequalities in income and wealth. Thus to dynamise a stagnant society and to push forward a declining economy required the formulation of comprehensive social plans of which the economic plan is only a part.

Baldwin defines social planning as follows:

Social planning is the limiting or shaping of all or part of the relationships among individuals or groups of individuals, in accordance with some design however determined. The essential characteristic of social planning 'is pattern-making', or in Whittaker's words 'subordination of individuals' or groups of individuals' wills to social plan of action.³

Within the social plan authorities on development make varied emphasis on the role of economic planning. Baldwin considers economic planning as a means of allocating the scarce resources at our disposal so as to yield the greatest satisfaction, and economic planning can never be carried on except within a social framework.⁴ According to Myrdal, an economic plan is "a programme for the strategy of a national government in applying a system of state in-

³C. Baldwin, Economic Planning: Its Aims and Implications (Urbana: The University of Illinois Press, 1942), p. 11.

⁴Ibid., pp. 11-12.

interferences with the play of the market forces, thereby conditioning them in such a way as to give an upward push to the social process."⁵ Ghosh thinks that social conditions in underdeveloped countries hinder their economic progress, and "the changing of the motivation-pattern of a society cannot be left to a few private entrepreneur here and there. It has to be planned ... And without such change in the motivation-pattern of society lasting progress ... is not possible."⁶ Kindleberger emphasizes the role of the government in the early stages of economic development. He states that the government's role is not confined to filling the vacuum left by the private market and its institutions; at a minimum there is need for social and economic over-head capital, the basic facilities which must be provided and whose benefits are difused so widely that it is impossible equitably to collect all the costs by charging direct users.⁷

Once the development process has begun in a country, according to Hirschman, as quoted by Kindleberger, planning

⁵G. Myrdal, Economic Theory and Underdeveloped Regions (London: Methnen Co. ltd., 1956), p. 79.

⁶O. Ghosh, Problems of Economic Planning in India (Allahabad: Leader Press, 1957), pp. 23-24.

⁷Ch. Kindleberger, Economic Development, (Tokyo: Kogakusha Co. ltd., 1958), p. 137.

has very little to contribute.⁸ It is difficult, however, to draw the line, if at all, where planning should be given up in the process of economic growth; but the intensity and the level of government interferences might change as the economy progresses. The issue nowadays is not to plan or not to plan. It is rather how to plan and to what extent should the government in an underdeveloped country involve itself directly or indirectly in economic activities. This leads us to the problems of planning which usually, turn out to be of political nature. As Baldwin put it, "economic theory has little to say on the desirability or undesirability of planning; the political and ethical factors assume a preponderating influence."⁹

The only way to develop economically and socially is by withholding a sizeable part of real income in favour of investment. The people in underdeveloped countries, as mentioned before, have very small per-capita incomes, and therefore, a small propensity to save; but, at the same time, they aspire to higher standards of living. It is difficult to make people with very low income consume less so as to invest more. Myrdal said:

⁸Ibid., p. 145.

⁹C. Baldwin, op.cit., p. 63.

It becomes even more difficult, in so far as democratic forms of government are being adopted giving the vote to the masses ... The type of restricted democracy has in our days lost its appeal. The underdeveloped countries have to go all the way to full democracy with universal suffrage. Underdeveloped countries thus need real democracy even at this early stage to break down the existing impediments to economic development; but undoubtedly democracy at the same time, makes it more difficult for governments to hold down the level of consumption in the degree necessary for rapid development. The tendency toward dynamic dictatorships of fascist or communist type, visible in most parts of the underdeveloped world, should be viewed in the perspective of this political dilemma.¹⁰

Real democracy, though Myrdal has not defined it, is difficult to attain under the social and economic conditions prevailing in underdeveloped countries. Many social, economic and political institutions need urgent reform, and several basic social services must be rendered to the public at large before one can speak of achieving real democracy in underdeveloped countries. "The principle of planning, however, does not imply an opposition to capitalism (or Western democracy) or an acceptance of the principle of socialism, but it is the natural outcome of circumstances prevalent in the region (underdeveloped

¹⁰G. Myrdal, op.cit., p. 83.

regions)."¹¹ It is worth mentioning here that Western democracy has failed so far to solve the problems of underdeveloped countries, and in many of them its practice has been given up. The form of government that suits underdeveloped countries to solve their persisting problems remains a puzzle to be solved. As far as economic theory is concerned Baldwin holds the point of view that:

It makes little difference to the theoretical solution of the economic problems whether the aims of planning are determined authoritatively or democratically. Whatever the scale of values be that is laid down as a given datum, the allocation of the factors of production in accordance with that scale of values will be the same theoretically, will follow the same general principles ... The difference practically would be in the relative proportions of the factors of production which would be allocated to various industries in accordance with the ends postulated.¹²

After recognising the influence of political factors in the whole process of economic planning, I shall turn now to discuss briefly some of the major problems pertaining to economic planning in underdeveloped countries. The first problem for planners to deal with is the balanc-

¹¹R. Elbrawy, "Some Problems of Economic Planning in the Middle East with Special Reference to Egypt", Middle East Economic Papers 1954, ed. Y. Sayigh (Beirut: Economic Research Institute, American University of Beirut, 1954), p. 27.

¹²Baldwin, op.cit., pp. 65-66.

ing of aims. The maximumization of the rate of economic growth is not the only goal for any nation. This goal must be balanced against other national objectives. The government cannot reduce its current services beyond a certain limit to finance productive investment without adversely affecting the present general standard of living. For the same reason the government cannot increase its taxation beyond a certain limit. Given the political and the social set-up, planners have to decide on the degree of sacrifice the present generation can tolerate in favour of the coming ones.

A second aspect of the problem of balancing the goals of the nation is the likelihood of the incompatibility of economic growth with the reduction in the inequality of income distribution. Taxing the rich excessively to provide services for the poor might adversely affect the incentive to invest of the former and reduce their propensity to save.

The third aspect of this problem concerns unemployment. In underdeveloped countries unemployment, open or disguised, is a grave social problem causing a continuous headache to the state. If the state decides to offer employment to all who wish to work and allocates the limited resources for this purpose, output is most likely to be

negatively affected. In fact to plan in order to achieve full-employment or to maximize output is a controversy not settled yet. Full employment might be desired for social and political reasons, but maximization of output is a matter of purely economic nature.

As Kindleberger put it: "in the final analysis, the choice between maximum output and maximum employment is not one which the economist can make, although he may be able to tell the political decision-makers how much of one must be given up for a fixed amount of the other."¹³ Thus planners have to reconcile these two conflicting aims, giving the various social, political and economic factors their due weights. Finally economic growth as a goal must be balanced against other social purposes. For instance, military strength, or communications for the sake of furthering national unity, might be needed socially and politically, but economically unjustified.

The second major problem of planning is the distribution of investment projects among different regions in the country. Economic rationality is usually shattered in the tug-of-war between regions for the limited resources available for investment. The regions constituting an

¹³Kindleberger, op.cit., pp. 177-178.

underdeveloped country usually vary widely in backwardness and their resource endowment. Bearing in mind the weak forces binding these regions into one nation, compromise, at the expense of economic rationality, in the distribution of investment projects to be included in the plan, might become the only course to maintain the unity of the nation. The Congo Leopoldville crisis and to some extent the Southern Sudan issue, are manifestations of this problem.

The third problem of planning is the poor statistical information available to the planning body. This is particularly relevant to the pioneer attempts at planning. The incompleteness of statistical information should not preclude planning. Planners will find themselves obliged to make the best estimate of facts to make their decisions. Peter Clark, a member of the three-men economic advisory team involved with the preparation of Nigeria's first national plan, points out the difficulties related to this problem. He says:

In many areas information was negligible or incomplete. No backlog of information existed in the files of the planning organization. Data had to be systematically gathered, interpreted, and processed into a usable form. All estimating tools - capital-out ratios, value added coefficients, labour intensivity measures, population growth rates, indexes of agricultural productivity, foreign exchange components or measures of the spread in domestic market rates of interest - has

to be constructed by the planners during the exercise itself. This meant that the plan projections and growth models were never formulated directly or exclusively by plugging standard ratios into the aggregative national income figures.¹⁴

This problem is aggravated in some underdeveloped countries, to say the least, by the fact that the native members in the planning body who are supposed to be acquainted with their country's economy are not qualified enough to make intelligent guesses. They cannot adequately make up for the shortage of the data. The foreign advisors to the planning body, having limited knowledge of the country's economy, are of little help in this regard. The best way to deal with this problem seems to have a flexible plan. Thus wrong interpretations of data and non-realistic estimates based on erroneous hunch can be corrected without seriously shaking the whole plan.

Another problem of planning relates to the technology to be used in underdeveloped countries. The problem is whether underdeveloped countries should imitate advanced countries and use their up-to-date capital intensive tech-

¹⁴P. Clark, "Economic Planning for a Country in Transition: Nigeria", Planning Economic Development, ed. E. Hagen (Homeland, Illinois, : Richard D. Irwin, Inc., 1963), p. 267.

nology, or follow a different course. It is hard, however, for underdeveloped countries, with the poor scientific and technical standard they have, to be able to innovate and to introduce a technology of their own. They have, it seems, for a long time to come to accept the technology of the advanced countries. The planners have to look for the possibilities of using second hand capital equipment or those which have been considered obsolete by the advanced countries; and encourage industries which by their nature tend to be relatively more labour-intensive, like the textile industry.

The most important problem of planning concerns the allocation of resources to different sectors for development. Development is an all-sided task. Agriculture, industries, transport, social services, all need to be simultaneously developed. It is not possible to develop industries without promoting agriculture, nor is it possible to develop industries without providing for transport. "Unless the target in each sector is properly matched, very soon bottlenecks will ensue ... Matching of targets, that is avoiding of over or under-production is the acid test of sound planning".¹⁵ This, however leads us to the so called 'balance

¹⁵Bhattacharyya, op.cit., p. 15.

versus priorities'¹⁶ issue. The concepts of balanced growth and investment priorities are two strategies of growth. The case for balanced growth assumes that "bottle-necks are fairly evenly spread through out the economy, that to break one would advance the economy only a short distance before a new one is encountered, and that bottle-necks must therefore be attacked on a broad front."¹⁷

On the other hand investment priorities, or the big push as it is sometimes called, "support rests implicitly on a different view of bottlenecks, that these bind deeply but are widely spaced. After breaking through a bottleneck, the economy will develop momentum of its own which will carry it a considerable distance until the next one is encountered New investment is needed where capital earns the highest return, or where shortages at existing prices are the most serious"¹⁸ Singer, special advisor to the United Nations Under-Secretary for economic and social affairs, asserts, that "the approach via 'balanced growth' or the 'big push' is not promising in Africa because these countries are too poor, too small,

¹⁶Kindleberger, op.cit., pp 149 - 167.

¹⁷Ibid., p. 160.

¹⁸Ibid., pp. 160 - 161.

too unintegrated. They simply do not have the resources or environment for a big push."¹⁹ The alternative, according to Singer, is to think in terms of individual sectors or even projects.²⁰ Thus planners in underdeveloped countries will have to decide on a strategy for development, and this will reflect itself on the sectoral distribution of the planned investment.

The problems of economic planning are several, and to deal with them thoroughly will command a study by itself. For the purpose of this thesis it suffices to note that the process of planning is encompassed by various problems at its different stages. Directly relevant problems to the purpose of this thesis will be dealt with in subsequent chapters.

In the next chapter I shall deal with the characteristics of the Sudanese economy and the objectives of the Ten Year Plan of Economic and Social Development, 1961/62 - 1970/71.

¹⁹H.W. Singer, "An Approach To Economic Planning and Economic Priorities in Africa," Sudan Economic and Financial Review, ed. Ministry of Finance and Economic (Khartoum: 1963), p.1.

²⁰Ibid.

CHAPTER II

CHARACTERISTICS OF THE SUDANESE ECONOMY AND

THE OBJECTIVES OF THE TEN-YEAR PLAN OF

ECONOMIC AND SOCIAL DEVELOPMENT

1961/62 - 1970/71

The Sudan is a vast country of about one million square miles in area. Apart from the Red Sea Hills rising some 1000 metres in the East, Nuba Mountains in the central West, Jabel Marra range of mountains rising some 3000 metres further West, and Imatongs Mountains on the Ugandan border, the Sudan is a plain country sloping gradually from South to North and from West and East towards the River Nile. It is surrounded by eight African countries and it has only one sea outlet at Port Sudan on the Red Sea.

The population of the Sudan numbered about 12 millions in 1961/62, the first year of the Plan. The first national census was carried out in 1955/56 and then the population was estimated at 10.3 million. The estimated rate of population growth is 2.8 per cent¹,

¹The Economic Planning Secretariate, The Ten Year-Plan of Economic and Social Development 1961/62-1970/71 (Khartoum: Government Printing Press, 1962), p. 40.

and this rate is assumed for the whole period of the Plan 1961/62-1970/71. It is obvious that, areawise, the Sudan is sparsely populated with a national average of 4.1 persons per square kilometer, but the distribution over the country is ^{not} even. The country is administratively divided into nine provinces namely, Bahr El Ghazal, Blue Nile, Darfur, Equatoria, Kassala, Khartoum, Northern, Upper Nile and Kordofan; with the central Government located in Khartoum, the capital city of the country. Table I shows the distribution of the total and economically active population of the Sudan among the nine provinces. In 1956 about 92 per cent of the population, as Table I shows, lived in rural areas. No detailed information on the rural-urban distribution of the population in 1961 is available. Although urbanization process was taking place in the period 1956-1961, there is no reason to expect that the distribution of 1956 was drastically altered. A striking feature of Table I is that urban population in 1956 was comparatively very small in the most backward provinces of Southern Sudan namely Bahr El Ghazal (2 percent), Equatoria (2.4 percent), and Upper Nile (1.1 percent) while the percentage of economically active population in each of these provinces was relatively high. The reason for this is that in the

traditional sector of the economy, which includes almost the whole population of the three southern provinces and the larger part of the population of Darfur, Kordofan and Kassala provinces, primitive techniques of production which provide jobs for most members of the family are used.

TABLE 1

Distribution of Total ~~and~~ Population (Urban and Rural)
And Economically Active Population Among The Nine
Provinces of the Sudan: 1956 & 1961
(In 000 persons)

Province	1956 Census					1961	
	Total Population ^d			Economic Active ^c		Total population	Economic Active
	Urban ^a	Rural ^b	Total		In % of Total Population		
Bahr El Ghazal	17	974	991	561	55.8	1157	646
Blue Nile	144	1926	2070	820	39.2	2398	936
Darfur	54	1275	1329	762	56.9	1539	875
Equatoria	22	881	903	529	57.2	1050	607
Kassala	149	792	941	389	40.9	1097	446
Khartoum	225	250	505	184	36.4	584	212
Northern	88	785	873	250	28.6	1014	290
Upper Nile	10	879	889	433	48.1	1038	490
Kordofan	115	1647	1762	931	52.6	2052	1070
Sudan	854	9409	10263	4859	--	11929	5572

Source: The Economic Planning Secretariat, The Ten Year Plan,
p. 26.

^a Large and Small towns.

^b Including in total 1.4 million nomadic.

^c Based on revised census.

^d Males are slightly in excess of females, 6029 and 5899 thousands respectively.

Below latitude 14 degrees, rainfall is sufficient for grain cultivation and the population distribution is rather even from East to West. One fifth of the population live in the central area where cotton is cultivated by modern means of irrigation. To the north of latitude 14 degrees rainfall is insufficient for grain cultivation and people are concentrated near the River Nile practising agriculture or rearing sheep and camel in the poor savanna and semi-desert areas.

The Sudanese economy depends at present mainly, not to say wholly, on two natural resources, namely agricultural and pastoral land, and water. Although about one third of the area is deemed suitable for cultivation or grazing, its effective utilization is limited by the availability and control of water. The assessment of mineral resources is incomplete and serious search for them has not yet been undertaken. However, initial exploratory work has indicated the presence of high grade iron-ore and magnesite in the Red Sea Hills and in the South of Kordofan Province; and of copper and uranium in the districts on the borders of the Provinces of Darfur and Bahr El Ghazal. The utilization of these deposits commercially is carried out on a very small scale due to the incomplete knowledge of the existing deposits, the difficulties of transport and lack of organization. It

is expected that major steps in the search for and exploitation of mineral deposits would take place after the decade of the Plan. Industrial activity, though growing, is still ^{of} an insignificant contribution to the national output. Table 2 shows that mining, manufacturing and public utilities contributed only 2 per cent to the gross domestic product of 1960/61.

TABLE 2

Composition of Gross Domestic Product in the Sudan
By Economic Sectors in 1955/56 and 1960/61
(In Percentages of Total G.D.P.)

Sector	1955/56	1960/61
1. Agriculture, livestock, forestry, fishing	61	57
2. Transport and distribution, banking	14	15
3. Mining, manufacturing, public utilities	1	2
4. Building and construction	6	7
5. Crafts, domestic and miscellaneous services	12	11
6. Administration and social services	6	8
Gross Domestic Product	100	100

Source: The Economic Planning Secretariat, The Ten-Year Plan, p. 13.

Thus economic activities in the Sudan are basically agricultural and pastoral with land and water as the main sources of production and income. Table 3 further substantiates this generalization.

TABLE 3

Occupational Distribution of The
Labour Force in The Sudan 1955/56

	Males Females Total			In % Labour Force
	In Thousands			
Pastoral Activities:				
1. Farming, hunting, fishing, forestry	2207	1048	3255	-
2. Animal husbandry	837	63	900	-
1 + 2	3044	1111	4155	85.76
Manufacturing	63	178	241 ^a	4.97
Construction	31	-	31	0.64
Commerce	92	8	100	2.06
Transport	31	-	31	0.64
Services	177	46	223	4.61
Unclassified	54	10	64	1.32

Source: The Economic Planning Secretariat, The Ten Year Plan, p. 27.

^aAbout 145,000 are working in subsidiary occupations.

The economy can be divided into two parts: the traditional part and the modern one. Traditional economy is defined as the part in which the means of production are simple and primitive with direct consumption absorbing the major part of the produce leaving a very small portion for market exchange. Although traditional and subsistence are often used as interchangeable terms, the latter strictly means production for consumption within the household. For the purposes of this thesis, however, subsistence sector is considered as part of the traditional one.

In one of the United Nations publications it is stated that:

"More than half the population of the Sudan is engaged in subsistence production taking some 80 per cent of the cultivated area ... The main commercialized sections are in Kartoum-Gezira (Blue Nile Province) area and along the river and rail lines which are concentrated in the north-eastern quarter of the country. Commercialization in other regions is spotty and of varied degrees."²

²United Nations, Economic and Social Council, Bureau of Economic Affairs, Structure and Growth of Selected African Economies (E/3137 St/ECS/57) (New York, 1958), p. 172.

Subsistence economy is based on rainfed cultivation of food crops particularly sorghum (dura), the staple food grain in the country, and pastoral activities. Animal and animal products, dates, oilseeds are partially subsistence products. Family is the chief form of social and economic organization in the subsistence sector. In 1955/56 "the analysis of the budget studies suggested that some 38 per cent of the consumption expenditure of the country as a whole consisted of subsistence transactions".³

Due to the relative abundance of land, the size of the farm is limited mainly by the available labour force in the family unit. The need for cash is confined to ceremonial expenses, payment of taxes and tributes and to buying limited quantities of consumer goods such as sugar, tea, soap and salt. Thus "the elasticity of supply of goods or labour for many a subsistence unit is negative. This is particularly true for a number of nomadic tribes in the west and the south who attach great social value to their herds and would sell less, should prices increase."⁴

³J.G. Kleve, "The Share of Subsistence Transactions in the Economy of the Sudan," Sudan Economic And Financial Review (A special issue No. 2) ed. Ministry of Finance and Economics (Khartoum: 1962) p. 114.

⁴United Nations, op.cit., p. 173.

The subsistence sector is a stagnant one balancing the natural growth of population by expanding the area cultivated or grazed. During the period 1955/56-1960/61 the output of the traditional part of the economy, which includes the subsistence sector had been growing at an annual rate of 3 per cent⁵ and the national rate of population growth has been officially assumed to be 2.8 per cent per annum. The rate of population growth in the traditional sector, particularly the subsistence one, tends to be greater than the national average in spite of poor nutrition and limited medical services available. Social and economic factors work towards enlarged families in these communities. For social reasons it is normal for males to get married at the age of eighteen and for females at the age of twelve and plogamy is a general practice. The family, as mentioned before, being almost a self-sufficient unit in the subsistence sector with land abundant would naturally welcome increasing its members. Hence it is most likely that the benefits of growth would be absorbed completely by the increase of population in this sector. There is also enough margin of doubt to fear that this sector is not only stagnant but regressing. However

⁵The Economic Planning Secretariat, op.cit., p. 13.

great potentialities still exist in the resources of the traditional sector.

The realization of the great potentialities in the resources of the traditional sector requires, as a prerequisite, transport facilities to carry the produce to domestic and foreign consumption centers, and to increase the inflow of goods and services of various types to these communities. The introduction of market exchange to the people of the traditional sector will change their motivation-pattern in ways conducive to economic and social development. This process of commercialization is taking place already but at a very slow pace. Table 4 shows a gradually falling trend for the share of traditional activities, including the subsistence ones, in the gross domestic product over the period 1955/56 - 1963/64. Although it is difficult to draw the demarcation line between the traditional and modern parts of the economy because of insufficient statistical data,⁶ one can safely say that the rate of commercializing the traditional sector is far from being satisfactory.

⁶The first attempts into estimating national production and expenditure were carried out for 1955/56.

Growth of Gross Domestic Product in the Traditional and Modern Sectors,

And Population in the Sudan 1955/56 - 1963/64

TABLE 4

G.D.P. and Population	55/56	56/57	57/58	58/59	59/60	60/61	61/62	62/63	63/64	
I. G.D.P. at factor cost in current prices (LS million)	1. Traditional	160.3	164.4	170.0	174.2	180.9	187.2	193.3	199.7	206.3
	2. Modern	123.9	148.2	137.9	144.3	165.2	167.6	211.3	207.4	203.6
	Total	284.2	312.6	307.9	318.5	346.1	354.8	404.6	407.1	409.9
II. G.D.P. at factor cost in current prices in % a	1. Traditional	56.3	52.7	55.2	54.7	52.3	52.9	47.8	49.1	50.3
	2. Modern	43.6	47.3	44.8	45.3	47.7	47.1	52.2	50.9	49.7
	Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
III. Population (Mill.)	Population (Mill.)	10.365	10.657	10.957	11.267	11.585	11.928	12.264	12.610	12.965
	G.D.P. Per head (LS)	27.42	29.30	28.10	28.30	29.70	29.70	33.00	32.30	31.60
IV. G.D.P. at constant 1961/62 prices	--	319.1	312.2	325.0	350.6	354.7	404.6	405.0	N.A.	

Source: The Economic Planning Secretariat, The Ten Year Plan and Ministry of Finance and Economics, Economic Survey 1964, (Khartoum: 1965).

Percentages are nine

TABLE 4

Growth of Gross Domestic Product in the Traditional and Modern Sectors,
And Population in the Sudan 1955/56 - 1963/64

G.D.P. and Population	55/56	56/57	57/58	58/59	59/60	60/61	61/62	62/63	63/64
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II. G.D.P. at factor cost in current prices in %^a									
1. Traditional	56.3	52.7	55.2	54.7	52.3	52.9	47.8	49.1	50.3
2. Modern	43.6	47.3	44.8	45.3	47.7	47.1	52.2	50.9	49.7
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
III. Population (Mill.)									
G.D.P. Per head (LS)	27.42	29.30	28.10	28.30	29.70	29.70	33.00	32.30	31.60
IV. G.D.P. at constant 1961/62 prices									
	--	319.1	312.2	325.0	350.6	354.7	404.6	405.0	N.A.

Source: The Economic Planning Secretariat, The Ten Year Plan and Ministry of Finance and Economics, Economic Survey 1964, (Khartoum: 1965).

^aPercentages are mine.

Turning to the modern sector of the Sudanese economy we find that this sector had been growing at an average annual rate of about 6.5 per cent⁷ during the period 1955/56 - 1960/61; a rate which is slightly more than double the three per cent rate of growth of the traditional sector mentioned before. As a result the total gross domestic product had been increasing by annual average rate of 4.7 per cent and the gross domestic product per head by an annual average of two per cent during 1955/56 - 1960/61. One quarter of the population in 1960/61 shared the benefits of the modern sector.⁸

The activities of the modern sector cover agriculture, livestock and forestry, industry, transport and distribution, social services, banking and foreign trade. Although no survey of the land potential has been made, it has been roughly estimated that the potentially productive land would be over 100 million acres of which only slightly over 7 million acres are cropped, at present.⁹ As mentioned before the inadequacy of stored water is the

⁷The Economic Planning Secretariat, op.cit., p.13.

⁸Ministry of Finance and Economics, Economic Survey 1962 (Khartoum: 1963), p. 85.

⁹The Economic Planning Secretariat, op.cit., p.27.

major bottleneck limiting the effective use of the available arable land. The irrigated area is only 2.4 million acres of which about one million acres are in the Gezira under gravity irrigation from Sennar Reservoir on the Blue Nile, and an equivalent acreage under the pump schemes.¹⁰ The Managil extension adjoining the Gezira, launched in 1955, the first two phases of which have been completed before July, 1961, commands at present an area of 588,000 acres.¹¹ On completion the project is expected to bring under irrigation over 800,000 acres. The Nile water agreement of 1959 between the United Arab Republic (Egypt) and the Sudan authorizing the latter to construct a dam at Roseries for additional storage of the Blue Nile water, will enable the Sudan to extend further its commercial agriculture.

Cotton is the principal cash crop in the irrigated areas. Cotton is also grown under flood irrigation in Gash and Tokar deltas in Kassala Province. The production of cotton has increased from 92,103 tons in 1955/56 to 107,822 tons in 1961.¹² This increase, how-

¹⁰Ibid., pp. 27 - 28.

¹¹Ibid., p. 28.

¹²Ibid., p. 28.

ever, resulted mainly from expanding area irrigated under pump schemes rather than increases in productivity per acre. The long staple of sakel type cotton accounts for about 90 per cent of the total production of cotton, the balance being the short staple, or American type cotton grown principally in the rainfed areas round the Nuba Mountains in Kordofan Province, and in Equatoria Province. Cotton dominates the modern sector of the economy as it provides 70 per cent of its total exports and directly and indirectly provides some 40 per cent of the Government revenue.¹³ Although the Sudan accounts for only about 4 per cent of the world supply of cotton entering in international trade, its share in the production of long staple cotton amounts, on the average, to 30 per cent of the world supply.¹⁴

Turning to the rainfed crops the production of dura (sorghum) in the Gadaref district (Kassala Province) has increased considerably with the introduction of mechanical cultivation. In 1955/56 the production of mechanically cultivated dura amounted to about 126000 tons; and since then output of dura has been increasing. In 1960/61 it has gone up to 453000 tons¹⁵ thereby pro-

¹³Ibid., p. 28.

¹⁴Ibid.

¹⁵Ibid.

moting dura to the list of the country's exports. The other important rainfed crops are oilseeds and gum arabic. Groundnuts and sesame have been marking sharp rise in output in the past few years. Groundnuts exports have increased from about 50,000 tons in 1955 to about 67,000 tons in 1960; and sesame exports have increased from 40,000 tons in 1956 to about 76,000 tons in 1960.¹⁶ Gum Arabic has been virtually a monopoly of Sudan which supplies about 80 to 95 per cent¹⁷ of the world trade in this commodity.

It should be evident by now that the modern sector of the Sudanese economy depends excessively on the production and export of one commodity, namely cotton. This situation is unhealthy. However, the need for diversifying the economy has been felt long ago and the Advisory Committee on Agricultural Research was reconstituted in 1957 to include eminent scientists from many friendly countries with the hope of promoting the country's agricultural exports.

Forest products contributed about 9 per cent of the gross domestic product in 1959/60.¹⁸ The area under

¹⁶Ibid., p. 28.

¹⁷Ibid., p. 28.

¹⁸Ibid., p. 30.

forestry is very small as it covers only less than one per cent of the area of the country. In the southern part of the country inaccessability of the dense tropical forests renders their full exploitation difficult. This, however, is being gradually overcome by improvement in transport facilities. Considerable increase in the production of sawn timber has taken place in recent years in the south and the entire requirements of the railway sleepers are now being met by timber sawn domestically.

Livestock is one of the main potential sources of income of the Sudan. The livestock population has been roughly estimated to be over 25 million head.¹⁹ Livestock contributed about 10 per cent to gross domestic product in 1960.²⁰ Exports of cattle and sheep have averaged 159,000 head during 1956 - 1960.²¹ Livestock rearing, as mentioned before, is partially an activity of the traditional sector. Much must be done to modernize all the activities related to livestock to realize the potentialities of this important source of income.

¹⁹Ibid., p. 31.

²⁰Ibid.

²¹Ibid.

Industrial development in the Sudan had its small beginnings essentially after the second World War. After the War manufacturing industries were encouraged to supply part of the growing demand for manufactured products as a result of the increase in the agricultural production of the modern sector of the economy. This induced some individuals, mostly with backgrounds in foreign trade and distribution, to establish some small manufacturing plants. In 1956 when the country attained its Independence the industrial sector (including mining and public utilities) contributed only one per cent to the gross domestic product of that year. Industrial development accelerated after independence. Table 5 shows the manufacturing industries introduced into the country and their development from 1955/56 to 1959/60.

TABLE 5

Gross Value Added of Different Types of Manufacturing Industry in the Sudan in 1955/56 and in 1959/60

	Gross Value Added (LS. 000)		Gross Value Added as % of total in	
	1955/56	1959/60	1955/56	1959/60
Food Manufacturing Industries	1493	2512	54	49
Floor Mills	340	478	12	9
Sweet Factories	84	186	3	4
Oil Mills	1009	1707	37	33
Beverage Industries and Tobacco Manufacture	505	755	18	13
Mineral Water Factories	347	398	13	8
Manufacture of Textiles and Footwear	25	231	1	5
Manufacture of Furniture	67	122	2	2
Manufacture of Paper, Paper Products and Printing Industries	77	270	3	5
Manufacture of Rubber Products, Che- micals & Chemical Products	148	458	6	9
Soap Factories	131	243	5	5
Perfumeries	0	170	0	3
Manufacture of Tiles, Cement & Glass	249	517	9	10
Manufacture of Metal Products (except Machinery and Transport Equipment)	190	285	7	6
Manufacture of Alluminium				
House-ware	0	112	0	2
Engineering Industries	152	164	6	3
Manufacture of Machinery & Miscel- laneous Manuf. Industries	8	34	0	1
All Manufacturing	2762	5184	100	100

Source: The Economic Planning Secretariat, The Ten Year Plan, p. 33.

In the field of mining there are, besides the salt industry, some 24 licenced companies but their output is still negligible.²² As mentioned before the organizational difficulties lie at the root of the trouble. Public utilities have specially increased their electricity output. The value of electricity sold in 1959/60 was 1.74 times the value of sales in 1955/56, with charge rates for electricity remaining at 1955/56 levels.²³ The average monthly production of electricity in 1959/60 amounted to 7,879 thousand kwh. which is equivalent to a per capita monthly output of 0.7 kwh, which is a very low figure indeed (comparable figures, for instance, are: India 3.2 kwh., Ghana 4.6 kwh., United Kingdom 189 kwh., United States of America 387 kwh.).²⁴ This situation is expected to improve after the electrification of Sennar Dam during the Plan period.

Lack of adequate, efficient and cheap transport facilities in the Sudan is a major bottleneck impairing the progress of the country's economy. The production

²²Ibid., p. 32.

²³Ibid., . . .

²⁴Ibid., . . .

centres for the larger part of export goods and the main markets for the import goods are situated far from the main port. Transport facilities are in urgent need to carry goods from the regions of production to the various distant domestic markets. It is natural, therefore, that investments in the transport sector were of considerable relative importance in the total investment for the period 1955/56 - 1959/60 as the following table shows.

TABLE 6

Government Public Corporation And Private
Investment In Transport And Distribution

In The Sudan For the Period

1955/56 - 1959/60

Year	Government (In LS. Million)	Public Corporation (In LS. Million)	Private (In LS. Million)	Total (In LS. Million)	Total In % of Capital Formation
1955/56	0.7	3.2	0.3	4.2	20
1956/57	0.7	2.4	0.3	3.5	14
1957/58	1.4	4.3	0.8	6.5	17
1958/59	1.2	6.4	1.3	8.9	25
1959/60	1.1	5.7	2.1	8.9	23

Source: The Economic Planning Secretariat, The Ten Year Plan, p. 34.

The Sudan Railway administration,^a Government unit with a separate budget, is the main investor in the field of transport. Investments in column three in Table 6 are mainly made by the Sudan Railways which are the main carriers of goods and passengers in the Sudan. They operate services connecting the producers' and consumers' centres with each other and with the harbour. The Department of Steamers, a branch of Sudan Railway Administration, supplements the rail services wherever and whenever the rivers are navigable.

As for road transport the Sudan suffers of almost complete absence of established roads in the northern and central provinces. In Bahr El Ghazal and Equatoria Provinces a few established roads exist. Established tracks, however, exist in every direction but some of them are good only in the dry seasons. Road transport are of vital importance in the provinces of Kordofan and Danfur and to a less extent in the southern three provinces. Road transport, though quicker, are comparatively very expensive. Air traffic, on the other hand, is developing rapidly. Sudan Airways; a government owned airlines, operates regular internal services between the main centres and Khartoum, and ex-

ternally between Sudan and adjoining countries and London.

In the field of social services investments have been directed to expand education at all levels to supply trained manpower in the different fields. Shortage of trained manpower is a crucial factor in limiting the rate of economic development in the Sudan. The percentage of illiteracy in the Sudan is very high indeed. In 1960/61 the overall rate of literacy for both males and females was 15 per cent.²⁵ This, however, compares favourably with the 13 per cent for 1956.²⁶ Literacy is by far much greater among males than females. In 1956 the rate of literacy for males was 23.1 per cent, while for female the rate was as low as 4.4 per cent.²⁷

Health comes next to education in the field of social services. Curative and preventive medical facilities have improved after Independence. The number of hospitals increased from 40 hospitals with 8800 beds in 1955/56 to 60 hospitals with 12000 beds in 1960/61; dispensaries and dressing stations increased for the same period from 674 to 1003.²⁸ Sanitary conditions,

²⁵Ibid., p. 37.

²⁶Ibid., p. 36.

²⁷Ibid., p. 37.

²⁸Ibid., p. 38.

social hygiene and research facilities were also assigned more attention after Independence.

Concerning banking organization in the decade 1950 - 1960, the trend of the monetary development i.e. the money circulation, has been rather steady. However in the period 1956/1961, the growth trend of the money circulation was rising somewhat more steeply than the trend of the total gross domestic product of the modern sector of the economy.²⁹ It is one of the objectives of the Plan, as we shall see later, that on the whole a relatively stable monetary climate should be maintained. It must be observed, however, that one naturally would expect short term instabilities so characteristic of Sudan's economy reflecting themselves in monetary developments. The increase in the money supply in the recent past was due primarily to the commercial banks advances to the private sector. Table 7 shows particularly the appreciable rise in the short term advances of the commercial banks to the private sector for financing the considerable growth in exports and imports experienced in the recent past.

²⁹Ibid., p. 24.

TABLE 7

Commercial Banks Advances to Private
Sector in the Sudan 1956-June, 1961
(In LS. Million)

Item	1956	1957	1958	1959	1960	1961 June
Short Term						
Import Financing	3.7	5.0	2.7	3.9	5.9	6.2
Export Financing	11.0	11.6	10.3	9.7	15.8	14.5
Others	3.1	3.9	8.1	2.6	5.6	5.8
Total Short Term	17.8	20.5	21.1	16.2	27.3	26.5
Medium & Long Term	4.2	5.5	5.4	7.8	7.5	7.4
Total Advances	22.0	26.0	26.5	24.0	34.8	33.9

Source: The Economic Planning Secretariat, The Ten Year Plan, p. 24.

A number of new Sudanese banking institutions were established after Independence, namely, The Bank of Sudan i.e. the Central Bank, the Agricultural Bank, the Industrial Bank and the Sudan Commercial Bank, which are owned by the Government except for the last one which is a private national enterprise. Besides there are six commercial banks operating in the Sudan five of which are foreign and the sixth is owned jointly by the Sudan Government and Credit Lyonnais Bank. On the whole the banking organization appears to be adequate to cope with the growth of the economic activity in the Sudan. However, various measures are required to develop a capital market to promote private savings and channel them into productive investments.

Foreign trade is the backbone of the modern sector of the Sudan's economy and deserves discussion at some length. About one third of the produce of the modern sector is marketed abroad and about one fifth of its total consumption is imported.³⁰ Exports are the major generator of money income of the Sudan. Imports of consumer and capital goods are the main items of its expenditure. Public and private investments, which con-

³⁰United Nations, op.cit., p. 151.

stitute the second largest generator of income, are financed mainly from export earnings through budgetary surpluses and private savings respectively. Thus "foreign capital apart, most domestic investments, are derivatives of exports, and export earnings constitute the main form of primary income."³¹ The fact that export earnings are mostly channelled through the domestic sector as import outlays makes the multiplier effect on the domestic economy very small.

The previously quoted United Nations publication states:

"The main producer-recipient of money income in the Sudan are the growers of cash crops, collectors of gum-arabic, the owners of livestock, the proprietors of transport facilities and industrial establishments, and the suppliers of commercial and professional services. In cotton cultivation and transport facilities, the Government ownership looms large; in pump schemes and production schemes other than cotton, Sudanese private capital, in industrial and commercial establishments foreign private capital."³²

Cotton is by far the most important cash crop

³¹Ibid. ¶

³²Ibid.

of the country. More than 50 per cent of export earnings is attributed to cotton sales. In fact the production and export of cotton is the backbone of the country's modern economy. The Sudan's share in the international supply of traded cotton is less than 5 per cent. Thus prices of this commodity are practically determined externally. The International Monetary Fund "International Financial Statistics"³³ shows that the international prices of Sudan's exports have been fluctuating with a falling trend in the past few years. It also shows that the prices of Sudan's imports have been fluctuating less and with a fairly rising trend. Table 8 elucidates this point further and shows that since 1954 the terms of trade have been moving rather adversely with regard to the Sudan.

³³International Monetary Fund, Statistical Bureau, International Financial Statistics August, 1964 (Washington: I.M.F., 1964), p. 262.

TABLE 8

Terms of Trade of The Sudan

1954 - 1963

(Basis for Indices 1953=100)

Year	Price Index Imports	Price Index Exports	Terms of Trade
1954	92	116	126
1955	93	106	115
1956	94	117	125
1957	105	118	112
1958	94	100	107
1959	87	90	103
1960	98	109	111
1961	90	105	117
1962	91	99	109
1963	99	98	99

Source: Ministry of Finance and Economics, Economic Survey 1964, p. 35.

Fluctuations in the prices of Sudan's exports, particularly cotton, reflect themselves on the economic activity of the whole country, especially on those of the modern sector. Table 9 shows the fluctuations in the balance of trade and foreign reserves. The surplus of LS.23.6 million in 1956 is attributed mainly to the rise in prices of long staple cotton resulting from the Suez crisis which prevented Egyptian cotton from entering the market. Egypt is the sole competitor of Sudan in the high quality cotton market. The surplus of 1959 resulted from lower imports brought about by governmental restrictive measures.

Table 9 also shows a structural deficit in the invisibles i.e. services obtained from or rendered to the rest of the world. This, however, is a characteristic phenomenon of most underdeveloped countries. Investment income represents interest and profit transfers to or from abroad. Private transfers of investment income remained, on an average below LS.1.0 million per annum whereas government interest receipts surpassed considerably and continuously its interest payments, sometimes by as much as LS.1.7 million as happened in 1960.³⁴

³⁴The Economic Planning Secretariat, op.cit., p.20.

On the capital account side Table 9 shows increased inflow of official foreign capital in recent years. The net inflow of private long term capital, included under the item "others" was exceedingly small in the whole period 1956/1960.³⁵ The inflow of private longterm capital averaged LS.0.7 million and the repatriation LS.0.5 million per annum for the period 1956/1960.³⁶ It is worth noting that the movements of both current and capital accounts of the balance of payments resulted in an increase of foreign reserves for the period 1956/1960. As we shall see later when we deal with financing investment in the fourth chapter, foreign reserves which reached a level of LS.60 million³⁷ at the beginning of the Plan period, are assumed to be maintained at a level of LS.54 million to cope with the wide short term fluctuations in the foreign exchange income due to fluctuation in export earnings.

³⁵Ibid., p. 20.

³⁶Ibid., p. 21.

³⁷Ibid., p. 21.

TABLE 9

Sudan Balance of Payments 1956 - 1964

LS. Million

Items	1956	1957	1958	1959	1960	1961	1962	1963	1964
Exports	+71.8	+51.7	+44.9	+68.2	+64.0	+61.3	+79.7	+85.5	+70.2
Imports	-48.2	-69.7	-54.0	-49.2	-61.9	-77.8	-86.7	-97.9	-87.9
Balance of Trade	+23.6	-18.0	-9.1	+19.0	+2.1	-16.5	-7.0	-12.4	-17.7
Net Invisibles	-6.4	-3.6	-3.9	-5.3	-3.4	-6.1	-14.0	-13.9	-14.2
Net Investment Income	+0.1	-	+0.2	+0.3	+0.3	-	-	-	-
Balance in Total ²									
Current Account	+17.3	-21.6	-12.8	+14.0	-1.0	-22.6	-21.0	-26.3	-31.9
Official Loans (Net)	-	-	+1.7	+9.6	+7.2	+6.1	+5.3	+7.1	+11.8
Official grants and Aswan Dam Compensations	-	-	+0.1	+3.0	+6.2	+4.0	+4.0	+4.0	+4.0
Net movements in working Balances	-3.2	+0.2	+1.9	+3.6	-	-	+3.0	-1.8	+7.0
Others (Net)	-1.2	+15.6	+4.3	-4.4	-0.3	+7.4	+5.2	+1.8	+3.0
Total Capital Acc.	-4.4	+15.8	+8.0	+11.8	+13.1	+17.5	+17.5	+11.1	+21.8
Errors and Omissions	+0.1	-0.2	+0.4	-0.1	+0.1	+0.2	+0.6	-0.3	+0.1
Increase and Decrease in Foreign Reserves	+13.0	-6.0	-4.4	+25.7	+12.2	-4.9	-2.9	-15.5	-10.0

Source: The Economic Planning Secretariat, The Ten Year Plan, Ministry of Finance and Economics, Economic Survey 1963 and Economic Survey 1964.

The main items in the list of the exports of the Sudan are: cotton, seed-oil, gum arabic, groundnuts, sesame, and cattle and hides. Table 10 shows very clearly the predominant role of cotton and the fluctuations in its exports' earnings. Table 10 also shows that the total import outlay is a function of export earnings, particularly cotton earnings, with the time lag of one year. When cotton earnings jumped in 1951 to LS.49.3 million - compared with LS.24.8 million in 1950 - as a result of the Korean boom, import outlays increased from LS.42.0 million in 1951 to LS.61.7 million in 1952.

TABLE 10
Composition of Sudan's Foreign Trade 1940 - 1961
(In L.S. Million)

Year	Cotton Lint & Seed Oil	Gum Arabic	Groundnuts	Sesame	Cattle and Hides	Others and Re-exports	Total Exports	Total Imports	Consumer Goods	Raw Materials	Capital Goods & Building Materials
1940	-	-	-	-	-	-	5.4	5.6	-	-	-
1950	24.8	2.7	0.2	-	1.8	3.6	33.1	27.3	18.8	4.3	4.2
1951	49.3	3.5	0.8	0.4	2.0	6.8	62.8	42.0	28.0	8.2	5.8
1952	31.5	2.5	1.1	1.3	1.3	5.1	42.8	61.7	39.1	12.5	10.1
1953	30.0	3.0	2.0	1.5	1.6	6.3	44.4	50.8	29.5	8.7	12.6
1954	24.9	3.8	1.1	1.6	2.4	6.6	40.4	48.5	30.8	7.6	10.1
1955	33.8	4.7	2.4	1.8	1.9	5.9	50.5	48.8	30.4	8.4	10.1
1956	46.9	5.4	3.8	2.1	2.6	6.1	66.9	45.2	28.4	8.8	8.0
1957	28.8	4.7	4.7	3.0	3.1	7.1	51.4	67.6	40.1	12.7	14.8
1958	23.8	5.2	3.4	2.2	2.4	6.4	43.4	59.5	27.5	12.5	19.5
1959	45.0	5.1	3.6	2.8	2.2	8.1	66.8	57.0	33.2	11.2	12.6
1960	36.3	7.0	4.4	4.6	2.5	8.9	63.7	63.0	33.4	12.4	17.2
1961	34.7	6.1	5.4	4.2	2.5	9.3	62.2	81.5	40.4	14.1	27.0

Source: The Economic Planning Secretariat, The Ten Year Plan, p. 18.

Having generally surveyed the modern sector of the economy, it might be appropriate now to discuss the role of the Government and of the private sector in the field of economic activity. The Government sector may be divided into three parts: general administration, production of goods and services and development programmes. The public sector has evolved economic programmes before drawing the Ten Year Plan, but these programmes were not more than a group of selected projects to be carried out by the Government within a specified period. Table 11 shows that public gross fixed investment for the period 1955/56 - 1960/61 amounted to L.S.104.7 million. Table 11 also shows the distribution of gross public and private fixed investment over the different fields of economic activity for the period 1955/56 - 1960/61. The sources of financing all these investments were accumulated surpluses of the Government budgets, savings of public corporations with separate budgets (like the Sudan Railways), private savings and external resources.

TABLE 11

Distribution of Gross Fixed Investment
In 1955/56 - 1960/61, By Economic Sectors

	PRIVATE		PUBLIC		TOTAL	
	In LS. Million	In % of To- tal private investment	In LS. Million	In % of To- tal public investment	In LS. Million	In % of To- tal investment
1. Agriculture, livestock, forestry, fishing	13.5	18	28.3	27	41.8	23
2. Transport, distribution	6.0	8	31.4	30	36.4	21
3. Mining, manufacturing, public utilities	9.7	13	9.4	9	19.1	4
4. Building and construction	4.5	6	2.1	2	6.6	23
5. Crafts, domestic miscellaneous services, ownership of building	40.4	54	1.0	1	41.4	18
6. Administration and social services	0.8	1	32.5	31	33.3	100
Whole Economy	74.9	100	104.7	100	179.6	

Source: The Economic Planning Secretariat, The Ten Year Plan, p. 17.

The public sector plays an important role in the economic and social development of the Sudan. This has already been illustrated in Table 11 by the dominant importance of the public sector share in total gross fixed investments. As mentioned before the Government finances its investment mainly through the surpluses of the central budget and the savings of public entities with separate budgets. Table 12 shows the reliance of the central budget revenue on foreign trade, particularly import duties.

TABLE 12

Sudan's (Actual) Central Budget Revenue According

To Various Sources For The Period 1958/59 - 1960/61

Item	1958/59 LS Million	1959/60 LS Million	1960/61	
			LS. Million	% of Total Revenue
1. Import Duties	10.30	22.73	21.75	33.9
2. Export Duties and Royalties	5.02	5.86	4.84	7.6
3. Participation in Agricultural Under- takings	1.84	7.88	8.37	13.1
4. Consumption and Excise Duties and Sugar Monopoly	10.26	10.68	11.82	18.5
5. Business Profit Tax	1.53	1.55	1.38	2.1
6. Fees, Charges, Reimbursements, Inter- departmental Services and others	13.03	18.77	15.91	24.8
Total Central Budget Revenue	41.98	67.47	64.07	100

Source: The Economic Planning Secretariat, The Ten Year Plan, p. 22.

In spite of the fluctuations of the Government revenue, as Table 13 shows, which are basicly due^{to} fluctuations in export earnings, in no year since 1951/52 has the central Government budget shown a deficit. Furthermore the Government entities with separate budgets, primarily the Sudan Railways, have had substantial savings that have been ploughed back into expansion and modernization of these enterprises or transferred to the treasury for investment in other activities.

TABLE 13
Actual Expenditure and Revenue in
Central Government Budget of the
Sudan For the Period 1951/52 - 1960/61

In LS. Million

Year	Revenue	Expenditure	Surplus
1951/52	46.3	21.5	24.8
1952/53	30.3	25.7	4.6
1953/54	35.4	27.6	4.8
1954/55	38.1	30.6	7.5
1955/56	42.3	32.1	10.2
1956/57	45.9	32.7	13.2
1957/58	47.4	41.3	6.1
1958/59	42.0	41.4	0.6
1959/60	67.5	44.9	22.6
1960/61	64.1	48.2	15.9

Source: The Economic Planning Secretariat, The Ten Year Plan,
p. 22.

The public sector entered the Plan period with official long and medium foreign debt amounting to LS.26 million and the foreign exchange reserves of the country amounting to LS.60 million.³⁸ Thus public finances entered the Plan with a firm foundation which should enable the Government to cope with the short term fluctuations which are most likely to occur during the decade of the Plan.

The share of the private sector in the total fixed investment was about 40 per cent in 1955/56 and this percentage was almost maintained in 1960/61 but its absolute value increased from LS.7.7 million in 1955/56 to LS.17.1 in 1960/61.³⁹ The Government undertakes big projects which are of strategic significance in the development of the economy, for instance construction of dams for irrigation purposes. Apart from the subsistence activities which are represented by the fifth item in Table 11, the private sector accounts for a large portion of production and trade.

In agriculture private enterprises produce most

³⁸Ibid., p. 21.

³⁹Ibid., p. 15.

of the cash crops with the exception of cotton production where their contribution comes next to that of the Government. Gum arabic, sesame, and groundnuts are exclusively the products of the private sector. In livestock which is an important item of export the private sector is dominant. Private investments in agriculture and livestock are mainly financed from domestic sources. But again the main source of primary income of the private sector, like the Government, is export earnings.

In the industrial field mining is insignificant; and is exclusively in the hands of the private sector. Public utilities are the domain of the Government sector; manufacturing industries are mostly privately owned; almost all manufacturing products in the Sudan are import substitutes for which the market is guaranteed and the supply of raw materials imported is regular from the international markets and at the prevailing world prices. The Sudanese businessmen, not to say entrepreneurs who hardly exist, are of limited capacity and refrain from risky undertakings. The Government, it seems, must step in to fill this gap.

In the transport sector the public sector is dominant as the Government owns the Sudan Railways and

Sudan Airways. In distribution and banking the private sector is dominant although the Government, as mentioned before, has established some banking institutions which are intended to finance private projects in agriculture and industry. In the building and construction sector private investment amounted to LS.6 million in the period 1955/56 - 1959/60 whereas the public investment in this sector for the same period was only LS.2 millions.

From what has been mentioned so far in this chapter the general characteristics of the Sudanese economy can be summerized as follows:

1. The Sudan is a vast country with huge agricultural potentialities which are not realized for various reasons the chief among which are the underutilization of the water available and the inadequacy of transport and distribution facilities. Out of the 100 million acres of arable land only about 7 million acres are cropped.

2. Structurally the Sudanese economy is unbalanced. Agriculture is predominating and industrial activity is still of a very little significance contributing only two per cent to the gross domestic product in 1960/61. The situation is aggravated by the country's great reliance on the export of one cash crop, namely

cotton, whose price is practically determined externally owing to the Sudan's meagre share in the international supply of cotton. The Sudan's share in the World's supply of cotton entering in international trade is less than 5 per cent.

3. More than half of the population of the Sudan are living in the subsistence sector where modern techniques of production are not heard of. The rate of illiteracy was as high as 85 per cent in 1961. Many social habits are not conducive to economic development, for instance, acquisition of livestock for the sake of prestige.

4. The Sudan relies heavily on imports of consumers and capital goods.

5. The Sudan suffers from general shortage in trained manpower and organization. These are particularly relevant to the manufacturing and mining industries.

6. The percapita income in the Sudan is obviously low and the regional distribution of national income is uneven. The percapita income in the modern sector of the economy is considerably higher than the national percapita, but the fruits of this sector are enjoyed only by one quarter of the population.

Given these general characteristics of the Sudan-

ese economy, the Ten Year Plan of Economic and Social Development 1961/62 - 1970/71 aims at the following objectives:

1. To raise the level of gross domestic product from LS.385 million in 1961/62 to LS.587.5 million by 1970/71 i.e. to raise the per capita income from LS.31.4 in 1961/62 to LS.37 at the end of the Plan period.

2. To broaden the structure of the Sudan economy through structural changes in the composition of national production and exports.

3. To strengthen the country's balance of payments through export promotion and import substitution.

4. To create sufficient opportunities of productive employment.

5. To improve the social conditions: general and technical education, health, housing, transport and commerce facilities.

6. To maintain a relatively stable price level.

The next chapter will deal with the planned gross fixed investment in both the private and the public sectors.

CHAPTER III

INVESTMENT IN THE SUDAN'S TEN-YEAR PLAN OF ECONOMIC AND SOCIAL DEVELOPMENT

1961/62 - 1970/71

INTRODUCTION

The ultimate objective of any investment programme is to maximize the welfare of the community. It is difficult, not to say impossible, to construct a social welfare function obeying all relevant criteria. Most of the practical obstacles to the application of these relevant criteria will be caused by the difficulties of measuring indirect and secondary consequences of an investment project. Economists, admitting this limitation, have generally accepted net national product as a practical welfare concept.

The optimum composition of investment will maximize net national income with possible corrections for its distribution over social groups and regions. The details of the development plan will be governed by the structure of the country's economy as determined by its natural and human resources, the public administrative capacity, climate and geographical situation, the

size of the country, and the size of the domestic market.¹ The major problem in economic planning is to calculate a priority figure for each of a number of projects of which execution is under consideration. "The priority figure should indicate the order of urgency of a certain project without necessarily also indicating the limit between projects that should be and projects that should not be carried out".² The calculation of priority figures is not an easy job. It is governed by several policy assumptions and circumstantial conditions. Authorities on economic development, fully recognising this difficulty, suggest several criteria for determining priorities. The major ones are summarized below.

I. The Ratio of Net Results to Total Costs:

Every project is characterized by an investment period in which costs are made and production period during which returns are obtained, may be at the expense

¹J. Tinbergen, The Design of Development (Baltimore: The John Hopkins Press, 1958), p. 8.

²J. Tinbergen "The Relevance of Theoretical Criteria in the Selection of Investment Plans," Investment Criteria and Economic Growth, ed. Center for International Studies, Massachusetts Institute of Technology (London: Asia Publishing House, 1961), p. 2.

of further operation costs. "It is proposed that - as a consequence of identification of welfare with national product at accounting prices - the priority figures generally will have to be the ratio of net results to total costs, all taken at accounting prices."³ These accounting prices are defined as "prices indicating the intrinsic or true value of a factor or product in the sense of equilibrium".⁴ There are two basic reasons why market prices in underdeveloped countries do not truly reflect intrinsic values: firstly, the realization of the investment pattern will itself influence these values; and secondly, there do exist a number of fundamental disequilibria.⁵ The accounting prices of production factors will have to reflect the degree of scarcity of these factors and in some cases they may even show the development in time of the scarcity of some of all of these factors.⁶

The criterion of the ratio of net results to to-

³Ibid., p. 4.

⁴Ibid.

⁵Tinbergen, The Design of Development, pp.39-40.

⁶Tinbergen, Investment Criteria and Economic Growth, p. 4.

tal costs differs in the following respects from the alternative used by private entrepreneurs:

- "a. by the application of accounting prices;
- b. by the consideration of indirect and secondary costs and results;
- c. by relating the results to total costs and not only to costs of capital invested; the motivation being that the application of the complete bunch of production factors matters."⁷

The criterion of the ratio of net results to total costs is a comprehensive one and, if fully elaborated, would encompass many minor criteria. But it is worth pointing out here some criteria which are derived from the characteristics of the underdeveloped countries.

II. Defective Maintenance:

Underdeveloped countries are characterized by a low level of efficiency in maintaining capital assets in good operational conditions. This is partly due to poor planning and partly to inadequacy of technical knowledge and skills. Priority should be given to investment projects which either hardly require mainten-

⁷Ibid.

ance, or must have maintenance because its absence carries with it a very high penalty, that is, leads to accidents or immediate breakdown rather than the slow deterioration in the quality of output.⁸ The problem with this criterion is that underdeveloped countries have little or no choice in selecting the technology they use. On the practical side no enterpriser will accept to put his capital equipment at the mercy of a labourer who is likely to neglect his duties thereby causing an immediate breakdown. Besides the insurance premium for such equipment and for labourers who work at machines which cause serious accidents would excessively increase the cost items to the disadvantage of the industry.

III. The Impact of Secondary on Primary Production:

Hirschman conceives as natural the heavy industrialization of underdeveloped countries on the basis of imported materials provided that the economy is actually or potentially a supplier of these materials.⁹

⁸A.O. Hirschman, "Economics and Investment Planning: Reflections Based on Experience in Colombia," Investment Criteria and Economic Growth (London: Asia Publishing House, 1961), p. 49.

⁹Ibid., p. 51.

Local primary products usually lack the quality and uniformity necessary for industrial operations and their supply is often unreliable. This situation can be remedied once an industry is established, for then the local producers will make a determined effort to take advantage of the availability of an assured market by satisfying the industries' requirements. The criterion of the impact of secondary on primary production is an important one and planners in underdeveloped countries should give it due consideration. In essence it is a very effective method for realizing the country's potentialities and improving the quality of the different products by adopting modern techniques of production and marketing.

IV. The Phenomenon of Complementarity:

Many investment projects have their basis in the phenomenon of complementarity. "Certain facilities will be found necessary because they perform auxiliary functions for more primary objectives. Once it has been decided to carry out the main projects, the execution of the auxiliary activities has also to be accepted."¹⁰ But the applicability of this criterion should not be

¹⁰Timbergen, The Design of Development, p. 31.

exaggerated. For the country as a whole complementarity might apply to transportation and to power investment, while for regions to be developed the activities to which transportation facilities and power are complementary cannot themselves be accurately foreseen: total production of a region may still be a highly uncertain entity.¹¹ The fact that the applicability of this criterion is limited does not mean that planners can undermine it. In many cases the absence of auxiliary facilities are bound to render the primary investment meaningless. The completion of Roseries Dam in the Sudan without preparing the land to be irrigated is a good example to cite.

V. The Use of Scarce Resources:

The use of scarce factors of production has already been touched upon while discussing the criterion of the ratio of net results to total costs at accounting prices. It is singled out here as a major criterion for the sake of emphasis. "The choice of certain projects together forming a program, out of a larger number of available projects must satisfy certain conditions. That is to say, not every combination of projects can be eligible."¹² The most important condition

¹¹ Ibid., p. 32.

¹² Ibid., p. 35.

is related to the degree of scarcity of the resources over time.

Having pointed out the major criteria for selecting investment projects to be executed, it is worth noting that "a frequent handicap to selection of the best projects is the lack of uniformity in the criteria applied by the various ministries of the administration or even by the various services and bureaus of a single ministry."¹³ This can partly be attributed to political, social, regional and sometimes even personal biases. A completely uniform appraisal will be almost impossible, especially as far as the unmeasurable aspects are concerned.

Now I turn to the methods by which private investments are explored, appraised and stimulated. Private investments are to a great extent directed towards the production of specific goods and services. It is of primary importance, therefore, to the economy as a whole that the private investment be directed towards activities compatible with the objectives of the development plan. In broad lines the planned projects which are attractive to the private sector should not be executed by the public sector except in cases where the

¹³Ibid., p. 29.

private and social interests are in conflict. The major means for directing private investments towards activities compatible with the development policy are: programming, information, encouragement and demonstration.

The programme shows the prospective developments in the various economic and social fields. Thus the programme and its objectives are a good background for market analysis by the private sector. In matters of cost analysis the private sector is able to supply more relevant material.

The government must regularly release detailed information regarding profitable investment opportunities and fields of investment favoured by the government. Regular publication of such official information will most likely eradicate apparent elements of risk related to some investment opportunities and will assure the private domestic and foreign investors that their investment undertakings are in full harmony with the policy of the government.

The private sector can further be encouraged and stimulated through tax exemptions e.g. full or partial exemption from profit tax, reduced import and export duties, and protective measures for infant domestic industries. The government can further attract foreign

private investors by passing laws which give foreign enterprises the right of transferring their profits in hard currency and guaranteeing them just, immediate and convertible compensation if the state decides to nationalize any of their undertakings.

In fields where private investment is not forthcoming the public sector might undertake the execution of some projects in these fields with the intention of surrendering them to the private sector after their success has been established. The government, however, must try to overcome the routine, the poor management and the corruption which are characteristics of many public undertakings in most underdeveloped countries. Thus efficient and honest management are vital for the success of public demonstrational enterprises.

The following elements have a role to play in determining the industries towards which private investment should be directed:¹⁴

1. the agricultural and mineral products suitable to the soil and the climate must be determined;
2. the products favoured by the transport facilities of the country have to be considered;

¹⁴Ibid., pp. 48 - 49.

3. attention should be paid to the home demand as a consequence of rising income. This applies particularly to goods with high transport cost, and still more to services that have to be rendered on the spot.

4. in countries with considerable unemployment, a preference should be given to labour intensive technology.

To conclude this section it should be stated that the difficulty with sound investment is not the determination of the relevant criteria; it is rather the application of the different aspects of these criteria. The remaining part of this chapter shall deal with investment in the Sudan's Ten Year Plan of Economic and Social Development 1961/62 - 1970/71.

INVESTMENT IN THE SUDAN'S TEN
YEAR PLAN OF ECONOMIC AND SOCIAL
DEVELOPMENT 1961/62 - 1970/71

The Sudanese economy, as it has been shown before, is divided broadly into a modern sector and a traditional one. The Sudan's Ten Year Plan deals only with the activities of the modern sector of the economy. The gross fixed investments in the Plan period are estimated to be about LS.565 million¹⁵ and the average investment ratio to gross domestic product at market prices is estimated to be 11.4 per cent.¹⁶ The official statement of the Plan includes very little details about the technique used for determining priorities of projects. All that the Plan mentions in this regard is that:

"With the help of detailed capital-output ratios derived from project analysis and from past experience it has been assessed that this volume (of investment) would be sufficient to fulfil the objectives of the Plan and to lay a firm foundation for future economic growth. At the same time this level of investment stands in reasonable proportion to the estimates of internal resources though it would call for reasonable but realistic additional amount of capital to be obtained from abroad."¹⁷

¹⁵The Economic Planning Secretariat, The Ten Year Plan of Economic and Social Development 1961/62-1970/71 (Khartoum: Government Printing Press, 1962), p. 62.

¹⁶Ibid., p. 64.

¹⁷Ibid., p. 62.

The Plan, however, gives capital-output ratio estimates only for manufacturing industry and irrigated agriculture. The capital-output ratio for the manufacturing industry is estimated at about 2.4, a value which is about equal to the ratio in irrigated agriculture which is the main line of development.¹⁸

The presentation of the investment outlays in the Plan is best done by adopting the sectoral classification of investment projects made in the official statement of the Plan. The public sector is bound to have a dominant role in the Plan to remove the bottlenecks obstructing the economic and social development of the Sudan. The Government has to construct dams, build roads and stand for so many investments of basic character to pave the way for future growth. Table 14 shows that the share of the public sector in the modern gross fixed investment is estimated to be LS.337 million i.e. around 60 per cent. The investments of the public sector appear in the development budget and the ordinary budgets of the central and local Governments and the public corporations. The development budget which includes the major schemes in the Plan is assign-

¹⁸Ibid., p. 113.

ed LS.285 million in the whole period of the Plan and the remaining sum of LS.52 million is for replacements, betterments and minor projects which are included in the ordinary budgets.¹⁹ The amount of public sector investment is in essence a compromise between projects submitted by various Government units and the internally and externally available means of finance.

A striking feature of Table 14 is the peak in public investment in the first four years of the Plan. The Plan attributes this to "the fact that in those years the execution of a number of large projects coincides, and moreover Railway investment will also be above average. Such large investments must be undertaken in the early stages of the Plan in order to facilitate subsequent expansion in output and exports."²⁰ The heavy public investment in the early years of the Plan would require relatively larger influx of foreign capital and foreign technical and contracting capacity.

¹⁹Ibid., p. 62.

²⁰Ibid., p. 64.

TABLE 14

Modern Type Gross Fixed Investment In The Plan Period(L.S. Million)

	60/61 Actual	61/62	62/63	63/64	64/65	65/66	66/67	67/68	68/69	69/70	70/71	10 Years
Public Sector	23.6	29.6	44.7	37.8	34.9	32.0	30.2	30.9	31.6	32.3	33.0	337.0
Private Sector	17.1	18.7	16.0	16.1	18.1	20.5	22.8	25.7	27.9	30.1	32.5	228.4
Total	40.7	48.3	60.7	53.9	53.0	52.5	53.0	56.6	59.5	62.4	65.5	565.4

Source: The Economic Planning Secretariat, The Ten Year Plan for Economic and Social Development1961/62 - 1970/71, p. 63.

The private sector, as Table 14 shows, is expected to invest some LS.228 million which is approximately 40 per cent of the gross fixed investment in the whole period of the Plan. The Plan assumes that this "amount of private investment is in line with the estimates of the growth of income in the private sector and the percentages it used, in the recent past, to save and invest therefrom. In addition, a modest inflow of private capital from abroad has been assumed."²¹ The average value of the ratio of savings to the total income of the private sector was above 9 per cent in the period 1955/56 - 1960/61 in the modern part of the economy and over 4 per cent for the economy as a whole.²²

The acceleration of economic growth depends on the rapid increase in investment to modernize the techniques of production and marketing. During the last five years, before the Plan, an average of 9.5 per cent²³ of gross domestic product at market prices was invested; while in the Plan period this average is estimated, as mentioned before, to rise to 11.4 per cent. Table 14

²¹Ibid., pp. 62 - 63.

²²Ibid., p. 69.

²³Ibid., p. 64.

projects a sharp rise in private activities, with investment in the last year of the Plan being just less than double the private investment in the first year of the Plan. The Plan attributes this to expectations of a considerable increase in private incomes and in the propensity to save.

Turning to the distribution of both public and private investments over the broad sectors of economic and social activities Table 15 shows that social services are assigned 27 per cent of the gross fixed investment in the Plan period, agriculture and animal resources 21 per cent, industry and public utilities 19 per cent, transport 17 per cent, and replacement investment 16 per cent.

TABLE 15
Total Gross Fixed Investment (Modern Type)
In 1961/62 - 1970/71 Roughly Classified
According to Broad Economic Sectors
And Sponsors

Sector ^a	L.S. Million			In % of
	Private	Public	Total	Total
1. Agriculture, including livestock, fishing, forestry	30.0	90.1	120.1	21
2. Industry, including public utilities and building and civil engineering, industry and mining	65.0	41.9	106.9	19
3. Transport and distribution	32.0	63.0	95.0	17
4. Social services: housing, health care, education and general administration, and others ^a	60.0	90.0	150.0	27
Total expansion investment	187.0	285.0	472.0	84
5. Replacement Investment	41.4	52.0	93.4	16
Total Gross Fixed Investment	228.4	337.0	565.4	100

Source: The Economic Planning Secretariat, The Ten Year Plan, p. 65.

^a Mainly housing but excluding African Style housing.

According to the Plan the shares of the various sectors have been dictated by the objectives of the Plan.

"The availability of resources and the fulfilment of the ... sixth objective of the Plan (the avoidance of unhealthy inflationary development) not merely set limits to the investment total but also have implications for distribution of this total. The larger the share of rapidly and directly productive investments, for instance, the smaller the likelihood of inflationary pressures. The attainment of the first objective (a 65 per cent growth of the gross domestic product) also limits the amounts that can be allocated to the social services... On the other hand the ... fifth objective (improvement of social conditions) limits the amounts that can be allocated to directly productive investments. ... Studies were undertaken both for the economy as a whole and for separate projects... During those studies the importance of investments in the diversification of economy (second objective) export promotion and import substitution (third objective) was closely considered weighing the results of these studies against the various possible levels of social investments and taking due notice of course of the limits set by resources and by the ... sixth objective, the broad distribution shown in (Table 15) was arrived at."²⁴

The Agricultural Sector:

Agriculture, as has been mentioned before, is the backbone of the economy of the Sudan and this position is to be maintained during the Plan period. The public investment in the agricultural sector is approximately 24 per cent of total public capital formation.²⁵

²⁴Ibid., pp. 65 - 66.

²⁵Ibid., p. 83.

Table 15 shows that public and private investment together in the agricultural sector constitutes about 21 per cent of total gross fixed investment in the Plan period. The predominant role assigned to agriculture and irrigation in the Plan has been dictated by several considerations. Agricultural land is the most abundant natural resource in the country and availability of stored water is the crucial limiting factor in expanding agricultural activities. Table 16 below shows that irrigation commands the largest allocation of funds in the agricultural sector.

The heavy public investment in agriculture and irrigation is also governed by the pressing need to diversify agricultural output in order to reduce the excessive reliance on one cash crop, namely cotton. Besides helping to earn more foreign exchanges agriculture has to contribute to saving foreign exchanges by import substitution of such commodities as can be produced locally.²⁶ "This applies particularly to such commodities as rice, coffee, wheat and timber"²⁷ Furthermore agriculture has to feed the nascent domestic industries processing local

²⁶Ibid., p. 84.

²⁷Ibid.

raw materials like cotton textiles, sugar, leather, wood processing, cigarettes, socking, cardboard and others.

The heavy investments in the agricultural sector is also justified from two other angles: improvement of nutritional level; and the necessity of pre-investment surveys and investigations particularly in the backward areas so as to lay the basis for more intensive investments in these areas in subsequent plans.

TABLE 16

Investment in the Agricultural Sector

Sector	LS.000
I. Public:	
Irrigation	66.400
Agriculture	10.440
Forestry	2.250
Animal Resources and Fisheries	1.855
Land Use and Rural Water Development	5.818
Agricultural Bank	<u>3.359</u>
Total I	90.122
II. Private	30.000
Total I + II	120.122

Source: The Economic Planning Secretariat, The Ten Year Plan, p. 83.

The agricultural sector contributed LS.202.9 million to the gross domestic product²⁸ of LS.354.7 million in 1960/61, i.e. about 57 per cent. This contribution is expected to increase to LS.300.9 million by 1970/71 representing an increase of 48 per cent.²⁹ It is worth pointing out here that the contribution of the modern agricultural sector is expected to increase from LS.56.0 million in 1960/61 to LS.97.9 million in 1970/71 i.e. an increase of about 78 per cent; while that of the traditional agricultural sector is expected to rise from LS.146.9 million to LS.203 million i.e. an increase of 38 per cent.³⁰ The major irrigation schemes sponsored by the public sector are responsible for most of the expansion of the modern sector of the whole economy and in particular the modern agriculture sector, by introducing modern techniques of irrigation and agriculture to some parts of the traditional economy. The Khasm El Girba project is the best example to cite in this regard. The Khasm El Girba Dam which is a storage dam constructed on the river Atbara will provide the necessary water for the development of 500 thousand feddans of cultivable lands on the western side of the

²⁹Ibid.

³⁰Ibid.

river.³¹ This project is bound to transform the traditional activities of the region into modern types. The Plan also accounts for further expansion of modern agriculture by the private sector through the expansion of mechanized cultivation to extensive areas in the rainlands of Nuba Mountain and Gedaref. Table 17 shows the expected increase of area and production of principal crops in the Plan period. It is worth pointing out that the first six items in Table 17 are mainly for export with the exception of the third item (dura) which is mainly consumed domestically. The remaining five items in Table 17 are wholly for domestic consumption. An important general observation about Table 17 is that the projected percentage increase in production is higher than planned percentage increase in area. This projected increase in productivity per acre is attributed mainly to improvements in the techniques of agricultural production during the plan period.

³¹Ibid., pp. 86 - 87.

TABLE 17

Expected Increase in Area and Production

Of Principal Crops By The End of The Plan Period

Crop	1960/61		1970/71		% Increase in area in 1970/71 over 1960/61 ²	% Increase in Production in 1970/71 over 1960/61 ²
	Area ¹ Actual	Production ¹ Actual	Area ¹ Projected	Production ¹ Projected		
Cotton Sakel	680	2146	1004	3649	47.6	70.0
American Cotton	180	200	380	536	111.1	168.0
Mechanized Production of Dura	998	440	1219	668	22.1	51.8
Grandnuts	471	192	845	401	79.4	108.9
Sesame	694	127	1200	275	72.9	115.7
Castor	9	4	30	117	233.3	325.0
Wheat	39	26	69	96	76.9	269.2
Coffee	4	1	19	5	375.0	400.0
Rice	4	3	19	13	375	333.3
Tea	-	-	1	03	-	-
Sugar Cane	-	-	75	1500	-	-

Source: The Economic Planning Secretariat, The Ten-Year Plan, p. 94.

¹Area in 000 feddans and production in 000 tons except for cotton, which is in 000 Kantars of lint.

²Percentages are mine.

The increased agricultural production of the traditional economy will be effected through the efforts of the producers in response to increased demand for agricultural produce from consumers and processing industries as the economy progresses. Besides the demand stimulus the public investment in infra-structure and improvement of agricultural services and marketing facilities will lead to increased productivity in the tradition sector of the economy.³²

Marketing agricultural products is a major problem facing the Sudan like all other developing countries. The intense competition among these countries in selling their primary agricultural products in international markets makes it of vital importance for the Sudan to couple its increased agricultural output with adequate marketing arrangements. Improvements in marketing endeavours described in the Plan relate to development of transport and communications, provision of storage facilities, studies of market conditions and potentialities at home and abroad, grading and standardization of commodities and dissemination of market news.³³

³²Ibid., pp. 84 - 85.

³³Ibid., p. 99.

The Industrial Sector:

The contribution of this sector to the gross domestic product was as mentioned before, 9 per cent in 1960/61. This share is expected, to increase to 16 per cent in 1970/71.³⁴ Table 18 below shows investment and expected output in the industrial sector during the Plan period.^{It} is planned that the industrial sector would be growing faster than any other sector of the economy. This rapid development would obviously demand heavy investment and this has been estimated to be LS.106.9 million i.e. some 19 per cent of total gross fixed investment. For the sake of comparison it should be noted that in the period 1955/56 - 1960/61 the share of the industrial sector in the gross fixed investment was only 11 per cent.³⁵

³⁴Ibid., p. 112.

³⁵Ibid.

TABLE 18

Distribution of Planned Public and PrivateIndustrial Investment in the Sudan and Industrial

Output For 1960/61 and 1970/71

Components of Industrial Sector	Output in 1960/61 LS. Mill.	Net Investment In Plan Period (LS Mill.) ¹		Output in 1970/71 LS. Mill.	% Increase In Output Between 60/61 & 70/71
		Public	Private		
Public Utilities	1.4	15.9	0	15.9	257
Minerals	0.3	0.4	4	4.4	833
Manufacturing	5.8	25.3	51.0	76.3	586
Building and Civil Eng'g	25.0	0.3	10.0	10.3	82
Total	32.5	41.9	65.0	106.9	186

Source: The Economic Planning Secretariat, The Ten Year Plan, p. 112.¹Net implies for the public sector that the figures do not include Chapter 3-type capital expenditure.²Percentages are mine.

Public utilities will expand as a consequence of economic development and measures to improve the living conditions of the people. Progress in mineral production is handicapped by lack of research, good organization and transport facilities. The demand for buildings and civil engineering works will rise as a result of increased investment expenditures. According to Table 18 the annual output of building and civil engineering will increase from LS.25.0 million in 1960/61 to LS.45.4 million in 1970/71 or about 82 per cent increase.³⁶

The manufacturing industry deserves to be discussed in some detail. Table 18 shows the substantial increase in planned manufacturing production. It is expected that its output would increase by approximately 600 per cent during the Plan period. The capital-output

³⁶The Plan gives rather inconsistent information about building and civil engineering output in 1960/61 and 1970/71. In page 60 of the text, the Plan states the following: "The Plan would call for an increase in the annual output of European-style building and civil engineering for investment from, roughly, LS.24 million at the beginning of the Plan period to some LS.40 million at the end of the period or about 67 per cent increase". It is hard to reconcile the figures in Table 18 which are reproduced from the text of the Plan with the figures in the above quotation. The fact that 'quotation' figures are rough estimates is not enough to bridge the gap between the two sets of figures, particularly those relating to projected output for 1970/71.

ratio for the manufacturing industry is estimated at about 2.4, a value which is about equal to the ratio in irrigated agriculture which is the main line of development.³⁷ Table 19 shows that the public sector would invest the sum of LS.25.2 million in manufacturing industries during the Plan period. This means that 33 per cent of the total investment in manufacturing would be undertaken by the public sector. This is a significant change of policy by the public sector which had a very small share in the manufacturing activities before the Plan. It is also worth pointing out that the public manufacturing projects are distributed among several regions in the country and are based on processing domestic raw materials. The public projects listed in Table 19 are planned to be implemented during the first half of the Plan period and continuing Government investment in manufacturing is not provided for.

³⁷The Economic Planning Secretariat, op.cit., p. 113.

TABLE 19
Investment in Manufacturing Industries During
The Plan Period

Sponsor	Projects	Total (L.S. 000)
Public Investments:		
Ministry of Commerce	Government Tannery ¹	612
Industry and Supply	Cardboard Factory ¹	676
	Guneid Sugar Factory	7916
	Kashm El Girba Sugar Factory	10063
	Canning Factories	1415
	Kassala Onion Dehydration Factories	492
	Babanousa Milk Powder Fact.	756
	Industrial Research Institute	268
Ministry of Finance & Economics	New Equipment for the Mint	80
Stores and Equipment	Strengthening the Facilities of the Dept.	400
Industrial Bank	Bank's Capital	2500
Total Public Investment		25178
Total Private Investment		51000
Total Investment in Manufacturing Industries		76178

Source: The Economic Planning Secretariat, The Ten Year Plan, p.117.

¹These accounts do not include revotes from previous programmes.

The total private investment in manufacturing in the Plan is estimated at LS.51 million. In addition to this the Industrial Bank, which is a Government bank, is expected to forward loans amounting to LS.2.5 million for the purpose of expanding private manufacturing industries. The Plan does not specify in detail the industrial projects to be carried out by the private sector. It is true, however, that the Plan does list a number of industries where it is felt that investment opportunities exist. But the final choice subject to the approval of the Government, will be left to the entrepreneurs who will undertake them.

Social Services:

The supply of trained manpower is a crucial factor limiting the rate of economic development in the Sudan. Realising this obvious fact the expansion in the field of education was taking place before the Plan was launched. The investment of LS.32.9 million during the Plan period is designed to speed up that expansion. However much of the investment in education during the Plan period will benefit the economy in terms of productive personnel after the decade of the Plan. A new educational ladder had been proposed - still not adopted - in view of putting more emphasis on technical and

vocational education at all levels. The expansion of the University of Khartoum deserves to be signed out here. The University is an autonomous organization which receives 98 per cent of its revenues as a grant-in-aid from the Government. In 1961/62 there were 1500 students at the University; the Plan proposes to double this figure by 1970/71. The investment in the expansion of the University is assigned LS.2.98 million for the entire period of the Plan.

TABLE 20

Investment in the Fields of "Education, Social Services, And General Administration"

Category	Sponsor	Sub-Total LS. 000	Total LS000
I. Public Investment			
1. Education	Ministry of Education University of Khartoum Religious Affairs Dept.	32896 2981 771	36648
2. Health	Ministry of Health		8437
3. Housing	Ministry of Interior Ministry of Local Govt. Wadi Halfa Resettlement Commission Ministry of Works, Build- ing Research	1000 900 20000 74	21974
4. Labour Affairs and Information	Ministry of Information and Labour		1211
5. Community Development and Cooperation	Ministry of Local Govt. Co-Operation Dept.	100 171	271
6. Security (Police and Prisons)	Sudan Police Prison Dept.	2250 1250	3500
7. Local Administration	Ministry of Local Govt.		3079
8. Survey	Survey Dept.		1635
9. Statistics	Statistics Dept.		574
10. Building for General Administration			2255
11. Miscellaneous	Ministry of Finance & Economics		10486
Total I			90070
II. Private Investment (mainly Housing)			60000
Grand Total I + II			150070

The direct programme of improvement in health conditions calls for an investment by the Ministry of Health during the Plan period of LS.8.4 million. The programme encompasses both curative and preventive medicine. Table 21 shows the progress of medical and health facilities expected to be realised by the end of the period of the Plan.

TABLE 21

Progress of Medical and Health Facilities

	1960/61	1970/71
No. of Hospitals ^a	68	102
No. of Dispensaries	552	738
No. of Hospital Beds	9430	13065
No. of Health Centers	39	105
No. of Mid-Wives Training Schools	8	16

Source: The Economic Planning Secretariat, The Ten Year Plan, p. 152.

^aFor 1960/61 the Plan in page 38, gives a different figure for the number of hospitals, namely 60 hospitals.

Housing accomodation is becoming a major problem in urban societies due to migration from fural areas. Increasing numbers of rural population are being attract- ed to towns where employment opportunities exist parti- cularly in the Three Towns (Khartoum, Khartoum North and Omdurman) where industrial activities are concentrated. Although the building of modern-type houses will have to rely to a considerable extent on private funds - LS.55 million is envisaged by the plan to be invested from private sources in housing - the Government will play an important role in this field. The Government has emphasized the urgency/^{of} providing housing for low income groups and for the displaced persons from Wadi Halfa. A National Housing Scheme has been set up, under the administration of the Ministry of Local Government, to provide suitable housing accomodation for the growing working classes particularly in Khartoum North. A re- volving fund to the amount of L.S.900,000 has been allotted in the Plan for this purpose and the houses built in this way are to be sold on easy installment terms.

TABLE 22
(1)
Summary of Fixed Investments In The Sector
"Transport, Communications and Distribution"
In The Plan Period 1961/62 - 1970/71

Categories	Sponsors	Sub. Total LS. 000	Totals LS. 000
Public Investment			
1. Railways, River Services, Harbours, Hotels	Sudan Railways Ministry of Commerce, In- dustry and Supply	34,984 160	35,144
2. Roads, Bridges, Ferries	Ministry of Works Ministry of Local Government	2,000 4,560	(2) 6,560
3. Shipping	(3)	--	--
4. Air-Transport, Airports	Sudan Airways Dept. of Civil Aviation	4,534 9,667	14,201
5. Posts, Telegraphs and Tele- phones	Dept. of Posts & Tele- graphs	--	2,712
6. Meteorological Services	Meteorological Dept.	--	394
7. Public Mechanical Transport	Mechanical Transport Dept. Ministry of Local Government	979 200	1,179
8. Warehouses, Silos, Stores	Dept. of Agriculture Agricultural Bank of Sudan Customs Dept.	360 2,311 36	2,707
II. Private Investment			32,000

Source: The Economic Planning Secretariat, The Ten Year Plan, p. 127.

(1) For Central and Local Government the figures do not include Chapter III - Type Capital Expenditure.

(2) This amount includes only LS. 250,000 for the Khartoum - Wad Medani Road. This is the share to be financed by the Sudanese Government. Further investments in this road, roughly estimated at LS. 1.5 mln., will be financed under U.S. Aid and the work will be carried out by a foreign contractor. Total investment in item 1/2 of the table would then add up to LS.6.6 + LS.1.5=LS.8.1 mln.

(3) The figure of investment by the Sudan Shipping Line is included under II "Private Investment" because this enterprise is organised as a private company.

The Sector of Transport, Communication and Distribution

The development of transport and communication facilities in underdeveloped countries often depends to a large extent on public investments. This is why, as Table 22 shows, the public sector is expected to invest LS.63 million of the planned gross fixed investment of LS.95 million in the sector of transport, communication and distribution. The remaining sum of LS.32 million is planned to be invested by the private sector. The Plan, for statistical reasons³⁸, does not give separate figures regarding private investments in transport and distribution.

As for public investment in the field of transport Table 22 shows that Sudan Railways is expected to invest about 57 per cent of total public investments in the sector of transport, communication and distribution. This is natural as Sudan Railways would remain the main carrier of goods and passengers during the Plan period. The general line of Sudan Railways development during the decade of the Plan is to strengthen its existing network rather than extending it. Air transport is allotted about LS.14.2 million to expand

³⁸Ibid., p. 142.

and improve air and air-port services. Apart from Khartoum-Wad Medani road, road transport would not significantly develop during the Plan period.

In the field of communications the Department of Posts and Telegraphs is expected to expand and improve its services by investing about LS.27 million.

The public sector will play a leading role in the development of distributional facilities in the Plan period by investing LS.2.7 million in this field. The major public projects in this regard are two silos to be set up the Agricultural Bank one at Gedaref and the other at Port Sudan with a capacity of 100,000 tons and 50,000 tons respectively.

The next chapter will deal with the financial resources in the Sudan's Ten Year Plan of Economic and Social Development 1961/62 - 1970/71.

CHAPTER IV

FINANCIAL RESOURCES

IN THE SUDAN'S TEN YEAR PLAN OF ECONOMIC AND SOCIAL DEVELOPMENT

1961/62 - 1970/71

INTRODUCTION

The general literature on the economics of development devotes little attention to the financial aspects of development, and is frequently content to assign a subsidiary role to the financial system. But I believe, we must consider the financial aspects of any development policy as an essential part of the overall picture. In planning it is not the size of the plan that matters most, "what really matters is our ability to obtain resources that determine the final size of the plan. In this sense ... planning basically reduces itself to financial planning."¹ The role of the financial policy is to influence the lending and borrowing operations in ways conducive to economic development i.e. to influence the asset holding and liability accepting

¹K.N. Bhattacharyya, Indian Plans A Generalist Approach (Bombay: Asia Publication House, 1963), p. 51.

decisions of individual economic entities so as to maximize the rate of economic growth. The two basic technical criteria, by which the financial aspects of a development policy can be judged, are:

"1. How satisfactory is the ex-ante disparity between borrowing and lending, inherent in a development policy, reconciled by the financial authorities?; 2... how is the disparity between private investment optima and social investment optima, inherent in many development policies, reconciled by the financial policy made by the authorities?"²

All financial policies of underdeveloped countries strongly advocate mobilization of savings without which the desired acceleration of economic growth would not be attained. Mobilization of savings means specification of targets to be fulfilled as well as the policy instruments to be used. It also caters for the significance of the composition of savings which can be looked at from different angles. "One is the composition by sectors: savings may be public or private, and if private, it may be personal or corporate etc. Another is the composition by assets: the assets acquired by the savers may be physical assets ... or financial

²I.A. Gar El Nabi, "Financial Aspects of Economic Development", The Sudanese Economist, issue no. 61 (July, 1963), pp. 12-13.

assets."³

Mobilization of savings must be considered within the framework of the political, social, and economic conditions prevailing in each of the underdeveloped countries. Recalling the general characteristics of underdeveloped countries, mentioned in the first chapter, one can safely generalize that for these countries to achieve a substantial increase in the rate of saving, a great many institutional, structural and social changes must take place. Savings as a source of finance can be divided into domestic and foreign. Domestic saving, in turn, can be classified into public and private savings, Public savings defined as surplus on current account is a major source of financing public investment in underdeveloped countries particularly in those where the government is unable to borrow from the local market because of inadequate financial institutions and lack of transferable savings. Increasing government savings will depend, on the one hand, upon the ability to impose additional taxation and to enforce existing taxes more effectively and on the other hand, on the determination

³B. Hansen, "Tax Policy and Mobilization of Savings", Government Finance and Economic Development (Paris: Organization For Economic Co-operation and Development, 1965), pp. 143 - 144.

and ability to restrain current government expenditures.⁴ However due to the ever expanding role of government in underdeveloped countries current expenditures are bound to increase. "In general a secular trend of increasing current government expenditure has prevailed throughout the developing nations exerting a long term upward pressure on government spending."⁵ The prevailing political, social, and economic forces are major factors determining the government ability to impose additional taxation and to restrain from current spending in favour of developmental expenditures.

Besides taxation, the major source of public revenues, there are other budgetary means which can be used to augment public revenues. Public debt is one of the budgetary means to mop up people's savings with their consent. Two methods can be adopted by the government to raise loan finance. One is floating market loans and the other tapping small savings.⁶ In most underdeveloped countries resort to public debt is limit-

⁴A. Basch, Financing Economic Development (New York: The Macmillan Company, 1964), p. 12.

⁵Ibid., p. 11.

⁶Bhattachayya, op.cit., p. 69.

ed by the inadequacy of financial organization and absence of capital markets. "In view of the difficulties anticipated, it is often suggested that the Life Insurance Corporations funds should be reserved for government borrowing."⁷

Another source of public finance in underdeveloped countries is the surplus realized by government enterprises. The contribution of this source to each underdeveloped country depends on the degree of the government's engagement in the profitable production of marketable goods and services. In the Sudan, for instance, as we shall see, the Sudan Railways which is a public enterprise is an important source of government revenues.

The third source of public revenues is deficit financing which simply means induced budget-deficit financed by newly created money. Bearing in mind the fact that the process of rapid economic growth can hardly be non-inflationary, underdeveloped countries have to be very cautious in resorting to deficit financing which is inherently inflationary. The rate of economic growth, however, gives an objective measurement of

⁷Ibid., p. 70.

the scope for deficit financing.⁸ Creeping inflation which might result from conservative recourse to deficit financing should not only be tolerated but also desired for sustaining the tempo of production.⁹

Turning to private domestic savings, we find that it is difficult to estimate them in underdeveloped countries where no reliable statistical information is available. This difficulty is intensified for countries where subsistence sector i.e. non-monetized sector, still represents a large part of the economy. For planning purposes only private savings of the modern sector of the economy are estimated. Generally speaking the income-saving ratio in underdeveloped is lower than in advanced countries.¹⁰ Some of these savings, low as they are, are not deposited at financial institutions or invested in financial assets but remain idle as hoards or are used to buy gold and silver ornaments. Thus new saving habits are in urgent call in underdeveloped countries to effect the transferability of these savings. Transferability makes possible the use of savings for

⁸Ibid., p. 80.

⁹Ibid.

¹⁰Basch, op.cit., p. 106.

private and public investment, and through it a flow of funds can be established to support a higher level of economic activity and to make the economy more flexible.¹¹ Thus even if the propensity to save of the private sector should not change - and it is bound to change - the form of institutional saving will give this propensity an entirely new meaning and importance.¹² This, however, presupposes a relative monetary and financial stability.

The objective of mobilizing and channelling private savings to finance public and private investments calls for a nation-wide campaign to induce people to save and this must be supported by establishing appropriate financial institutions of various kinds. The list below names the institutions which have proven successful in attracting savings and in making them available to investors in the various important fields of economic activity:¹³

1. Commercial banks' saving departments;
2. Postal saving system;
3. Saving bank proper: collecting savings and

¹¹Ibid.,

¹²Ibid.

¹³Ibid., pp. 112 - 113.

- investing in mortgages and public securities;
4. Agricultural credit cooperatives;
 5. Mortgage banks;
 6. Contractual saving: life insurance institutions, private and public pension funds;
 7. Special institutions, hire-purchase companies;
 8. And stock exchange institutions.

Until such institutions are implemented personal savings would remain a minor source of finance and private savings would flow mainly in the form of retained earnings of private corporations. The public and private savings in underdeveloped countries are not adequate for meeting fully the financial requirements of their development plans. Thus recourse to external sources of finance to supplement the domestic sources becomes inevitable.

The inflow of foreign funds to underdeveloped countries is a growing concern in the literature of economic development. Foreign fund flow into less developed countries as direct private investment, hard loans, soft loans and grants. In most of these countries the political and economic conditions have limited severely direct private foreign investment with the exception of investment in the petroleum and mining fields. This is

why underdeveloped countries depend, if at all, to a very small extent on private foreign investment as a source of financing their plans.

Hard or conventional loans are advanced at relatively high rates of interest and are repayable in foreign exchanges. The institutions providing such loans include conventional credit institutions such as commercial banks and investment banks, and international and regional institutions such as the International Bank for Reconstruction and Development and the Inter-American Development Bank. Conventional credit institutions, like direct private foreign investment, are an insignificant source of finance to underdeveloped countries because of political instability in those countries, resulting in a continual change of governments and economic policies. International and Regional credit institutions are an important source of finance to underdeveloped countries. The International Bank for Reconstruction and Development is the leading international institution offering conventional loans to underdeveloped countries. It charges rates of interest corresponding to the rate at which it can borrow in the market plus one percent statutory commission set aside as a special reserve against losses; and in recent years the rates for

twenty-year loans have been about $5\frac{3}{8}$ - $5\frac{1}{2}$ per cent.¹⁴ Request for loans are considered by the International Bank in the light of their intrinsic economic merits. Besides, the International Bank would not extend a loan before considering, among other things, the balance of payments situation of the recipient country. The main problem, however, is that the financial resources of the Bank are very limited in comparison with the demand for them. Thus underdeveloped countries should look for other sources of foreign finance besides the International Bank.

Mainly due to international political conditions in the mid-fifties, financial assistance from government to government which started after the second World War with the Marshall Plan was extended to include underdeveloped countries. The United States of America was leading in this field and was followed later by the Western European countries and the Soviet Block.

Foreign financial assistance falls in two categories: Soft loans i.e. loans on lenient terms e.g. repayment in the receiving country's currency; and grants. The problem with government to government as-

¹⁴Ibid., p. 254.

sistance is that politics cannot be excluded and the contributing governments are often not in a position to insist on how the funds should be used and what their end effect on increasing production should be.¹⁵ A multilateral organization to channel aid¹⁶ funds to underdeveloped countries would be capable of restricting the aid funds to sound economic and social projects. In international approaches to problems of underdeveloped areas there should not be only cooperation but also coordination i.e. integration rather than segmentalization of effort. But this is easier said than done. The good use of aid funds is the responsibility of both the recipient and the contributing countries. For the recipient countries the proverb of 'easy come, easy go' is relevant. The contributing countries, on the other hand, usually extend their aid for political rather than economic ends. This situation, however, is dictated by the state of international relations with all their complex aspects.

Besides the bilateral aid operations underdeveloped countries can get soft loans from the International Development Association which is an affiliate of the

¹⁵Ibid., p. 250.

¹⁶Aid means, here, both soft loans and grants.

International Bank for Reconstruction created in 1960. It is a soft loan lender established primarily to create "a supplementary source of development capital for countries whose balance of payments would not justify their incurring or continuing to incur external debt, entirely on conventional terms"¹⁷. The credits are repayable in foreign exchange, but free from interest and extend over fifty years: ten-year period of grace, following which one per cent per annum is repayable in the next ten years and three per cent per annum in the final 30 years.¹⁸ These are definitely lenient terms. Besides the International Development Association soft loan advances, underdeveloped countries receive technical assistance from the United Nations Organization and its specialized agencies.

Having considered sources of financing development in underdeveloped countries, it seems obvious that good planning in these countries should rely primarily on domestic sources of finance. Foreign finance is delicate, uncertain and sometimes dangerous. But this does not mean that it should be ruled out as important source of finance, particularly as a source of foreign exchanges. Having generally discussed the different sources of financ-

¹⁷Basch, op.cit., p. 273.

¹⁸Ibid.,

ing development in underdeveloped countries, I turn now to deal with financial resources in the Sudan's Ten-Year Plan of Economic and Social Development 1961/62-1970/71.

FINANCIAL RESOURCES IN THE SUDAN'S TEN-YEAR
PLAN OF ECONOMIC AND SOCIAL DEVELOPMENT
1961/62 - 1970/71

The main sources of financing the planned gross fixed investment in the Sudan's Ten-Year Plan (LS.565.4 million) are domestic savings, public and private, and external funds estimated to flow into the country over the decade of the Plan. Domestic savings will have to come entirely from the share of the modern sector in the gross domestic product as the output of the traditional sector is assumed to be non-monetized. Table 23 shows the planned contribution of the domestic and foreign sources in financing the gross fixed investment over the whole period of the Plan: domestic savings are projected to cover approximately 74 per cent of the planned investment total (out of which nearly 39% will be contributed by the public sector and nearly 35% by the private sector) and the remaining 26 per cent are to be contributed by the rest of the world. As we shall see later drawings on the foreign exchange reserves of the country would provide funds for financing about one per cent of the gross fixed investment leaving only 25 per cent of the planned investment total to be financed by external sources.

Table 23 shows, also, that financing investments relies more on foreign sources during the first half of the period of the Plan than in the second half. If we compare the first five years of the Plan with the last five years we find that foreign sources are expected to provide LS.91.6 million in the first five years as against LS. 176.5 for domestic resources (i.e. 34.2 and 65.8 per cent respectively), while in the last five years of the Plan foreign sources are expected to provide LS.57.9 million against LS.239.4 million for domestic sources (i.e. 19.5 and 80.5 per cent respectively).

More reliance is also put on private domestic sources compared to public domestic sources towards the end of the Plan than at its beginning. Public sources are expected to contribute LS.103.1 million in the first five years compared to LS.73.4 million from private sources (i.e. 58.9 and 41.1 per cent of domestic sources respectively), while in the last five years of the Plan the public sources are expected to contribute LS.116.6 million compared to LS.122.8 million for private sources (i.e. 48.7 and 51.3 per cent of domestic sources respectively).

Sources of Financing Gross Fixed Investment In
The Sudan's Ten-Year Plan 1961/62 - 1970/71

(In L.S. Million)

Item	61/62	62/63	63/64	64/65	65/66	66/67	67/68	68/69	69/70	70/71	10 Years
Central Government	17.3	21.7	13.9	13.3	12.4	11.9	12.6	13.6	14.4	15.7	146.8
Government entities with separate budgets	-1.2	4.3	6.8	7.2	7.7	8.4	9.0	9.7	10.2	10.8	72.9
Total Public Savings	16.1	26.0	20.7	20.5	20.1	20.3	21.6	23.3	24.6	26.5	219.7
Private Savings	9.1	15.5	14.6	16.2	18.0	20.1	22.8	24.6	26.6	28.7	196.2
External Sources	23.1	19.2	18.6	16.3	14.4	12.6	12.2	11.6	11.2	10.3	149.5
Total	48.3	60.7	53.9	53.0	52.5	53.0	56.6	59.5	62.4	65.5	565.4

Source: The Sudan Ten Year Plan, Tables 35 and 36 combined, page 68 and page 70 respectively.

Table 24, which elucidates Table 23, shows that the average annual domestic savings over the decade of the Plan amount to ~~13~~16.8 per cent of the gross domestic product of the modern sector of the economy at factor cost. Table 24 also shows that public and private savings amount on the average respectively to 9.2 per cent and 7.6 per cent of the gross domestic product of the modern sector of the economy at factor cost. A striking feature of Table 24 is that public savings in the first five years of the Plan (10.1%) are greater than in the second half of the Plan period (8.2%). The reason for this, as we shall see later, is that the share of the public sector in the gross domestic product of the modern part of the economy at factor cost would be less in the second half of the Plan period than in the first one. Table 24 also shows that private savings are greater in the second half of the Plan's decade (8.2%) than in the first half (7.1%). The reason for this, as we shall see later, is that the share of the private sector in the gross domestic product of the modern part of the economy will be growing at the expense of the share of the public sector in the second half of the Plan period.

TABLE 24

Projected Total Domestic Savings, Public And Private, As Percentage of Projected Gross Domestic Product of the Modern Part of The Economy Of The Sudan At Factor Cost For The Plan Period 1961/62-1970/71

Item	61/62	62/63	63/64	64/65	65/66	66/67	67/68	68/69	69/70	70/71	10 Years average
Total Public savings as % of G.D.P. of modern part of the economy at factor cost	8.2	13.6	10.3	9.6	8.8	8.4	8.3	8.3	8.1	8.1	9.2
Private savings as % of G.D.P. of Modern part of the economy at factor cost	4.7	8.1	7.3	7.6	7.9	8.3	8.6	8.1	8.8	7.0	7.6
Total domestic savings as % of G.D.P. of Modern part of the economy at factor cost	12.9	21.7	17.6	17.2	16.7	16.7	16.9	16.4	16.9	15.1	16.8

Source: Percentages are mine. They have been calculated from information on public and private savings, and gross domestic product of the Modern part of the economy at factor cost in the Ten Year Plan in pages 68 and 42 respectively.

Public savings originating with the Central Government and with Government entities with separate budgets, mainly the Sudan Railways, and the Central Electricity and Water Administration, are projected to amount approximately to 53 per cent of total domestic savings: about 35 per cent for the Central Government and the remaining 18 per cent for the public entities with separate budgets. This shows that the savings of these public entities are of great importance to the financial set-up of the Plan. Thus the public entities with separate budgets must strictly control their current expenditure to accumulate the projected surpluses not only to finance their own expansion, but also to transfer the remaining funds, if any, to the Central Government. The most important Government entity with a separate budget is the Sudan Railways. "The total gross current surplus of the (Sudan) Railways in the whole Plan period could amount to cover LS.50 million, including provision for repayment of debt as it is considered in this Plan that all public foreign debt repayments will be compensated for by additional foreign loans or grants."¹

¹The Economic Planning Secretariat, The Ten Year Plan of Economic and Social Development 1961/62-1970/71, p. 71.

The estimate of future Central Budget revenues is based on the pre-plan level of taxes and tariffs. Thus the realization of the projected Government savings depends wholly on the ability of the Government to increase its revenues from the various sources and to control the growth of its annual current expenditures. Table 25 shows the projected revenues, expenditures, and savings of the Central Government. The major sources of the Government revenues are indirect and direct taxes and the Government participation in Agricultural undertakings, namely cotton production. Import duties, as can be seen from Table 25, are the most important single source contributing to the revenues of the Central Government.

TABLE 25

Projected Surpluses In Central Budget

In L.S. Millions

	61/62	62/63	63/64	64/65	65/66	66/67	67/68	68/69	69/70	70/71	10 Years
1. Revenue											
a. Indirect	25.1	27.7	25.8	25.6	25.4	25.7	26.8	27.7	28.7	30.1	
Import duties	10.6	11.3	12.1	12.9	13.7	14.4	15.5	16.7	18.0	19.4	
Other ^a											
b. Direct & Other											
Participation in	8.1	12.9	8.8	9.2	9.2	9.4	9.8	10.3	10.8	11.2	
agricultural under-											
takings											
Export duties and	6.1	7.3	6.6	6.8	6.9	7.1	7.3	7.7	8.1	8.5	
royalties	1.5	1.8	1.9	2.1	2.3	2.5	2.7	3.0	3.3	3.6	
Business profit tax											
Fees, charges, reim-	16.8	19.0	19.8	20.8	21.8	22.9	24.1	25.3	26.5	27.9	
bursements, others											
Sub-total a + b	68.2	80.0	75.0	77.4	79.3	82.0	86.2	90.7	95.4	100.7	834.9
c. Less revenue directed											
to Provincial coun-	9.6	10.0	10.5	11.0	11.6	12.2	12.8	13.4	14.1	14.8	120.0
cils											
Total Central Budget Rev.	58.6	70.0	64.5	66.4	67.7	69.8	73.4	77.3	81.9	85.9	714.9
2. Expenditure											
Central Budget Fore-											
cast (excluding	43.5	52.2	54.8	57.5	60.4	63.4	66.7	69.9	73.4	77.1	618.9
provinces)											

/...

TABLE 25

(Continued)

	61/62	62/63	63/64	64/65	65/66	66/67	67/68	68/69	69/70	70/71	10 Years
3. Projected Central Budget Surpluses (1-2)	15.1	17.8	9.7	8.9	7.3	6.4	6.7	7.4	7.9	8.8	96.0
4. Reconciliation of Central Budget surpluses with Central Government Savings											
a. Chapter III ^b and minor capital works included in line 2 above	+3.0	+3.2	+3.4	+3.6	+3.8	+4.0	+4.2	+4.4	+4.6	+4.8	
b. Repayments included in line 2 above	+1.8	+3.3	+3.5	+3.7	+3.9	+4.1	+4.3	+4.5	+4.7	+4.9	
c. Current expenditure included in the development budget and others	-2.6	-2.6	-2.7	-2.9	-2.6	-2.6	-2.6	-2.7	-2.8	-2.8	
5. Government Savings (3+4a,b,c)	17.3	21.7	13.9	13.3	12.4	11.9	12.6	13.6	14.4	15.7	146.8

Source: The Economic Planning Secretariat, The Ten Year Plan, pp. 72-73.^a Include consumption and excise duties and sugar monopoly profits.^b Chapter III of the Central Budget.

Table 26, which is calculated from Table 25, shows a decline in the relative share of the import duties in the revenue of the Central Budget including revenue directed to Provincial Councils. Since taxes and tariffs are assumed to be maintained at their pre-plan levels, the reason for this fall can only be attributed to the decline in import outlays as a result of large scale import substitution which is one of the objectives of the Plan. Table 27 shows that the projected figures of final import value are declining relative to the projected gross domestic product of the whole economy at market prices. Looking horizontally into Table 25 under the item of 'revenue', one should note that import duties have the lowest rate of growth in the whole list of sources of revenue. Thus the decline in the relative share of the Government revenue in the gross domestic product of the modern part of the economy at factor cost shown in Table 26 can only be explained by the fact that imports will not rise at the same rate as the gross domestic product owing to large scale import substitution shown in Table 27.

TABLE 26

Projected Import Duties As Percentage¹ of Sudan's
Projected Revenue of the Central Budget Including
Revenue Directed to Provincial Councils in the
Plan Period 1961/62 - 1970/71

Year	Import Duties as % of Total Government Revenue
1961/62	36.8
1962/63	34.6
1963/64	34.4
1964/65	33.1
1965/66	32.0
1966/67-	31.3
1967/68	31.1
1968/69	30.5
1969/70	30.1
1970/71	29.9

¹Percentages are mine. They have been calculated from Table 25 in this chapter.

TABLE 27

Import Outlays As Percentage of Sudan's Gross DomesticProduct At Market Prices in the Plan Period

1961/62 - 1970/71

Item	61/62	62/63	63/64	64/65	65/66	66/67	67/68	68/69	69/70 ^y	70/71
Gross Domestic Product at Market Prices (In L.S. Million)	423.1	431.7	447.4	467.8	489.2	512.2	540.6	570.7	602.7	637.2
Total Imports before Import substitution (In L.S. Million)	84.5	96.1	94.7	95.3	97.6	102.1	109.2	114.8	122.7	131.1
Less Import Substitution	0.7	4.1	8.6	9.9	13.1	16.8	19.9	22.3	26.5	30.9
Final Import Value	83.8	92.0	86.1	85.4	84.5	85.3	89.3	92.5	96.2	100.2
Final Import Value as % of GDP at Market Prices	19.9	21.1	19.2	18.2	17.1	16.6	16.5	16.2	15.8	15.7

Source: Information available in The Ten Year Plan in pages 49 and 59. Percentages are mine.

TABLE 28

Projected Government Revenue As Percentage of
Projected Gross Domestic Product of The
Modern Part of the Economy at Factor Cost
In The Plan Period of the Sudan
1961/62 - 1970/71

Year	Percentage
1961/62	30.5
1962/63	36.2
1963/64	32.1
1964/65	31.0
1965/66	29.8
1966/67	28.6
1967/68	28.2
1968/69	27.6
1969/70	26.9
1970/71	26.4

Source: Information available in The Ten Year Plan on gross domestic product and Government revenue in pages 42 and 72 respectively. Percentages are mine.

It should be noted from Table 28 that the share of the Government revenue in the gross domestic product of the modern part of the economy at factor cost is, on the average, 31.7 per cent in the first five years of the Plan, while in the second half of the Plan the corresponding ratio is only 27.5 per cent. The obvious explanation for this is that import substitution would become more effective after 1965/66 as Table 28 shows. This also explains the observation on Table 24 mentioned before regarding public savings in the two halves of the Plan period.

Returning to Table 25, the other sources of Government revenues, i.e. excluding import duties, hardly need any analysis. It is evident from Table 25 that the contribution to Government revenues of 'other indirect' taxes which include consumption and excise duties and sugar monopoly profits is projected to increase at a slightly higher rate than total Government revenues. Its share in total Government revenues (including those directed to provincial councils) will increase from about 16 per cent over the first half of the Plan to about 18 per cent in the second half. The direct sources of revenue of the Central Budget, which include Government participation in agricultural undertakings, export duties

and royalties, business profit tax; fees, charges, reimbursement, and others, are expected to contribute a growing share of total revenues, especially the last two items.

On the expenditure side a fundamental assumption underlying the Plan is that current expenditures of the Government, during the period 1962/63 - 1970/71, must not increase by more than 5 per cent annually.² Without such control over current expenditures it will not be possible to realize the planned Government savings. The Plan considers this average annual growth of 5 per cent sufficient for both the annual growth of recurrent expenditures and for additional current expenditures consequent on the development programme. Although the Plan acknowledges that the rate of growth of Government current expenditures was more than 5 per cent in the recent past - in fact the average annual rate of growth of Government current expenditures in the last five years preceding the Plan was 10 per cent³ - it still conceives this target rate as attainable through deliberate government action to curb the previously prevail-

²Ibid., p. 74.

³The Ministry of Finance and Economics, Economic Survey 1961, p. 70.

ing rate of growth of current expenditures. "The deliberate policy to limit the growth of non-development expenditure is of course equally applicable to many components of extra budgetary expenditure, in particular it is the intention of the Government to keep a close watch on its lending activities."⁴

Turning to the private domestic savings Table 23 shows that they are projected to provide an amount of LS.196.2 million over the decade of the Plan to finance 86 per cent of the total planned private investment. The average value of the ratio of gross savings i.e. including depreciation allowance and company savings, to private income was nine per cent in the period 1955/56 - 1960/61 in the modern sector of the economy.⁵ This ratio fluctuated considerably from year to year mainly due to fluctuations in output, export prices and in stocks held by the private sector.⁶ The Plan, however, conservatively estimated this ratio at 8 per cent at the beginning of the Plan period, but subsequently a gradual increase to 10 per cent has been assumed.⁷ This

⁴The Economic Planning Secretariat, op.cit., p.74.

⁵Ibid., p. 69.

⁶Ibid.

⁷Ibid.

gradual increase is expected to come about as a result of the Government policy to stimulate private savings through social insurance schemes, raising of interest rate for postal savings, the creation of a capital market, encouraging of opening savings accounts at commercial banks savings departments, and promotion of profitable investment opportunities for the private sector. Table 29 below shows private savings as percentage of the gross domestic product of the modern part of the economy at factor cost for the five years before the Plan and the Plan's decade.

TABLE 29

Private Domestic Savings as a Percentage of
The Gross Domestic Product of the Modern
Part of The Economy At Factor Cost
1956/57 - 1960/61 and Projection
Over the Period of The Plan^a

Year	Percentage
1956/57	6.3
1957/58	7.8
1958/59	15.4
1959/60	4.5
1960/61	11.9
1961/62	4.7
1962/63	8.1
1963/64	7.3
1964/65	7.6
1965/66	7.9
1966/67	8.3
1967/68	8.6
1968/69	8.1
1969/70	8.8
1970/71	7.0

^aCalculated from the annual Economic Survey for the five years before the Plan and from the projected figures for the Plan period in the Ten Year Plan.

The Plan claims that "the estimated trend of forthcoming savings is based on a certain statistically established relationship between total income of the private sector and its savings in the past period."⁸ Neither the Plan nor any other official publications show any detailed statistical information on the composition of private domestic savings. In introducing this chapter it has been pointed out that information is lacking on the composition and use of the private domestic savings in most of the underdeveloped countries of which the Sudan is one. It seems that the architects of the Sudanese Plan have suffered from these shortcomings when they estimated the propensity to save for the domestic ^{private} sector on aggregate basis.

Turning to the external sources of finance, Table 30 shows that the external sources are projected to provide LS.117.3 million to finance 34.5 per cent of the public sector's investments, and LS.32.2 million to finance 14 per cent of the investment of the private sector over the decade of the Plan - a total sum of LS.149.5 million. In fact this sum is equal to the projected cumulative deficit on the current account of the

⁸Ibid.,

Sudan's balance of payments which is expected to be financed from external sources. A small portion of the external deficit, namely LS.6.0 million, is provided for, as mentioned before, by a net drawing on the country's foreign exchange reserves⁹ which will reduce the need of the private sector for foreign finance from LS.32.2 million to about LS.26 million. The stated policy with regard to foreign reserves is to use them exclusively as a cushion against seasonal and other short-term fluctuations in foreign exchange income and not to use them for financing investment.¹⁰

⁹At the beginning of the Plan foreign exchange reserves stood at LS.53.2 million. See, Ministry of Finance and Economics, Economic Survey 1963, p. 53.

¹⁰The Economic Planning Secretariat, op. cit., p. 78.

TABLE 30

a
Financing Gross Fixed Investment

Of The Sudan's Ten Year Plan 1961/62-1970/71

(L.S. Millions)

	61/62	62/63	63/64	64/65	65/66	66/67	67/68	68/69	69/70	70/71	Total
I. Public Sector											
Investment ^b	29.6	44.7	37.8	34.9	32.0	30.2	30.9	31.6	32.3	33.0	337.0
Savings	16.1	26.0	20.7	20.5	20.1	20.3	21.6	23.3	24.6	26.5	219.7
External Sources ^c	13.5	18.7	17.1	14.4	11.9	9.9	9.3	8.3	7.7	6.5	117.3
II. Private Sector											
Investment	18.7	16.0	16.1	18.1	20.5	22.8	25.7	27.9	30.1	32.5	228.4
Savings	9.1	15.5	14.6	16.2	18.0	20.1	22.8	24.6	26.6	28.7	196.2
External Sources ^d	9.6	0.5	1.5	1.9	2.5	2.7	2.9	3.3	3.5	3.8	32.2

Source: The Economic Planning Secretariat, The Ten Year Plan, p. 75.

^a Modern type.

^b Includes LS.52 million Chapter III type capital expenditure.

^c Does not include provisions for repayment of foreign debt.

^d This amount in 1961/62 does not wholly consist of the inflow of private foreign capital because the deficit of private spending over private income resulted in that year in drawing on foreign exchange reserves.

The contribution of the external financial resources is estimated, as mentioned before, at 25 per cent of the gross fixed investment. By way of contrast gross fixed investment over the five years preceding the Plan was almost completely financed domestically. The Plan assumes, counting on the activities of the Industrial Bank and on some Sudanese firms which are developing contacts abroad, a rising trend for private long term capital from LS. one million at the beginning of the Plan period to nearly LS.4 million at the end.¹¹ This assumption of gradual growth of private long term capital does not exclude the possibility of annual deviation from the trend or the experience of rather erratic behavior with regard to short term capital inflows.¹² As for the repayment of the private foreign debt the Plan remains silent.

The contribution of external sources to finance public investment is of great significance for the success of the Plan. As mentioned before external sources are expected to provide the finance for 34.5 per cent of the planned public investment. This is a net figure

¹¹Ibid., p. 76.

¹²Ibid.

in the sense that it does not include repayments of capital. Table 31 shows that prospective repayments of loans by the public sector are estimated at LS.54 million during the Plan period. Thus the required gross foreign capital inflow to the public sector amounts to about LS.171 million. At the beginning of the Plan LS.55.7 million were already secured in the form of conventional loans, LS.9.8 million were ascertained grants from the United States of America and the United Nations Organization, LS.11 million were to come from payments by the United Arab Republic as compensation for the evacuation of Wadi Halfa. To calculate interest and amortization it has been assumed that the remaining LS.94.7 million would be obtained through conventional loans and more grants, the former amounting to LS. 78.7 million and the latter to LS.16 million.¹³

¹³Ibid.

Official Capital Inflow, Interest Charges, And Repayments

During The Period of The Plan (L.S. Million)

	61/62	62/63	63/64	64/65	65/66	66/67	67/68	68/69	69/70	70/71	10 Years
A. Capital											
1. Capital to be obtained from abroad	17.9	22.9	22.6	18.9	16.7	14.3	14.3	14.4	14.8	14.4	171.2
Of which:											
2. Loans already ascertained	10.2	13.4	8.7	5.5	4.5	4.5	4.5	2.6	1.6	0.8	55.7
3. Grants already ascertained and Wadi Halfa Compensation	7.7	7.6	3.6	0.5	0.4	0.2	0.2	0.2	0.2	0.2	20.8
4. Capital Still Required	-	1.9	10.3	12.9	11.8	9.6	9.6	11.6	13.6	13.4	94.7
B. Interest											
5. Receipts	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	15.0
6. Known payments on 2 above & on loans still outstanding at the end of 1960/61 ^b	-0.9	-1.0	-1.2	-1.2	-1.1	-1.0	-0.9	-1.3	-1.4	-1.4	11.4
7. Estimated interest payment on 4 above	-	-	-0.3	-0.9	-1.4	-2.0	-2.3	-2.7	-3.0	-3.3	15.9
8. Excess receipts over payments (+)	0.6	0.5	-	-0.6	-1.0	-1.5	-1.7	-2.5	-2.9	-3.2	12.3

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TABLE 31

(Continued)

	61/62	62/63	63/64	64/65	65/66	66/67	67/68	68/69	69/70	70/71	10 Years
C. Repayment											
9. Known repayment on 2 above & on loans still outstanding at the end of 1960/61	-3.8	-5.0	-5.1	-3.3	-2.7	-1.7	-1.7	-2.2	-2.5	-2.5	30.5
10. Repayment on 4 above 2	-	-	-0.4	-1.2	-2.1	-2.7	-3.3	-3.9	-4.6	-5.4	23.6
11. Total Repayment	-3.8	-5.0	-4.5	-4.8	-4.4	-5.0	-6.1	-7.1	-7.9	-7.9	54.1

Source: The Economic Planning Secretariat, The Ten Year Plan, p. 77.

^a With 'Official' is meant: Capital for the whole public sector including public corporations.

^b At the time of preparing the Plan some loans were already secured for which the terms of debt service were not yet settled or known on a year to year basis; the payments on such loans are not included in lines 6 and 9 but can be assumed to be included in lines 7 and 10.

The net increase in foreign public indebtedness over the decade of the Plan would consequently amount to LS.80 million.¹⁴ This means an increase in the Sudan's public foreign debt from LS.26¹⁵ million at the beginning of the Plan to LS.106 million by 1970/71. It is worth noting that the total domestic exports projected for the period of the Plan would value LS.793.2 million¹⁶; and interest on and repayment of official loans (See Table 31) would both amount to LS.81.4 million. This might raise the average annual public debt servicing to 10.3 per cent of the projected domestic export earnings compared with about 4 per cent¹⁷ in 1961/62. This is obviously a heavy burden on the financial resources of the Government as well as on Sudan's balance of payments. Further comments on this and other observations are reserved for the next chapter in which the whole Plan is evaluated.

¹⁴This figure is obtained as follows: LS.171.2 million minus LS.20.8 million minus LS.54.1 million minus LS.16 million = LS.80.3 million. It is also worth pointing out here that interest payments are assumed to be made out from current Government expenditures.

¹⁵The Economic Planning Secretariat, op.cit., p.53.

¹⁶Ibid., p. 17.

¹⁷Ibid., p. 53.

CHAPTER V

EVALUATION OF THE SUDAN'S TEN-YEAR PLAN OF ECONOMIC AND SOCIAL DEVELOPMENT 1961/62 - 1970/71

The preceding four chapters covered a short introduction on economic planning in underdeveloped countries, the major characteristics of the Sudanese economy and the objectives of the Ten-Year Plan, the distribution of planned public and private gross fixed investment among the economic and socio-economic sectors, and the various sources of financing the proposed investments. This chapter will deal with the results in the first three years of the Plan for which information is available and its general evaluation. As this is the first comprehensive plan in the history of the country, it might be useful to outline briefly the Sudan's experience in economic planning.

The first efforts towards partial economic planning in the Sudan date back to 1946 when the Development Priorities Committee was established to assess the post war development projects and decide on priorities. This Committee prepared the First Five-Year Development Programme extending from 1946 to 1951. The Development

Priorities Committee was superseded in 1949 by the Capital Expenditure Standing Committee which, in turn, was wound up in 1951 when the new Development Committee came into being. The terms of reference of the Development Committee, which prepared the Second Five-Year Development Programme 1951/56, combined general development planning and short term development programming. The first development budget, separate from the ordinary budget, was prepared for the financial year 1951/52. When the country achieved self-government in 1953 the Development Committee became a sub-committee of the Cabinet with a Development Board in the Ministry of Finance and Economics at its disposal. The Sudan attained its full independence in January, 1956. In 1957 three developmental efforts were in parallel progress: the New Schemes Programme 1957/61, the Managil Irrigation Project, and the Sennar Dam Hydro-Electric Power Project. In 1961 the Council of Ministers approved the new Planning Organization which prepared the first comprehensive plan of economic and social development. A detailed description of the Planning Organization is reproduced as appendix I.

Results of The First Three Years 1961/62 - 1963/64

Of The Sudan Ten Year Plan 1961/62 - 1970/71

Item	1961/62			1962/63			1963/64 ^a		
	Planned LS mill	Actual LS Mill	% In- crease of act- ual over planned	Planned LS Mill	Actual LS Mill	% In- crease of act- ual over planned	Planned LS Mill	Actual LS Mill	% In- crease of act- over planned
Resources:									
Gross Domestic Product	385.1	404.6	5.10	390.3	407.1	4.30	407.0	409.9	0.7
Factor Cost of which modern part	(191.8)	(211.3)	10.2	(190.6)	(207.4)	8.8	(200.7)	(203.6)	1.4
Indirect Taxes	38.0	46.4	22.1	41.4	51.2	23.7	40.4	51.6	27.7
Deficit on Balance of Payments Current Account	23.1	24.5	6.1	19.2	10.2	-46.9	18.6	31.4	68.8
Total Resources	446.2	475.5	6.6	450.9	468.5	3.9	466.0	492.9	5.8
Uses of National Resources									
Gross fixed Investment	18.7	20.2	8.0	16.0	14.9	-7.8	16.1	15.9	1.3
Private Sector	29.6	40.1	33.5	44.7	51.1	14.3	37.8	58.9	55.8
Public Sector	22.0	23.9	8.6	-8.1	-2.2	72.2	--	8.0	--
Change in Stocks									
Consumption	338.1	347.8	2.9	354.3	357.4	0.8	365.9	376.1	12.8
Private Sector	37.8	43.5	15.1	44.0	47.3	7.5	46.2	50.0	8.2
Public Sector									
Total	446.2	475.5	6.6	450.9	468.5	3.9	466.0	492.9	5.8

Source: Economic Survey 1964, pages 13 and 61, and The Ten Year Plan, pp.42 and 59. Per centages are mine.

^a First estimate.

The results of the first three years of the Plan, shown in Table 32, require a detailed analysis before one can pass a judgment. The actual gross domestic product surpassed the Plan figure by 5.1 per cent in 1961/62, 4.3% in 1962/63, and 0.7 per cent in 1963/64. Although the actual figures surpassed the Plan targets for the gross domestic product in absolute terms in the first three years of the Plan, the projected rate of annual growth was not realized (or surpassed) except in 1961/62. In 1961/62 the gross domestic product increased by about 14.3 per cent, compared to the projected rate of 7.8 per cent, while in 1962/63 the gross domestic product registered an actual rate of growth of 0.6 per cent compared to the projected rate of 1.4 per cent. In 1963/64 the actual rate of growth of the gross domestic product was about 0.7 per cent while the projected rate was 4.3 per cent. Thus the economy made a relatively big jump in 1961/62 but it could not sustain it in the following two years. The reason for this jump is attributed mainly to the exceptionally good cotton crop in 1961/62.

We can, therefore, conclude that although in each of the three years the actual share of the modern part of the economy in the gross domestic product was greater than the Plan target, the actual rates of growth of this sector were declining. The factors contributing

to this decline in 1962/63 and 1963/64 are centered around the fact that the gross domestic product of the modern sector depends to a great extent on the export earnings, particularly those of cotton. In 1963 the total value of exports amounted to LS. 78.7 million which is almost the same level of LS. 79.0 of 1962.¹ Thus no improvement was realized in 1963 over the achievement of 1962. In 1964 the cotton harvest was poor and the value of cotton exports was 37 per cent less than that of 1963.² However the increase in the value/^{of} other exports particularly gum arabic partially compensated for the decline in cotton exports and the total export earning in 1964 were only 15% less than those of 1963.³

Turning to indirect taxes, Table 32 shows that they surpassed the planned figures by 22.1 per cent in 1961/62, 27.3 per cent in 1962/63 and 27 per cent in 1963/64. However the rate of growth of the value of indirect taxes in 1962/63 was 10.3 per cent, while for 1963/64 the rate was less than one per cent. The reason for this is that import outlays, which are the main

¹Ministry of Finance and Economic, Economic Survey 1963 (Khartoum: 1964), p. 2.

²Ministry of Finance and Economics, Economic Survey 1964 (Khartoum: 1965), p. 2.

³Ibid.

source of government revenues from indirect taxes, are a function of export earnings, particularly cotton earnings, with a one year time lag. In 1962 total import value was LS.89 million⁴ while in 1963 this value jumped to LS.97.6 million and in 1964 the import value dropped to LS. 93.2 million.⁵

The figures of deficit on current account in the balance of payments shown in Table 32 are difficult to analyse as the Plan follows the financial year which begins on the first of July of each year to end on the 30th of June of the following year. The difficulty results from the fact that the balance of payments is published by the Bank of Sudan on the basis of the calendar year. The deficits on current account in the balance of payments in Table 32, which are adjusted by the Ministry of Finance and Economics to suit the financial years covered by the Table are not explained. However Table 33 gives a clear idea about the deficit on current account in the balance of payments, the inflow of foreign capital and the changes in foreign reserves for the years 1961, 1962, 1963 and 1964.

⁴The Ministry of Finance and Economics, Economic Survey 1962 (Khartoum: 1963), p. 2.

⁵The Ministry of Finance and Economics, Economic Survey 1964, p. 2.

TABLE 33
Sudan's Balance of Payments
 1961 - 1964
 (In L.S. Million)

Item	1961	1962	1963	1964
Exports ^a	+61.3	+79.7	+85.5	+70.2
Imports ^a	-77.8	-86.7	-97.9	-87.9
Balance of Trade	-16.5	- 7.0	-12.4	-17.7
Balance of Invisibles	- 6.1	-14.0	-13.9	-14.2
Total Current Account	-22.6	-21.0	-26.3	-31.9
Official Loans and Grants	+ 6.1	+ 5.3	+ 7.1	+11.8
Aswan Dam Compensation	+ 4.0	+ 4.0	+ 4.0	--
Net Movements in Working Balances	--	+ 3.0	- 1.8	+ 7.0
Other (Net)	+ 7.4	+ 5.2	+ 1.8	+ 3.0
Total Capital Account	+17.5	+17.5	+11.1	+21.8
Errors and Omissions	+ 0.2	+ 0.6	- 0.3	+ 0.1
Increase (+) or Decrease (-) in Foreign Reserves	- 4.9	- 2.9	-15.5	-10.0

Source: Ministry of Finance and Economics, Economic Survey 1963, p. 48, and Economic Survey 1964, p. 43.

^aThe discrepancies between the exports and imports figures given in this table and the figures quoted in pages 142 and 143 of this chapter should be noted. One really wonders how the Ministry of Economics and Finance could publish such inconsistent statistical information in one book. This illustrates the limited reliability of the statistical figures one had to deal with.

TABLE 33
Sudan's Balance of Payments
 1961 - 1964
 (In L.S. Million)

Item	1961	1962	1963	1964
Exports ^a	+61.3	+79.7	+85.5	+70.2
Imports ^a	-77.8	-86.7	-97.9	-87.9
Balance of Trade	-16.5	- 7.0	-12.4	-17.7
Balance of Invisibles	- 6.1	-14.0	-13.9	-14.2
Total Current Account	-22.6	-21.0	-26.3	-31.9
Official Loans and Grants	+ 6.1	+ 5.3	+ 7.1	+11.8
Aswan Dam Compensation	+ 4.0	+ 4.0	+ 4.0	--
Net Movements in Working Balances	--	+ 3.0	- 1.8	+ 7.0
Other (Net)	+ 7.4	+ 5.2	+ 1.8	+ 3.0
Total Capital Account	+17.5	+17.5	+11.1	+21.8
Errors and Omissions	+ 0.2	+ 0.6	- 0.3	+ 0.1
Increase (+) or Decrease (-) in Foreign Reserves	- 4.9	- 2.9	-15.5	-10.0

Source: Ministry of Finance and Economics, Economic Survey 1963, p. 48, and Economic Survey 1964, p.43.

^aThe discrepancies between the exports and imports figures given in this table and the figures quoted in pages 142 and 143 of this chapter should be noted. One really wonders how the Ministry of Economics and Finance could publish such inconsistent statistical information in one book. This illustrates the limited reliability of the statistical figures one had to deal with.

The deficit on current account in the balance of payments in the four years covered by Table 33 amounted to LS.101.8 million. Capital inflow scored 67.9 million and the foreign exchange reserves of the country deteriorated by LS.33.9 million during the same period. Here two deviations are evident. First the Plan projects that external sources would provide LS.77.2 million in the period 1961/62 - 1964/65 but actual inflow of foreign capital amounted to only 67.9 million in the period 1961-1964. Although the two periods do not exactly coincide, but one can safely say that the inflow of foreign capital, especially official loans and grants in the first three years of the Plan was short of what had been planned. The second deviation is related to the official assumption stated in the Plan that foreign exchange reserves would be exclusively used to meet short term fluctuations in the current account of the balance of payments. The deterioration of the foreign exchange reserves by more than 50 per cent in three years is definitely a serious digression from the assumption stated in the Plan.

The uses of the national resources presented in Table 32 show that private gross fixed investments surpassed the Plan target by 8 per cent in 1961/62, fell short of the projected figure for 1962/63 by 7.8 per cent but recovered in 1963/64 and exceeded the Plan

target by 1.3 per cent. But taking the three years together we find that the planned investment for the private sector (LS.50.8 million) was almost equal to the actual private investment (LS.51.0 million). The rate of increase in Public investments in the three years under consideration was quite remarkable. In 1961/62 public investment exceeded the Plan target by 33.5 per cent, in 1962/63 by 14.3 per cent, and in 1963/64 by 55.8 per cent. This is attributed to simultaneous execution of a number of big projects by the Sudan Railways, Ministry of Irrigation (two dams), and Wadi Halfa Resettlement Project. The total public investment in the three years was LS.150.1 million, while the forecast in the Plan for the same period was only LS.112 million. This means that actual public investment in those three years surpassed the Plan targets by about LS.38.0 million. Public savings, however, were LS.87.2 million⁶ compared to LS.62.8 million foreseen in the Plan for the first three years. Thus the increase in public investments was financed to the extent of about 64 per cent from the increase in public savings.

The cash position of the public sector deteriora-

⁶Ibid., p. 1.

ted appreciably in the first three years of the Plan. In 1961/62 the liquid position of the public sector diminished by LS.16.7 million.⁷ In 1962/63 the cash position of the public sector deteriorated again by LS.5.7 million, and in 1963/64 by LS.20.2 million.⁸ This deterioration in the cash position of the public sector is attributed mainly to the high level of public investment in the first three of the Plan coupled with a relatively higher consumption level as we shall see in the next paragraph, and low inflow of foreign capital as has already been pointed out. This unhealthy financial situation obliged the Government in December, 1963 to increase taxes in general and to introduce income tax for the first time in the history of the country. Thus the Government was led to deviate from the Plan's assumption of maintaining taxes and tariffs at their pre-plan levels.

As to the uses of national resources for consumption purposes Table 32 shows that the private sector surpassed the target for the first three years of the Plan only by a small margin (about 2 per cent). The consumption of the public sector exceeded the Plan target by

⁷Ministry of Finance and Economics, Economic Survey 1962, p.61.

⁸Ministry of Finance and Economics, Economic Survey 1964, p. 49.

15.1 per cent in 1961/62, 7.5 per cent in 1962/63 and 8.2 per cent in 1963/64. It should be noted that the actual rate of growth of public consumption (8.7 per cent) in 1962/64 was less than the Plan target of 16.4 per cent.⁹ In 1963/64 also the actual rate of growth of the public consumption (5.7 per cent) was less than the Plan target of 9.3 per cent.¹⁰ But the total actual public consumption in the first three years exceeded the Plan target by 10 per cent. The actual public consumption in the three years amounted to LS.140.8 million while the projected figure in the Plan for the same period was only LS.128.0 million.¹¹

Thus it is quite evident from the analysis of Table 32 that the economy of the Sudan had a relatively big push forward in 1961/62, while in 1962/63 and 1963/64 the economy was more or less stagnant and was enjoying the fruits of the first year of the Plan. If the annual growth of population at the officially assumed rate of 2.8 per cent is taken into account, the Sudanese economy was in fact regressing during the years 1962/63 and 1963/64. The validity of this statement is supported by the fact that the gross domestic product per head in 1961/62

⁹The Economic Planning Secretariat, op.cit., p.59.

¹⁰Ibid.

¹¹Ibid.

was LS.33.0 while in 1962/63 it dropped^{to} LS.32.3, and in 1963/64 it dropped further to LS.31.6.¹² But taking the first three years together we find that the actual average gross domestic product per head (LS.32.3) has exceeded the Plan target of LS.31.3¹³ for the same period. Further more the actual average gross domestic product per head for the period 1961/62 - 1963/64 (LS.32.3) compares favourably with the corresponding figure (LS.29.5)¹⁴ realized in the three years preceding the Plan. However in making comparison between planned and actual results it must be borne in mind that the figures of the Plan are all trend estimates. It is only natural, therefore, for actual results to fluctuate around the trendline, especially in an economy like the Sudan which is so heavily subject to factors beyond its control such as climate, pests and world demand for its exports. The performance in the first three years of the Plan, however, gives a good idea about the Plan in action and paves the way for its general evaluation.

¹²Ministry of Finance and Economics, Economic Survey 1964, p. 13.

¹³The Economic Planning Secretariat, op.cit., p.42.

¹⁴Ibid., p. 12.

The Sudan has practised partial planning for about fifteen years. The Ten-Year Plan is the first comprehensive plan in the history of the country. It is comprehensive in the sense that it covers the public and the private activities in the economic and socio-economic sectors. However it is still partial in the sense that it caters only for the modern sector of the Sudanese economy, leaving the traditional one practically unplanned. The Plan was prepared under a military regime which had no development philosophy or a long term outlook. Technically speaking the Plan is well-worked out, the objectives are well-formulated and the established major priorities are in accord with the objectives of the Plan. The general economic development strategy underlying the Plan is to concentrate the available factors of production on the intensification and expansion of the modern sector of the economy. A large part of the Plan is centered on taking advantage of the increased share of the Sudan in the Nile Water Agreement of 1959 between the United Arab Republic (Egypt) and the Sudan.

The major sources of weakness which would most likely affect the Plan as a whole relate to its financial set-up, the country's insufficient physical and

administrative capacity to implement the planned projects, shortage of trained manpower, and inadequacy of transport facilities. In the field of public finance the fundamental assumption of restricting the annual growth of the Government current expenditures to 5 per cent is rather difficult to attain. Two main factors contribute to this difficulty: firstly the average rate of annual growth of Government current expenditure for the five years preceding the initiation of the Plan was about 10 per cent, and secondly the execution of planned projects would require annual current expenditures to operate and maintain them. Considering the annual rate of growth of current Government expenditures in the first three years of the Plan we find that Central and Provisional expenditures taken together¹⁵ increased by 25.7 per cent in 1961/62 in comparison with the previous year.¹⁶ In 1962/63 the Central Government current expenditures increased by slightly more than 11 per cent in comparison with 1961/62.¹⁷ Cent-

¹⁵No separate figures for the Central Government Expenditures are given.

¹⁶Ministry of Finance and Economics, Economic Survey 1962, p. 64.

¹⁷Ministry of Finance and Economics, Economic Survey 1963, p. 58.

ral Government current expenditure increased from LS.58.5 million in 1962/63 to LS.59.1 million in 1963/64 or by slightly more than one per cent.¹⁸ This sharp decline in the rate of increase of Government current expenditures in 1963/64 was mainly due to the measures adopted in December, 1963 which led to a reduction of the current expenditures under chapter I and II of the ordinary budget. On the public revenue side the import substitution policy emphasized in the Plan, if carried out, would certainly reduce the Government revenue from indirect taxes. The other important source of Government revenue is the export of cotton which is subject to fluctuations due to factors beyond the control of the Sudan. The output of cotton depends mainly on the climate and the prices of cotton are determined externally. Thus public finance, especially the central budget, would be under the tension of increasing current expenditures and decreasing Government revenues as the Plan progresses. In December 1963 the Government had to drop the assumption envisaged by the Plan of maintaining taxes and tariffs at their pre-plan level.

The second difficulty with the financial set-up

¹⁸ Ministry of Finance and Economics, Economic Survey 1964, p. 52.

of the Plan is related to the inflow of foreign capital, particularly official loans and grants. Before launching the Ten-Year Plan the gross fixed investment of the Sudan was almost completely financed from domestic sources. This, in a sense, means that the country is of a limited experience in approaching foreign financial agencies for loans or grants. The Ten-Year Plan assigns the financing of 25 per cent of the planned gross fixed investment to external sources, especially official loans and grants. Nowadays foreign assistance (loans and grants), is not solely advanced on the basis of the existence of sound economic projects. International politics has a great role to play in this regard. The Sudan's isolation during the period of the military regime limited its influence in the realm of international and regional affairs. Thus the task of securing foreign assistance is not an easy one for the Sudan. However, with strenuous efforts the total projected foreign finance might be forthcoming, but it is much doubtful, as the experience of the first three years of the Plan has shown, that the inflow would be as scheduled in the Plan. Noting that most of the projects in the Ten-Year Plan require some foreign exchanges to execute them, the failure of foreign capital inflow at the right time might either delay the execution

of some projects behind their schedules, or worsen the balance of payments current account situation. In either case the Plan would be frustrated. A good example of such frustrations is related to the Roseries Dam Project. The Dam was completed early in 1967, but the land to be irrigated has not been yet prepared and the Government is now approaching the International Bank of Reconstruction and Development to finance this project. Furthermore any irregularities in the inflow of foreign loans would distort repayments scheduled in the Plan, and this is bound to reflect itself rather adversely on the financial set-up of the Plan.

The second major source of weakness which would most likely cause serious deviations from the Plan is related to the insufficient physical and administrative capacity to implement the planned projects. The Ministry of Works with its present capacity has proved incapable of executing public constructional projects, like schools and hospitals, according to schedule. Public projects executed by private contractors were usually completed according to the schedule, with more adherence to specifications and at relatively lower costs. Thus to enlarge the physical capacity for implementing the projects of the Plan, it is advisable to strengthen the Ministry of

Works and resort to private domestic and, if necessary, foreign contractors to undertake the execution of constructional public works under the supervision of the Ministry of Works.

The insufficient administrative capacity is a major bottleneck threatening the Plan. This is best illustrated by the failure of the Ministry of Education and the Ministry of Health to implement their planned projects in the period 1961/65. Table 34 shows that the Ministry of Education was able to utilize only a very small portion of the funds allocated in the Ten-Year Plan for intermediate, secondary, and technical education and teachers training in the first four years of the Plan. Table 35 similarly shows that the Ministry of Health utilized only a very small portion of the funds allocated in the Plan for Health Centers and Public Health offices, and Mid-Wives Training Schools in the period 1961/65. The projects included in Table 34 and Table 35 have been selected for the sake of illustration. The Plan allocations for other projects in the two Ministries were also underutilized in the first four years of the Plan. This means that in the second half of the Plan outlays allocated for Education and Health would be quite substantial. If The Government agencies concerned do not increase their

administrative capacity to implement their programmes, a significant deviation from the Plan would be unavoidable. The strong and trained planning units, mentioned in the Plan, must urgently be established in the various Government agencies to remove the bottleneck of deficient administrative capacity. Furthermore co-ordination of policy among the various Government units is essential. This might best be done if the planning units, recommended above, were fully responsible to the Ministry of Finance and Economics and the Economic Planning Secretariat.

TABLE 34

The Ten-Year Plan Allocations and the Actual Expenditures in the First Four Years of the Plan in Four Selected Projects of the Ministry of Education
(In L.S. 000)

Project	Ten-Year Plan Allocation 1961/65	Actual Expenditures 1961/65
Intermediate Education	4284	649
Secondary Education	4583	1024
Technical Education	2386	308
Teacher Training	1030	93
Total	12283	2074

Source: Tabulated from information given by the Ministry of Finance and Economics in Explanatory Memorandum on 1966/67 Development Budgets, pp. 80 - 81.

TABLE 35

The Ten-Year Plan Allocations And The Actual Expenditures in the First Four Years of The Plan on Some Selected Projects of the Ministry of Health (In L.S. 000)

Project	Ten-Year Plan Allocation 1961/65	Actual Expenditure 1961/65
Medical Equipment and Fittings	964	190
Dispensaries and Extensions to Dispensaries	656	223
Midwives Training Schools	235	10
Health Centers and Public Health Offices	516	46
Total	2371	469

Source: Tabulated from the some source of Table 34, pp. 113 - 114.

The third major source of weakness in the Plan is related to shortage of trained manpower. This bottleneck is relevant to all fields of economic and social activity, but is particularly relevant to the industrial sector whose output is projected to grow rapidly in the decade of the Plan. There is a shortage of engineers, entrepreneurs and managers who can plan, arrange financing and carryout industrial projects and manage their operation efficiently, and people with technical know-how who can supervise modern industrial operations. Training Sudanese people to make up for this shortage is rather a long term policy. During the period of the Plan the graduates of ^{the} University of Khartoum and other educational institutions, including the Sudanese who are studying abroad, would satisfy only a small portion of the demand for trained manpower. Thus recruiting expatriates to help in carrying out and operating the projects of the Plan in the industrial and other sectors must be tolerated for some time to come. The delay in the introduction of the new educational ladder envisaged by the Plan is a serious deviation. The prevailing educational curriculum is not conducive to the economic and social development of the country. The balance between academic, vocational and technical education provided

for in the new educational ladder prepared by a team of experts, seems to be ideal for the Sudan. As the economy develops the demand for trained manpower is bound to rise. Thus if the educational curriculum is not geared to cope with this demand, the shortage of trained manpower would remain as a serious bottleneck during and after the Plan period.

The fourth major source of weakness which would most likely frustrate the Plan is the inadequacy and unreliability of the transport facilities. Prior to the Plan Sudan Railways handled more than 75 per cent of all freight transported in the country. During the Plan period this dominant role of rail transport is maintained. The Plan projects about 65 per cent increase in the volume of exports, about 50 per cent in the volume of imports and about 75 per cent increase in domestic freight movement. Should these targets be realized, lack of adequate transport and storing facilities would seriously jeopardize the development efforts. Most of the agricultural and industrial projects in the Plan are concentrated in the center and the north-eastern quarter of the country where a satisfactory railway network is already existing. Investment in the transport sector is concentrated mainly to strengthen the existing network

of railways rather than to extend it. Thus the level of operating efficiency of the Sudan Railways is the crucial factor determining the effectiveness of the whole transport system. The efficiency record of the Sudan Railways for the recent past is not satisfactory. The present Government of the Sudan is seriously considering the reorganization of the Railways Administration with the intention of converting it into a public corporation to emancipate it from the routine and to operate it effectively as a profitable business concern.

In conclusion it is worth pointing out that after 1961 the Military Government of the Sudan, which came into power in November, 1958, began to lose its popularity and this reflected itself on the Plan when the Government efforts to generate public enthusiasm turned out to be fruitless. In October, 1964 the Sudanese people voluntarily but vigorously revolted against the Government and miraculously managed to overthrow the Military regime. The Transitional Government formed during the Revolution obviously condemned the military era and its endeavours including the Plan. The present parliamentary Government has formed a new planning Committee. A new five-year Plan is said to be underpreparation. However annual development budgets since the

Revolution in 1964 have been guided by the Ten-Year Plan without strictly adhering to the priorities established and the targets formulated in the Plan. Although no official statement was made discarding the plan, for all practical purposes the Sudan's Ten-Year Plan came to an end with the downfall of the Military regime in October, 1964.

APPENDIX I

THE ORGANIZATION FOR DEVELOPMENT

PLANNING¹

A. The Economic Council

The terms of reference of the Economic Council are the formulation of the Economic Policy of the Government, the endorsement of the development plan and its annual budgets before its submission to the Council of Ministers. The Chairman of the Economic Council is the President of the Supreme Council for the Armed Forces² and the Prime Minister and the members are the Minister of Commerce, Industry and Supply, the Minister of Foreign Affairs and the Minister of Finance and Economics.

B. The Development Committee

This Ministerial Committee consists of the Minister of Finance and Economics as Chairman and the

¹The Economic Planning Secretariat, The Ten-Year Plan, pp. 164 - 166.

²The Sudan's Ten-Year Plan of Economic and Social Development 1961/62-1970/71 was prepared under the Planning Organization described in this appendix. After the over-throw of the Military Government in October, 1964 this Planning Organization was discarded and a new Development Board has been recently established.

Ministers of Works, and Mineral Resources, Communications, Interior and Local Government, Education, Health, Animal Resources and Agriculture, Irrigation and Hydro-Electric Power as members. Its terms of reference are as follows:

1. To submit recommendations to the Economic Council on the Development Plan after considering the recommendations of the National Technical Planning Committee.

2. To consider the annual development budget and any other supplementary funds which may be recommended by the Minister of Finance and Economics before their submission to the Economic Council for endorsement.

3. To consider the reports submitted by the National Technical Planning Committee annually or for lesser periods as it might be necessary, on the execution of the Development Plan and the progress attained by the executing bodies and the difficulties facing them.

C. The National Technical Planning Committee (NTPC)

The terms of reference of this Committee are:

1. To assess the country's material, financial and human resources and to investigate the possibili-

ties of augmenting such resources to meet the requirements of the Development Plan.

2. To prepare a draft Development Plan for the effective balanced utilization of the resources either those available in the country or those to be obtained from abroad.

3. To consider and to indicate all factors and circumstances necessary for the successful implementation of the Plan.

4. To consider and to make recommendations as regards the priorities to be allotted to each project in the Plan.

5. To make recommendations on the stages in which the Plan is to be carried out especially those to be included in any annual budget.

6. To watch the progress of the Plan and to make recommendations for any adjustments to be made to suit any changing circumstances.

7. In all discussions and recommendations the Committee should take into account the basic policy which the Government is adopting and the economic and social system which the Government is aiming to establish and to take into considerations any directions made by the Ministerial Development Committee.

8. The Committee has the right to appoint any functional sub-committee and decide its chairmanship and membership provided that any such sub-committee should be under the chairmanship of the department most concerned with its functions. The head of the Economic Planning Secretariat and representative of the Ministry of Finance and Economics should be members of all such committee.

9. Provincial councils will^{be} responsible for the co-ordination of planning at the village, district and provincial levels. The Committee (NTPC) would therefore discuss with the Provincial Councils the Development Plan wholly or partially in so far as it affects the particular province. The Committee would also discuss with the Provincial Councils general problems such as location of development schemes in all regions of the country, grouping of services and standards of social services.

The membership of the NTPC is as follows:

- | | |
|---|----------|
| 1. Governor Bank of Sudan | Chairman |
| 2. Under Secretary, Ministry of Commerce, Industry and Supply | Member |
| 3. General Manager, Sudan Railways.. | " |
| 4. Director, Department of Agriculture | " |

5.	Under Secretary, Ministry of Irrigation and H.E.P.	Member
6.	Under Secretary, Ministry of Education	"
7.	Under Secretary, Ministry of Health	"
8.	Director, Ministry of Works.	"
9.	Under Secretary, Ministry of Interior	"
10.	Under Secretary, Ministry of Local Government	"
11.	Director, Ministry of Animal Resources	"
12.	Commissioner of Labour	"
13.	Vice-Chancellor of University of Khartoum	"
14.	Managing Director of the Agricultural Bank of Sudan	"
15.	Managing Director of the Industrial Bank of Sudan	"
16.	Managing Director, Sudan Gezira Borad	"
17.	Under Secretary for Economic Planning and Development, Ministry of Finance and Economics	"
18.	Five qualified citizens to be appointed by the council of Ministers	"

D. The Economic Planning Secretariat (EPS)

The EPC had been created under the Minister of Finance and Economics to undertake the functions to be assigned to it by the Economic Council, the Ministerial Development Committee, or the National Technical Planning Committee and to assist the Ministries, Departments and Statutory Corporations in the preparation of their projects and in the execution of the Plan. In connection with the Ten-Year Plan of economic and social development, the EPS on the basis of broad policy directives called on all Governmental Units to submit their proposals for development, made the necessary discussions thereon and after analysis and summarization in uniform format submitted the whole matter together with the necessary macro-economic studies to the NTPC for consideration and recommendations. It performed the Secretarial work for the NTPC and prepared its minutes and final report. It also did the Secretarial work for the Development Committee and prepared the various memoranda and the Development Budget for submission to the Economic Council and the Council of Ministers. When the Plan was approved by the Council of Ministers, the EPS informed each Ministry and Department or Statutory Corporation of the projects

which have been approved for inclusion in the Ten-Year Plan, the monetary allocations for each and the appropriations for the 1961/63 financial years. It is also handling the day-to-day financial problems, clarification and direction.

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