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Since independence, Sudan's economy suffered from a contrast between the immense natural resources and the country's economic backwardness. The salvation revolution adopted economic plans and programs to change economic realities in the country and to stimulate production in all fields. The task was burdensome and fraught with many and complex problems.

Banking on support by the Sudanese broad masses, the revolution enlisted help from a select group of Sudanese scientists and experts to recommend remedy for the lop-sided economy. The government was earnest in implementing the recommendations and the people patiently awaited economic resuscitation to exit the cycle of begging for aid to the limitless horizon of self-sufficiency and offering aid. Economic reformation was at the following levels:

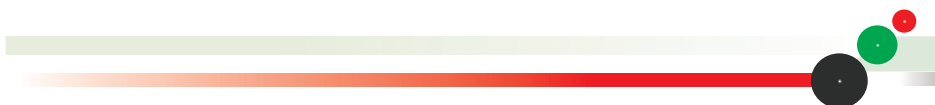
- The Three-Stage Recovery Program 1990-1993.
- The National Comprehensive Strategic Plan 1992-2002.
- The Quarter-Century Strategic Plan 2006-2013.

The three-year program centered on directing the dormant economy towards production by mobilizing all resources, contribution of the banking system to development, particularly agriculture, structure and administrative reform, giving priority to questions of peace, security and defense, self-reliance in financing of projects after foreign aid was stopped and liberalization of the economy. Then the ten-year strategic plan focused on such aims as stabilizing the internal and external value of national currency, realizing a positive and real growth rate in the Gross National Income, reduce inflation rate, complete arrangements necessary for self-sufficiency in petroleum and start export of oil.

These policies required alterations in financial institutions and laws, system of taxation eventually leading to introduction of financial and investment laws and the value added tax.

A stern monetary policy was applied, barring banks from exceeding their financial capabilities, keeping a legal deposit (15-20%), a low discount rate to spur investments and encouraging smooth flow of external remittances while furnishing hard currencies through official channels.

According to these policies, Sudan started to adjust its position with



world financial institutions, repay accumulative debts and establish a portfolio to finance agriculture, backbone of the Sudanese economy. The investment law and facilities offered helped to attract many entrepreneurs from Europe, Turkey, Southeast Asia and from some Arab and Asian countries. The end product was marked improvement in overall performance as witnessed by:

- Strict monetary policy helped reduce inflation rate from 15.5% at the end of 1999 to about 7%.
- Exchange rate of the Sudanese Dinar currency unit greatly stabilized, forcing the many foreign exchange offices to close down, and the gap between exchange price offered by banks and the parallel market was shored up.
- Growth rate of the Sudanese economy moved from red to positive 8%, one of the highest rates in the region.
- Scope of exports expanded to include oil exports on the list of Sudanese exports.

In the sphere of national development, expenditures continued on major projects such as oil exploration, increasing the irrigated land, education, rehabilitating infrastructure of irrigation, power and roads. Among accomplishments made are



exploitation of the oil wealth, Saria industrial complex, Giad industrial City which ushered Sudan into heavy industrialization, Merowi dam, roads, bridges, telecommunications and banking technologies and more is in the pipeline.

After the Sudanese economy showed signs of recovery and stabilization, an economic national program is being executed for the period 2001-2007 including:

- 1- Improvement of the people's living conditions and fight against poverty.
- 2- Priority for rural development, particularly South Sudan and areas devastated by war.
- 3- Rationalization of domestic resources and attraction of foreign investments.
- 4- Abandonment by the state of production and services activities in favor of the private sector while offering suitable guarantees for those affected.
- 5- Concentration on agriculture and removal of impediments.

- 6- Continued reviewal of policies while upholding the basics and fundamentals of commitment to legal restrictions, self-reliance, liberalization and consideration of low-income earners.

The state undertook fiscal and taxation reforms, most important of which are:

- First: annulment of all taxes on agricultural activities in April 2001 and the federal government prodded states to cancel all taxes on agriculture, including road and local tolls, while pledging compensation to the state.
- Second: more reduction of individual income tax on professionals such as doctors, lawyers etc...
- Third: scrapping off the 10% development tax on investment activities.
- Fourth: tax exemption, introduction of amendments to encourage investments, merger of companies and big business generally encouraging capital to contribute in development.
- Fifth: significant custom reforms including reduction of tariffs on food commodities and annulment on some imports such as computers and accessories.
- Sixth: reducing service charges of ports, passports, licensing and ownership transfer etc...

These are some attempts at economic reform despite many unagreeable local, regional and universal changes obstructing the road to reach the desired ends. But, with unfailing determination and close observation of these changes, the state was able to hit the target.



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The policy of liberalizing export prices was the first step towards eventual liberalization of services and import prices. The policy made it incumbent upon the state to quit fields of agricultural and industrial production, marketing and economic services by sale or rent of faltering enterprises and denationalization. It also necessitated amendment of structures and laws. The liberalization policy led to recovery of the national economy and participation of the private sector in development.

Working on commercial basis, the privatized sector beefed up potentials

and became more competitive internally and externally. By cutting down red tape and lifting administrative shackles, the state encouraged private capital to expand and diversify productive and service activities, thereby increasing national income, creating new employment jobs and earning the country considerable hard currency.

Economic indications during first half of 2007:

- The gross national product is expected to grow by a rate of about 11% in 2007 compared to 10.4% in 2006 and 8.3% in 2005.
- Average inflation rate for the first half of 2007 reached nearly 9.3% compared to 5.6% in 2005 and 4% for the corresponding period of 2006.
- The first half of 2007 saw stability in the exchange rate of the national currency which registered during the said period circa 20 pounds for a dollar, less by 12% than in 2005.
- Exports during first half of 2007 rose by 45.5% compared to the same period of the previous year, spurred by 55% oil exports where export proceeds totaled 4.5 billion US dollar, or 1.5 billion dollars more than the previous year.
- Total transfers and direct spending on South Sudan government as well as the South share from petroleum proceeds during first half of 2007 was about 1120 million pounds. The South share according to the wealth - sharing quota was paid at a rate of 114.7 of actual dues.
- Total transfers to oil- producing states during first half of 2007 reached 49.4 million pounds, or 131% of actual dues for these states while a sizeable part of arrears due to Unity State was paid during first half of 2007.
- A number of agreements with foreign financing agencies were signed to the tune of some 334.9 million US dollars.
- Actual internal revenue during first half of 2007 was 7,679,2 million pounds, or 84.2 percent of projected estimates. Revenue performance improved during the first quarter 101% compared to 67.4% during the second quarter while revenue from the gross national product reached 16.5%.
- Oil returns contributed by 46% in the gross general revenue during the first half while non-oil proceeds constituted 54% of total revenue.
- General expenditure was 9,389.6 million pounds, a rate of 79.6% of estimates, and adding sureties and standing orders, which will be paid years later, performance rate reached 86.9%. Performance improved in the second quarter to register 89% of appropriated estimates, compared to an average of 70.6% during first quarter. Ratio of general expenditure to gross national income was 20.2%.

- Financing of general expenditure during the first half of 2007 was 81.8% of internal general revenue and a rate of 18.2% of other financing sources.
- Minimum exemption from income tax was raised from 1500 to 3000 pounds for individuals on business profits, lease on real estates and professionals and maximum rate taxes on dividends from tax-exempted companies was similarly reduced from 20 to only 2%.
- Actual performance of general internal revenues reached in the first half of 2007 about 7,679,2 pounds, or 84.2% of projected estimates while performance in the second quarter was better than the first quarter by an average of 45.7%.
- Actual performance of the direct tax in first half of 2007 was about 497,7 million pounds, or 83.3% of estimates, while performance in the second quarter was 262.7 million, or 88%, an increase of 11.8% over the first quarter. Indirect tax was nearly 2,537,4 million pounds, an average of 81.9%, while performance in the first quarter was 1,355,4 million, or 85.6%, compared to the second quarter reaching 2,935,1 million pounds, or 108.2% of estimates, an increase of 71.7% over the first quarter.
- Spending on the first chapter during first half of 2007 reached nearly 2,336,4 million pounds, 89.7% of approved appropriations where all wages, insurance and pension premiums were paid in addition to improvement of salaries by 5% and pensions by 15% besides an amount of 1.2 billion pounds earmarked as steering costs in the 2007 budget.
- Average estimates for state development during first half of 2007 were set at nearly 1,173,7 million pounds. Actual performance during the said period reached 604.6 millions (of which 432.8 million in local currency and 171.8 millions in hard currency), or a percentage of 50.6 of the estimates.
- Total spending on economically-weak and low-income earners in first half of 2007 was about 379 million pounds, or 96% of the estimated sum

Table of gross national product (million of Dinars) 2002-2006

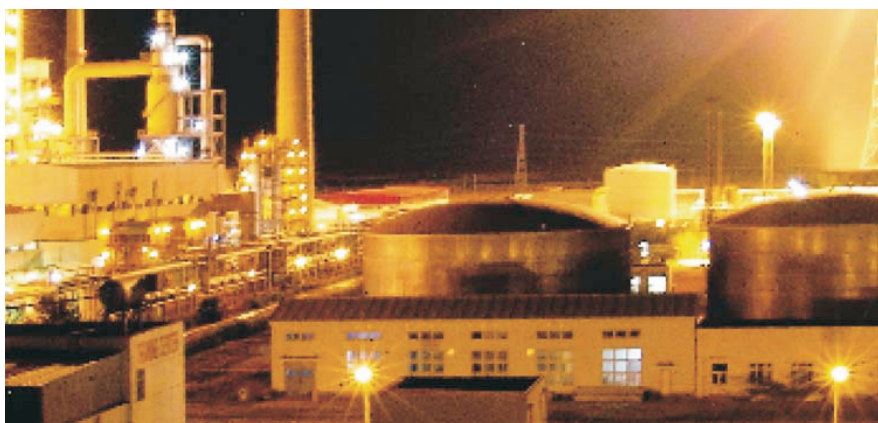
Year	GNP	GNP	Growth Rate
2002	4774750.4	1810.0	6.9
2003	5572961.2	1938.1	7.1
2004	6868882.5	2082.2	7.4
2005	8076322.4	2262.8	8.7
2006	9530361.1	2475.7	9.4

Source: Central Statistics Bureau -Administration of National Revenue Accounts.

Table of Sudanese Economic Indicators for the period 1998-2006(in billion dinars).

STATEMENT	2000	2001	2002	2003	2004	2005	2006
GROSS NATIONAL PRODUCT %	8.3	6.4	5.9	6	9.1	8.3	8
INFLATION	8	4.9	8.3	7.7	8.7	8.4	7.2
MONEY OFFERED (BILLION DINARS)	346.7	432.2	73401	960.4	1398	1708	7
GROWTH RATE OF MONEY OFFERED %	34.4	24.7	30.3	30.3	30.8	43.5	29
EXCHANGE RATE (DINAR)	260.3	261	264.5	261.2	258	24.3	217
EXPORT COMMODITIES (MILLION DOLLARS)	18060.7	1698.7	1949.1	2542.2	3778	4824	5656
IMPORT COMMODITIES (MILLION DOLLARS)	13660.4	2024.8	2152.8	2536.1	3586	5945	7104
TRADE BALANCE (MILLION DOLLARS)	440.3	326	203.7	6.1	192	1121	1448

Source: Central Statistics Bureau -Administration of National Revenue Accounts.



Estimates:

Table of Gross Domestic Product according to type of activity percentage
Distribution (%) 2004-2006

Type of economic activity	2004	2005	2006
Agriculture, Animal Wealth, Forests and Fisheries	34.0	32.6	31.1
Petroleum	6.9	3.8	10.0
Mining & Quarries	0.2	0.2	0.2
Conversion industry	9.3	9.3	9.3
Electricity and Water	1.2	1.2	1.2
Building and construction	3.8	1.4	4.3
Trade, Restaurants and Hoteliering	15.7	15.7	15.6
Transport and communication services, financial, insurance	12.2	12.1	11.9
Real estate and business services	7.7	7.6	7.5
Community services	1.3	1.3	1.2
Accounted banking services expenses	0.8	0.7	0.7
Government services	5.6	5.6	5.6
Non-profit special services offered to families	1.0	1.0	1.0
Import tariff	1.7	1.7	1.7
Gross Domestic Product	100.0	100.0	100.0

Source: Central Statistics Organ-Administration of National Revenue Accounts

Table of gross National Product according to type of economic activity and current market price (million of Dinars) 2004-2006:

Type of economic activity	2004	2005	2006
Agriculture, Animal Wealth, Forests and Fisheries	2336944.7	2632428.0	2965272.1
Petroleum	476074.0	672002.2	948564.7
Mining & Quarries	12009.0	15184.2	19198.8
Conversion industry	639250.0	754621.7	890815.8
Electricity and Water	82894.5	97225.4	114033.7
Building and construction	261453.0	328639.3	413090.7
Trade, Restaurants and Hoteliering	1077313.8	1266468.6	1488835.2
Transport and communication services, financial, insurance	841053.7	9773212.2	1135666.8
Real estate and business services	529999.5	617287.8	718951.9
Community services	91669.2	103480.8	116814.4
Accounted banking services expenses	53921.1*	59714.6*	66130.6*
Government services	384556.0	453910.7	535773.3
Non-profit special services offered to families	70786.2	80128.3	90703.3
Import tariff	118800.0	137338.8	158770.7
Gross Domestic Product	6868882.5	8076322.4	9530361

Source: Central Statistics Bureau-Administration of National Revenue Accounts