

ECONOMIC BRIEFING

Sudan: against all odds

SUDAN remains the Arab world's most intractably indebted economy. Drought, civil war and political troubles combine to create considerable challenges for the reforming government of Prime Minister Sadiq el-Mahdi, who came to power in May 1986.

Political uncertainties affecting economic policy formation include the planned formation of a new cabinet in May. It is expected to include representatives of Islamic parties who have been pressing for the implementation of Sharia, one issue in the war in the south being mounted by the Sudan People's Liberation Front (SPLF).

Growth The rising cost of the southern conflict, coupled with poor rains, have hit economic growth. Analysts say gross domestic product (GDP) fell by 2 per cent in 1987 compared with a 3 per cent rise in 1985/86. Security problems have also created delays in the development of oil resources by the US' Chevron Corporation.

The government has been seeking to increase development in the oil sector, despite the civil war problems. In the first half of 1988, it signed agreements with another US company, Sun Oil, for exploration in the north. In addition, a gas deal has gone through with Switzerland's Panoco, to develop gas resources in the Red Sea's Suakin field.

Debt and the IMF Missions from the World Bank and IMF visited in the first week of May. The former came to pre-appraise a substantial economic recovery credit; it says the outcome was satisfactory, but declined to give details. The IMF team continued talks about putting in place an

effective structural adjustment programme. It also aimed to ensure the government had adequate financing, so it can discharge its debts in an orderly manner, a representative said. The government is to present a four-year economic reform package at a World Bank-chaired consultative group meeting. This was tentatively scheduled for 31 May, but has now been put back to 19-20 July. If approved, the programme may allow a World Bank policy framework paper to go through, plus a formal IMF programme. This could in turn bring in a much-needed injection of fresh funds.

Donors are reported to be pleased with the country's progress in sticking to an IMF-style economic programme — agreed last year — which runs until June. If the government gets another formal programme, it could pave the way for a badly needed Paris Club rescheduling. Sudan could also become eligible for the IMF's enhanced structural adjustment facility.

Improved relations with the IMF have brought in new sources of funding for the cash-strapped government this year. At the beginning of March, Japan, the US and several European donors pledged \$227.6 million in balance of payments support as a result of the World Bank's December consultative group meeting in Paris. The money will go towards meeting a balance of payments shortfall in the second half of the financial year to June, according to Finance & Economic Planning Minister Beshir Omer Mohammad Fadlalla. The remainder will be spent on basic commodity imports such as oil.

The debt burden remains the key consideration. Financial observers in Khartoum

estimate total debt at around \$11,500 million. About 23 per cent of this is owed to official Paris Club creditors, and 15 per cent to commercial banks in the London Club. Eastern bloc countries and Arab states account for 32 per cent, with the remainder owed to multilateral agencies. The government and steering committees from the commercial creditors set up working parties in December to come up with firm proposals to tackle the estimated \$1,900 million debt to commercial banks. These are also due to be presented this year. The terms negotiated are likely to have a major impact on the health of the economy over the next few years.

No payments have been made on the debt since before the 1985 overthrow of former president Jaafar Nimairi. The root question for creditors will be whether the government has sufficient commitment and political will to implement the necessary measures and reforms. The credibility of Sadiq's new government will be crucial to any new deal.

Public spending The government has made progress in boosting government revenue and cutting spending, donors say. The 1987/88 budget showed a £Sud 2,927 million (\$650 million) deficit, up from £Sud 2,338 million (\$519.5 million) in 1986/87, Khartoum sources reported in April. Spending was around £Sud 6,832 million, up from £Sud 5,129 million the year before. However, revenues showed some improvement, increasing to £Sud 3,905 million for 1987/88, from £Sud 2,791 million. The IMF will expect the government to trim and restructure public spending, but the war is likely to continue to prove a drain.

The government estimates that its four-year plan and development programme will cost about \$4,000 million. This is expected to come from grants and concessionary aid, and excludes repayments of IMF arrears or outstanding official debt.

Balance of payments New IMF estimates indicate a dramatic worsening in Sudan's current account in 1987, after a slight improvement in 1986, due to government efforts to reduce imports. Imports increased in 1987/88, partly because of extra funds from donors. The deficit for the year to 30 June 1988 is projected to rise to \$879 million, compared with just above \$700 million in the previous 12 months.

These adverse trends reflect a surge in the projected trade deficit to more than \$600 million in the present year. This mainly reflects an import surge: petroleum product imports account for the largest component of the rise. A recent supply deal with Libya should help to stave off petrol shortages.

Sudan: debt, 1984-88
(\$ million)

	1984	1985	1986	1987/88 ¹
Total external debt	7,175.0	7,918.2	8,271.9	11,500.0
Short-term debt	404.0	581.0	474.5	—
Total debt service	52.1	91.3	55.4	—
GNP	6,759.0	6,952.2	7,282.0	7,136.3
Total external debt as percentage of GNP ²	106.2	113.9	113.6	161.2

¹ MEED estimates for year to 30 June 1988

² Gross national product (GNP) calculated without deductions for depreciation, using average exchange rates

Sudan: budget, 1986-88

(£Sud million)

	1987/88	1986/87 ¹
Total revenue	3,905.2	2,682.8
Taxes	2,379.2	1,670.0
Non-taxes	1,348.0	1,012.8
Regional government revenue	178.0	—
Total expenditure	6,790.0	5,542.0
Current	5,232.2	3,616.2
Development	1,533.4	520.0
Deficit	2,884.8	2,859.2
Commodity and grants	1,807.0	1,952.0
Project loans	572.2	685.2
Other	505.6	219.0

¹ Projected

Exchange rate: \$1 = £Sud 2.50 (1986-88 average)

Source: Africa Economic Digest, London

Farm products are Sudan's main foreign exchange earner. They have been badly hit by the drought. The cotton sector is recovering slowly. In the 1986/87 crop year, Sudan produced 792,190 420-pound bales, 6 per cent up on the previous year. The figure for 1987/88 is expected to show a slight increase.

A shortage of aviation fuel has hindered cotton crop spraying in the Gezira plantations, which may affect quality and future sales. Other traditional exports such as livestock products and oil seeds have been hit by the drought, but should show some recovery if rains improve this year.

Money supply, exchange rate and inflation Annual inflation is now running at about 30-35 per cent, but the government is projecting a significant fall this year. Inflation is fuelled by rapid domestic money supply expansion: domestic liquidity has expanded by about 30 per cent since the start of 1986.

Reflecting these pressures, the Sudanese pound was sharply devalued in October at the IMF's urging. However, a significant difference still exists between

Sudan: money supply, 1986-87

(\$ million)

	1986 (QII)	1987 (QI)	1987 (QII)
Currency with the public	2,300.1	3,006.5	3,182.3
Demand deposits	2,672.5	3,699.6	3,904.0
Quasi-money	1,868.9	2,015.0	2,022.1
Total	6,841.5	8,721.1	9,108.4

Exchange rate: \$1 = £Sud 2.50 (1986-88 average)

Source: Bank of Sudan, economic and financial statistics review, April-June 1987

official and black market rates, quoted at \$1 = £Sud 11 in March, compared with the official rate of \$1 = £Sud 4.50. The IMF is understood to be seeking a further cut in the official rate against the dollar.

Outlook Growth prospects depend on an end to the drought, political stability and peace in the south — factors that largely lie

Sudan: balance of payments, 1985/86-1987/88¹

(\$ million)

	1985/86	1986/87	1987/88 ²
Exports	497.0	482.0	586.0
Imports	1,055.0	832.0	1,230.0
Trade deficit	-558.0	-350.0	-644.0
Private transfers	350.0	250.0	300.0
Official transfers	244.2	280.0	360.0
Services deficit	na	na	na
Current account deficit	-842.0	-702.0	-879.0

¹ Figures for years to 30 June

² Forecast

Source: MEED estimates based on IFS and IMF figures

outside the government's control. However, the IMF and donor nations are making substantial efforts to support the economy and avoid total financial collapse. This support is not without conditions and will involve serious efforts to control public spending, stem money supply expansion and reform the exchange rate system.

The prospect of rapid early moves in these directions are constrained by Khartoum's limited ability to force politically unpopular measures on a deeply divided country, which remains one of the poorest in Africa. The establishment of a sound economy even in the best of circumstances will require years, even decades, of effort, and continuing generous support from Sudan's friends in the international community.

TENDERS

ALGERIA

Generating sets. Tender no HE/378/MA. Supply of electricity generating sets. Details on payment of AD 200 from Sonatrach, Division Hydrocarbures, Direction Production, Departement Approvisionnement & Transports, 8 Chemin du Reservoir, Hydra, Algiers. CD 13 June.

Transmitter-receivers. Tender no 2 HFN/DCL/88. Supply of 50 transmitter-receivers. Details on payment of AD 300 from Entreprise Nationale de Forage Hydraulique du Nord, Hydro-Forage Nord, Rue des Mourabidine, Meftah, Blida CD 28 May.

Laboratory equipment. Supply, in three lots, of 1) soil laboratory equipment; 2) concrete laboratory equipment; and 3) supervision equipment for cathode protection. Details on payment of AD 300 from CTH, Direction Generale, 22B Chemin Abdel-Kader Gaddouche, Ben-Aknoun, Algiers. CD 28 May

Reducing agent. Tender no 001/DDE/ENMTP/88. Installation of reducing agent production unit. Details on payment of AD 500 from Entreprise Nationale des Matériels de Travaux Publics (ENMTP), Projet Reducteurs, Direction du Developpement & de l'Engineering, PO Box 67, Ain-Smara, Wilaya de Constantine. CD 13 July.

Tube extrusion lines. Tender no 001/88/UTB. Supply and installation of two low and medium-density polyethylene tube extrusion production lines. Details on payment of AD 300 from ENPC, Unite Tubes Chlef, Projet IVPE, PO Box 113, Zone Industrielle, Chlef 02000. CD 13 June

Buttons. Tender no 01/88. Supply of accessories to make buttons. Details on payment of AD 200 from Ecotex, Unite Production Confection, 11 Rue Med Said Achachi, Bab el-Oued, Algiers. CD 28 May

Spare parts. Tender no 2AE/1FT/88. Supply, in two lots, of spares for Gardner Denver GD 2000 and Gardner Denver Myhew 1000 borers

Details from Entreprise Nationale de Geophysique (Enageo), Direction Centre de Calcul & Services Communs, Departement Achats & Transit, Ouled Fayet, Rue Ahmed Djadi, Commune de Cheraga, Wilaya de Tipaza. CD 13 June.

Accumulators. Tender no 1/SMR/88. Supply, in four lots, of accumulators. Details on payment of AD 200 from Entreprise Nationale des Produits de l'Electrochimie (Enpec), Service Monopole Revente, Route de Constantine, El-Hassi, Setif, PO Box 88. CD 28 May.

Humidifiers. Supply, installation and commissioning of production equipment for humidifiers in Ouargla. Details on payment of AD 500 from EDIL, Unite de Boumerdes, 35000 Boumerdes, or from Etracob, Zone Industrielle, PO Box 216, Ouargla. CD 28 May

Galvanisation unit. Tender no 88/06/OP. Supply, installation and commissioning, in three lots, of a galvanisation unit, an assembly line to make metal frames or casings. Details on