



## Sudan Privatization Program: Putting the Cart before the Horse

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### ABSTRACT

The aim of this study is to examine whether Sudan privatization program takes into consideration the necessary prerequisites for privatization, which include proper transparency, competition and regulatory framework, a dynamic capital market, a safety net program, proper sequencing and timing, institutional and legal reforms, and above all political commitment and support for the implementation of the program. Moreover, this study aims at examining the various problems that face the implementation of the privatization program. The study adopts a combination of comparative, descriptive, and analytical methods, where it depends on both secondary and primary sources. The study main findings indicate that Sudan privatization program has overlooked the above-mentioned necessary prerequisites for privatization, for instance a large number of public enterprises were privatized even before both an adequate regulatory or competitive framework were put into place. Furthermore, Sudan lacks a dynamic capital market, as well as a financial infrastructure of brokerage houses, banks, lawyers. In addition, the program's timetable is inadequate. Moreover, despite the progress made in disseminating the necessary information about the implementation of the privatization program, the government should make more efforts in this area. Also, most of enterprises privatized through *Al-Aylola* formula had failed to register any improvement in its performance (i.e., those enterprises which were transferred from the central or federal government to state governments), and the adoption of this formula indicates clearly the inordinate power of the President's Office, as well as the lack of co-ordination between the different government bodies.

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### 1.0 INTRODUCTION

Although rich with natural and labour resources, and has a strategic market location at the crossroads of Sub-Saharan Africa and the Middle East, Sudan is still regarded as one of the least developed poor countries, even described by the 2013 World Bank Report as "a country of great but unrealized potential"

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(World Bank, 2013). The post-colonial Sudanese state was characterised by two major and persistent themes: political instability and poor economic performance. The first of these was evidenced by the frequent alternation of military and democratic governments. This prevalent political instability led to the failure of the various national governments that ruled the country since its independence to design and implement a comprehensive economic program in order to improve the performance of the ailing economy (Kaballo and Bush, 1991). International Financial Institutions (IFIs) were not involved, when the prevailing regime embarked on a self-imposed economic reform (including privatization) in the early 1990s. These policies were home-grown in the sense that they were neither negotiated with nor supported by the IMF and the World Bank. These reforms bear all the marks of the structural reforms IFIs recommended, in fact, these policies are harsher than what the IMF normally recommends (Awad, 1991).

However, many scholars emphasize that privatization requires certain prerequisites in order to produce the anticipated results, this may include: proper transparency, competition and regulatory framework, a dynamic capital market, a safety net program, proper sequencing and timing, institutional and legal reforms, and above all political commitment and support for the implementation of the program. Accordingly, the aim of this study is to examine whether Sudan privatization program takes into consideration the above-mentioned prerequisites or overlooked them. Moreover, this study aims at examining the various problems that face the implementation of the privatization program.

Surprisingly, only a few studies of Sudan's privatization experience have been conducted, especially by the IFIs, perhaps owing to the country's isolation during the last two decades, i.e., 1990s and 2000s. Even research conducted by Sudanese scholars (especially postgraduate students) on the privatization program tends to focus mainly on examining the efficiency criteria of the newly privatised enterprises (El-Amen, 2008; Al-Noman, 2013; Ali, 2006). No wider attention has been given to the social and political forces that are often associated with the implementation of privatisation policy. By adopting an approach focussing on political economy, this research aims to overcome these shortcomings and to cover these areas, which have not been the subject of previous work.

The study adopts a combination of comparative, descriptive, and analytical methods, where it depends on both secondary and primary sources. The study is organized as follows: in the next section we provide a historical background about privatization in developing countries. In section three we review the implementation of Sudan privatization program, where section four examines the problems facing the implementation of the privatization program, besides exploring the program fulfilment to the above-mentioned prerequisites. Finally, section five presents the conclusion of the study and its main findings, as well as the policy implications that related to the study main findings.

## 2.0 PRIVATIZATION IN DEVELOPING COUNTRIES

The international economic environment witnessed major changes in the 70s and early 80s. These changes included the introduction of floating exchange rates to replace the fixed one, which accompanied the 1971 US announcement of the inconvertibility of the dollar into gold (Carvounis, 1984). Additionally, the 1970s witnessed the major petroleum price hikes by OPEC that took place immediately after the 1973 Arab-Israeli War. Moreover, this period was characterized by the deterioration of terms of trade for developing countries, particularly commodity export prices and rising import costs for manufactured goods; this was associated with substantial rises in real interest rates (ibid.). These changes have had a negative effect on the economies of developing countries, especially the non-oil producing ones. For instance, the oil price hikes added about \$16.5 billion to the oil bills of non-oil developing countries (NODCs). Simultaneously, the 'stagflation' and recession that took place in the Western countries due to the rise in energy prices led them to increase the prices of their manufactured imports to developing countries by almost 40%, as well as to reduce their demands for developing countries' exports (ibid.).

Consequently, developing countries' import bills rose drastically while their exports decreased substantially, leading to huge fiscal and trade deficits, as well as a widening gap between saving and

investment. Thus, they turned to borrowing on the international markets to cover these gaps. However, their financial crisis became even worse as their debt service grew to unmanageable proportions. For example, Morocco's debt increased by 10% between 1970/1982, while its debt service rose from 11% of goods and services exports in 1970 to 49% in 1982 (Pfeifer, 1999). When their financial crises became intolerable, the developing countries resorted to seeking the assistance of the World Bank and the IMF. Both the IMF and the World Bank diagnosed the debt problems that were facing developing countries as being related to their balance of payments, as well as to government revenue and expenditure balance (Woodward, 1992). Accordingly, they called for these countries to tighten their monetary and credit policies and to implement structural adjustment programs, which focused mainly on increasing the role of the private sector in the economy while reducing that of the public sector. Furthermore, these programs urged developing countries to move their economies towards free-market conditions, with special emphasis on the adoption of liberalization and privatization policies. As Ayubi observes:

*The privatization drive in the Third World is not really the result of a careful evaluation of either the contribution of the public sector to development or the managerial efficiency of public enterprises. Rather, it is a reaction to the fiscal crisis of the state, reinforced by pressure from agencies of the international capitalist order and encouraged, to some extent, by international fashion (which now encompasses both East and West, to use Cold War terms) (Ayubi, 1997: 126).*

The implementation of privatization policies in developing countries was hampered by many factors. For instance, in the Middle East and North Africa (MENA) region, national entrepreneurs preferred to start their own businesses rather than buying out ailing SOEs; in addition most of the enterprises offered for privatization were unattractive propositions (Harik, 1992). Added to the prevailing lack of trust between the state and the private sector, all these factors led to weak participation by national entrepreneurs in the implementation process of the privatization program (Moore, 2000). Additionally, private savings were much too small to serve as funds for purchasing SOEs, and this was coupled with the lack of an efficient financial market, which could have helped in preparing the conversion of SOEs to private hands. As a result most sales have been made directly to a single buyer or a few buyers in most of the region's countries with few exceptions (e.g., Turkey, where some equity has been put up for public subscription). Furthermore, of potential foreign buyers, the most capable and available are not the most acceptable to nationalist regimes in the region, and this trend has had a negative effect on the participation of foreign investors (Harik, 1992).

Moreover, in Egypt a small group of crony interests involving elite businessmen succeeded in acquiring a large number of privatized enterprises. This was made possible by the exclusive relationship between the business class and the government bureaucrats, which allowed the elite to put their hands on these privatized enterprises. In fact, both groups (the bureaucrats and businessmen) did not favour a shift towards a more developmentally desirable strategy of confronting risk and making long-term investment, since it might disturb their current political pact (Sfakianakis, 2002). The same story was evident in the post-communist transition countries. The earliest and biggest gainers from the reforms (like local officials and private entrepreneurs) attempted to block specific advances in the reform process that threatened to eliminate the special advantages and market distortions upon which their early reform gains were based (Hellman, 1998).

The above-mentioned obstacles affected negatively the implementation of privatization programs in developing countries, and as a result privatization programs have managed to achieve partial success in improving the economic performance of the developing countries. For instance, in a study conducted in order to examine the impact of privatization in Sub-Saharan Africa from 1991 to 2002, where about 2300 privatization transactions have taken place, generating a total sales value estimated at \$ 9 billion, the outcome of privatization was disappointing as Buchs observes:

*First, privatisation has had a minimal one-off impact on the budget; second, firms turnover and profitability have generally increased immediately following privatization but the evidence is mixed regarding the sustainability of the initial post-privatization upswing; third, employment has been adversely affected by privatization; fourth, FDI and stock markets have played a limited role in*

*privatization transactions despite some showcase transactions; fifth, regulation and competition have often been overlooked in the privatization process; sixth, privatization has created new political patronage opportunities, leading to numerous corruption scandals which have damaged the credibility of the privatization process; finally, social aspects of privatization have generally been overlooked (Buchs, 2003: 1).*

### 3.0 SUDAN PRIVATIZATION PROGRAM

The introduction of the Sudanese Government's privatization policy was carried out in several stages. It started in October 1989, when the National Conference for Economic Salvation (NCES) called for the formation of a special committee in order to review the performance of SOEs and proposed certain policies that aimed at improving their performance. The conference also called on the state not to intervene in the directing of economic activities. In accordance with the recommendations of the NCES, the government designed and announced its Three-Year National Salvation Economic Program (NSEP) 1990/1993. The program called "for fundamental reform of the parastatal sector through liquidation, privatization or turning public enterprises into joint ventures with domestic and private sector participation" (NSEP, 1990). The announcement of the Three-Year NSEP was accompanied by the issuance of the Disposition of Public Enterprises Act in August 1990. The Act specified the duties of each of the bodies responsible for the implementation of the program. By this we mean the High Committee for Privatization (HC), the Technical Committee for the Disposition of Public Enterprises (TCDPE); and the Chairman of the Public Corporation for Investment. In November 1991 the joint meeting of the Revolutionary Command Council (RCC) and the Council of Ministers issued a resolution calling for the formation of a Ministerial and Technical Committees in order to evaluate the performance of SOEs. The final step in the implementation process of the privatization program took place in August 1992, when the HC called for a general meeting that would outline the basis to be adopted when privatizing SOEs. After classifying the SOEs offered for privatization into three different categories- short, medium and long term - the High Committee issued its final report, which specified eighty-eight enterprises as possible candidates for privatization, and proposed a suitable mode of disposal for each of them. Soon afterwards, on 28<sup>th</sup> October 1992, the Council of Ministers approved the committee's final report, making only minor amendments to some of its contents. At that time the country was facing political and economic sanctions, especially from the Western and Gulf countries, as well as from the IFIs. Therefore, Sudan did not receive any technical or financial aid for the implementation of its privatization program and had to rely on internal sources of finance, mainly the domestic commercial banks and the Pension Fund.

However, due to the several difficulties that impeded the implementation of the program, only sixty-four enterprises were privatized during the period 1992/1997, i.e., 72.7% of the total number of enterprises chosen for privatization, while the privatization of the remaining twenty-four enterprises was scheduled to take place in the second phase, 1998/2000. Table 1 below shows the number of privatized enterprises in each sector, as well as the forms used for their privatization. Furthermore, it outlines the implementation process of the privatization program during its first phase. The agricultural sector was the largest sector in terms of the number of privatized enterprises, since 32.8% of its enterprises were subject to privatization. The agricultural sector was followed by the industrial and commercial sectors, with 21.9% and 20.3% respectively of their enterprises being privatized. Next followed the telecommunications, transport and tourism sector with 18.8%, and then the energy sector, only 4.7% of whose enterprises were privatized. Finally came the banking sector, which was the smallest in terms of the number of privatized enterprises, since only one state-owned bank, the Commercial Bank, was privatized during the whole period of the program. The table shows that the form most commonly used during the implementation of the program was the *Al-Aylola* formula with 53.1%, where SOEs were freely transferred to state government, farmers, and government and voluntary organizations, i.e., these enterprises were transferred from the central government (a public sector entity) to state governments (another public sector entity). *Al-Aylola* was followed respectively by sale, liquidation and restructuring with 23.4% 9.4% and 4.7% respectively. Finally, participation, leasing and formation of PLC each accounted for 3.1%.

**Table 1: Enterprises privatised by sectors, the first phase 1992/97**

Form Used \ Sector	Industrial Sector	Agricultural Sector	Communications, Transport & Tourism	Banking Sector	Energy Sector	Commercial, Diversified & Mixed Sectors <sup>2</sup>	Total	% of Total
Sale	8	2	2	1	1	1	15	23.4
Participation	1	0	1	0	0	0	2	3.1
Leasing	0	0	2	0	0	0	2	3.1
Liquidation	0	6	0	0	0	0	6	9.4
Restructuring	0	3	0	0	0	0	3	4.7
Formation of PLC	0	0	1	0	0	1	2	3.1
Al-Aylola	5	10	6	0	2	11	34	53.1
Total	14 (9) <sup>3</sup>	21 (2)	12 (5)	1 (5)	3 (1)	13 (2)	64 (24)	
% of Total	21.9	32.8	18.8	1.6	4.7	20.3		100

Source: TCDPE Report, February 2000 and Researcher's computations.

The second phase of the privatization program (1998-2000) included the remaining twenty-four enterprises from the first phase, most of which were large, complex units like Sudan Airways, Sudan Railways, and Public Corporation for Electricity; besides some state banks, textile and cement factories. However, the proposed sales and liquidations of these enterprises were not completed in the designated time, especially Sudan Airways and Sudan Railways, which were privatized some years later. Though a resolution was issued in 2001 by the Council of Ministers calling for the privatization of the remaining public enterprises, nothing took place until 2011 when the Council issued another resolution, which identified 26 companies and enterprises as possible candidates for privatization; followed by another resolution in 2013 calling for the privatization of 18 companies and enterprises, the majority of them were in the sugar sector. Nevertheless, one realized that the activity of privatization peaked during the period 1992-1997, but gradually slowed down due to many factors, which impeded the implementation of the program as we will explain in the next section.

#### 4.0 PROBLEMS FACING THE IMPLEMENTATION OF THE PRIVATIZATION PROGRAM

One of the major problems which constrained the implementation of the program could be the extensive power of the President's Office, which was reflected in the wide adoption of the *Al-Aylola* formula, which accounted for 53.1% of the implemented privatization forms for the first phase. This formula involved transferring certain enterprises from the federal government to state governments and a charitable organization. It was initiated when the President was approached by the governor of a certain state, who requested him to allow his state to have control over the ownership of an enterprise located within the state's boundaries. The President, without deigning to consult the HC (as happened many times) took the decision to transfer the ownership of this enterprise to its new owner, which was the state government in this case. The HC had no option but to hand over the enterprise to its new owner, and subsequent cases indicated clearly the lack of co-ordination between the different government bodies and highlighted the various difficulties associated with running the state, since the HC for Privatization, which had been established in order to perform an important function, was not even consulted on an issue that clearly fell within its remit. Interestingly, a former Chairman of the Technical Committee for

<sup>2</sup> The main difference between these two sectors (Diversified and Mixed) was that the mixed sector comprised mainly companies that were totally owned by the government, while the diversified sector consisted mainly of joint ventures, whose shares were divided between the government and the private sector.

<sup>3</sup> The figures in brackets refer to the number of enterprises which were to be privatized in phase two, while the letters PLC stand for Public Limited Company.

Disposition of Public Enterprises (TCDPE) made no bones about his opposition to the implementation of this formula. He commented:

*Al-Aylola is an imposed form and it was used to transfer enterprises from a capable public sector (the federal government) to incapable ones, which are those state governments and the Martyr Organisation. I believe political rather than economic factors may lie behind this decision (Atta Al-Manan, Interview, 22 August 2000).*

By this he presumably meant that the President's decision was intended to benefit those people whose political support the government was seeking to secure. By giving them control of these enterprises instead of selling them to foreign or domestic investors, the President was in effect buying their good will towards the federal government, which had shown its concern for their interests. Thus it can be argued that the formula represents one of the various mechanisms of the patron-client relationship<sup>4</sup>.

Another problem facing the implementation of the program was the lack of transparency, especially in bids and tenders. Some MPs claimed that they were unaware of the HC's efforts to disseminate the necessary information about the implementation of the program. They therefore called on the HC to improve its record in this area, especially with regard to announcing the names and numbers of potential bidders, as well as the prices they were offering. They argued that the lack of transparency with respect to the implementation process had led to many allegations that the value of the enterprises' assets had been underestimated. They were convinced that if transparency had been secured, none of these allegations would have been raised (Transitional National Assembly, Session 31, April 1995).

It should be noted that at that time (1990/1995) the regime used severe measures to subdue any resistance that might threaten its security, especially from the rival political parties. As a result of these harsh measures the government succeeded in subduing any opposition toward the introduction and implementation of its privatization policy. In this regard, a prominent journalist commented:

*The ease with which the Salvation Government implemented the privatization program can only be attributed to the lack of a strong opposition to the regime at that time; this was coupled with an absence of press freedom during the early years of the regime. Many were hesitant to speak out and criticize the regime openly for the fear of being put in prison. Privatization was accompanied by harsh measures directed toward the opposition, which enabled the government to implement it easily (Al-Buni, Interview, 13 August 2000).*

In fact, some progress was achieved in this field, especially during the last few years (after 1998), the TCDPE started to disclose some of the necessary information about the privatization program to the media and the public. It began by disclosing the names of the investors bidding to purchase some public enterprises offered for privatization (such as some Cement and textile factories), as well as the prices they were offering; this degree of openness had been a rare phenomenon before 1998.

Regarding the establishment of a safety net program in order to cater for the redundant employees who amount to 39,142 employees by 2013, one realized the absence of any social safety net program until August 2000, when a fund was set up to tackle the problem of redundant employees of the privatized enterprises. The Fund's board of trustees comprised representatives from the Ministry of Finance, the Ministry of Manpower, the Social Security Fund, the National Pension Fund, and the Sudan Workers Trade Union Federations (SWTUF). It started its operation with a budget of SDD 2 billion (approximately \$ 800,000), paid by the Ministry of Finance (Osman, 2001). Its main functions included the provision of adequate finance to the retrenched employees to enable them to establish their own projects, as well as to help retrain the redundant employees in skills which it was hoped would improve their prospects of quick re-employment (Al-Rayaam, 2001).

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<sup>4</sup> The prevailing Chairman of TCDPE agreed that Al-Aylola can't be considered as a proper privatization formula claiming that it has been stopped by the Council of Minister years ago (Nour-Aldin, 2013).

The Fund's trustees thought that they should focus their efforts at first on those workers who had been made redundant during the early years of the program, starting with those retrenched in 1992. The statistics gathered showed that 2500 workers were laid off during 1992; most of these workers were from the Nuba Mountain Agricultural Project, the Babnousa Dairy Project and the Kinaf Abunama Factory (Al-Rayaam, 2002). The trustees, however, decided to start with the employees of the Nuba Mountain Project, since they comprised the largest number of retrenched employees among the three enterprises. Every one of these workers was given an application form designed to determine his urgent needs, and most of them asked for equipment to start small-scale industries like mills. Others needed agricultural equipment such as tractors which would help them cultivate their land (ibid.). Nevertheless, the Fund failed to achieve the anticipated results due to many obstacles that hindered its operations, such as the lack of adequate funds, as well as the lack of accurate and adequate information about the retrenched employees. Furthermore, some of the beneficiaries had used the fund received for other purposes, e.g., to meet their debts and other financial obligations (TCDPE, 2004; cited by Elbeely, 2008).

The government failed to persuade the new owners of the privatized enterprises to give priority in recruitment to their former employees, or at least to keep them for a short period of time, to be agreed between the two parties. Nevertheless, the Vice-President of the SWTUF was satisfied that the sale contracts signed with the new owners contained certain pre-conditions which allowed for the retention of some of the enterprises' employees (Al-Beshir, Interview, 22 August 2000). A former Chairman of the TCDPE, however, denied the existence of such pre-conditions, declaring that "the new owners of these privatized enterprises often called for their enterprises to be handed over without their previous employees" (Atta Al-Manan, Interview, 22 August 2000).

Indeed, no evidence exists of any agreement signed with the new owners of the privatized enterprises covering whether the employees laid off would be given priority in any future hiring. Why did the government adopt such a passive role? Trying to justify the government's inactivity in this area, a former Chairman of the TCDPE has argued that "the qualified labourer will always make his way in the labour market, and so his finding work is just a matter of time" (ibid.). This response raises the obvious question: Does the government intend to do anything to help the unqualified or unskilled labourer? These workers have, it seems, been abandoned, because the government has no specific policy designed to deal with them, though their numbers are large.

In relation to the issue of establishing credible regulatory agencies in order to regulate the activities of privatized enterprises, one realized the absence or neglect of these measures by Sudan Privatization Program, as indicated by the privatization of Sudan Telecommunication Company (Sudatel) in 1993. The establishment of the company was accompanied by the creation of a regulatory body in order to undertake tasks of a sovereign nature that had been previously carried out by the Sudan Telecommunication Public Corporation (STPC). In November 1993 the Transitional National Assembly passed a new law establishing a regulatory body named the National Telecommunications Council (NTC). The NTC was headed by a Secretary General responsible to the Minister of Communications. Its Board of Directors, which was chaired by the Minister, comprised representatives of the various government departments concerned, the Ministry of Communications, and the private sector. At the initial stage, the thrust of the work would be to lay down rules and regulations governing the provision of telecommunications services to the public by the various entities. Monitoring and licensing would also be one of its important tasks. The budget for this council would be provided by the federal government and from the fees it took from the services providers, as well as from importation and frequency use licences (National Council for Telecommunications Act, 1994).

In May 2000 a new act was issued to replace the 1994 Act. As a result a new body, the General Corporation for Telecommunications (GCT), took over the responsibilities of the NTC. The GCT was headed by a General Manager, who still remained responsible to the Minister of Communications. The main idea behind this new Act was to give more power to the GCT; especially in the area of pricing and licensing, in order to ensure that the rules and regulations it laid down were implemented or adhered to by all the

concerned parties. Moreover, the new Act was meant to keep up with the greater expansion and development that had taken place in the sector during the previous few years.

In relation to the issue of pricing, the Act of 2000 stated clearly:

*The licensees can't change or amend the prices of their services unless approved by the Board of Directors of the GCT. Furthermore, these prices should be announced to the public one month in advance of their implementation. Additionally, the GCT has the authority to check the quality of services offered by those licensees (Telecommunications Act, 2000).*

Regarding the same issue, the head of the Tariffs Department at the GCT acknowledged:

*We must be convinced that there are genuine reasons for increasing the prices of services offered by these licensees. In addition, any increases in price should be proportionate to the anticipated rate of return on investment. Nevertheless, we can't impose any specific tariffs or price formula on these licensees (Beshir, Interview, 27 August 2000).*

In fact, though Sudatel had achieved a higher rate of return on investment during 1997/1999, which exceeded the anticipated rate of 15%. There can be no doubt that the company had violated the rules laid down by the GCT, but no action against the company was taken. This situation drew attention to the existence of several loopholes within the 2000 Act, which still need to be filled. The main concern could be the introduction of a specific price formula in order to curb the rises in prices charged by the newly privatized companies in general, and Sudatel in particular.

Regarding the establishment of institutional and legal reforms, where competition and regulation should be dealt with before privatization, Sudan like other Sub-Saharan countries implemented privatization before a sound regulatory framework was in place. The same story holds for competition, as the anti-monopoly law was issued twenty years after the beginning of the privatization program, i.e., in 2012. Moving in the same direction, the Khartoum Stock Exchange (KSE) was not operational before a substantial part of privatization had been completed (Suliman, 2007). After its establishment in 1994 as part of the government's effort to attract foreign and domestic investors, the KSE performance record never rose above poor, as evidenced by the small number of companies registered in the market (which includes only two privatized companies); and the low value of shares traded.

Moreover, the adequacy of the privatization program timetable may be called into question, especially with regard to the implementation of the first phase 1992-1997, where 43 enterprises were privatized in 1992-1993, which represents 67% of the total number of privatized enterprises during that phase, while the remaining 21 enterprises were privatized during the period 1993-1997. This disparity may have jeopardized the outcomes of the program, especially given the small capacity of the domestic market and the lack of an efficient financial infrastructure. It should be noted that this situation occurred despite the call for the gradual implementation of the program by the HC at the Friendship Palace Hotel Meeting in August 1992.

## 5.0 CONCLUSION

It seems that Sudan privatization program has overlooked the necessary prerequisites for privatization as is often the case in its counterparts MENA and Sub-Saharan African countries, where a large number of public enterprises were privatized even before both an adequate regulatory or competitive framework were put into place. As Buchs argued "In most Sub-Saharan countries privatization was pushed ahead before a sound regulatory framework was in place, which both prejudiced the process of privatization itself and laid it open to the charge of creating private monopolies which would exploit the consumer" (Buchs, 2003). Furthermore, Sudan lacks a dynamic capital market, as well as a financial infrastructure of brokerage houses, banks, lawyers. In addition, the program's timetable is inadequate. Moreover, despite the progress made in disseminating the necessary information about the implementation of the privatization program, the government should make more efforts in this area, possibly by disclosing the necessary information to the media on a regular basis. Alternatively, the establishment of a privatization

fund to look after the retrenched employees of the privatized enterprises came almost ten years after the introduction of the privatization policy, which aggravated their sufferings. Also, most of enterprises privatized through *Al-Aylola* formula had failed to register any improvement in its performance (i.e., those enterprises which were transferred from the central or federal government to state governments), and the adoption of this formula indicates clearly the inordinate power of the President's Office, as well as the lack of co-ordination between the different government bodies.

What is being suggested in this study is that *Sudan Government might have put the cart before the horse* in implementing its privatization program in the hope that it will improve the performance of SOEs. The government should start first by creating the enabling environment, which will facilitate the implementation of the privatization program. Accordingly, an effective privatization program requires the government to spell out how a sector is to be regulated after privatization; where the formation of an effective regulatory framework should always be regarded as an integral component of any privatization program; otherwise consumers will be badly affected. Moreover, successful privatization requires a financial infrastructure of brokerage houses, banks, accountants, lawyers, and a dynamic capital market, and since these infrastructures have been underdeveloped in Sudan, their development must be given priority as part of an overall strategy of private-sector development. Furthermore, the inadequacy of the program's timetable led us to suggest the adoption of a gradual implementation process, especially in the light of the small capacity of the domestic market. The *Al-Aylola* mechanism should be abolished immediately. The implementation of such bold action may send positive signals to the domestic and the foreign investors, as well as helping to eliminate or reduce the element of distrust, which exists between the government and the business community.

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