Efficiency and Effectiveness in Banking Organizations in the Sudan

by

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INTRODUCTION

Administrative and economic development are of great concern for developing countries. Banks and the banking system have a very important role to play in this economic development through personal, business and public sector savings, and through loans and investments. The ability of the banking system to fulfill development expectations depend to a great extent upon able and efficient management.

One of the developing countries, the Sudan, is at the cross-roads for achieving economic welfare and stability for its people.

The Republic of the Sudan is the largest state in Africa, and covers an area of about one million square miles. The country contains a variety of geographical features. From desert in the north to flat plains on the heartland and hills and mountain ranges along the eastern, western and southern borders. Population is estimated at approximately 19 million inhabitants (as of 1975), unevenly distributed with a fairly heavy concentration along the Nile and the Casiera area. There are three modes of living in the Sudan. Fifteen percent live in urban areas, about 70% are settled farmers and about 15% nomads. Agriculture is the major line for development at present. Cultivable land is abundant. Mineral wealth is still at the stage of prospection and industry is trying to stand on its own feet.

According to the last economic survey published by the government, the Sudanese economy is composed of 39.1% farming,
34.2% private and public sector services, 9.4% mining and industry, 5.4% communication and transportation, 4.9% construction, 1.1% electricity and water services, 5.9% customs and excise duties.

The lack of capital investments, and advanced techniques or expertise are two of the drawbacks in the developmental efforts of the Sudan. The role of the banking system in providing capital depends upon its efforts to attract more savings, extend credit facilities, and enter into the international money market to bring into the country needed investors and hard currency loans.

The banking system of the Sudan has several unique and important variables (lack of capital investment, expansion and proliferation of institutions, nationalization, emigrant savings).

There are a number of Sudanese who are working now in oil rich countries. These workers should be encouraged to transfer their savings into the country. To do that the banks should create means of providing incentives and making use of the greatly needed hard currency. Establishing separate departments to deal with the requirements of the emigrants might be a good opportunity of providing better services and attracting more savings. The new departments can be confined to doing more research and inventing new means of encouragement.

In the last few years there has been a massive expansion and proliferation in banking institutions in different parts of the Sudan. This expansion, it is hoped, will increase citizen awareness of the usefulness and importance of banking and of the banking system itself.
This research package is an attempt to analyze the existing banking system of the Sudan, with special emphasis on commercial banks as the core for economic development. Our major efforts will be devoted to examination of the administrative and management processes and not to the economic processes of banking. Increase in efficiency and effectiveness in banking leads to better banking practices. Then if the banking system is beginning to operate more effectively, the Sudan as a developing nation shall benefit because the banking system will now be more able to encourage economic development.

This study explores the role played by the banking system in its different sectors in development. We will also inspect the direct and indirect effect of nationalization on banking systems. The new trend for encouraging foreign banks to work together with nationalized banks in providing banking services will also have some future effects as far as competition for clients and services is concerned.

The purpose of this package is two-fold:

1. Systematic study of the relationship between economic development and a national banking system.

2. An examination of possible administrative techniques which may increase efficiency and effectiveness in the banking system. This in turn will create a more productive banking system and thus indirectly aid economic development.
The first chapter of our study deals with a comparative analyses of the American and Sudanese Public Administration. This chapter will give a background of the administrative system in the Sudan. Its historical and political development. The impact of the British colonialism on the administrative system is also examined. The chapter also presents some recommendations, which if implemented will help in bridging the gap of development between the United States and the Sudan, and will help the country to achieve its expected developmental goals. This chapter will help to provide an overall framework for our study of the banking system in the Sudan.

The second chapter studies the function of Sudanese financial institutions. Sudan together with other developing countries depend to a great extent on the banking system as the backbone for financial development. Nationalization of banks was seen as a symbol for economic independence, but to what extent did the idea of a government guided system of banking enhance or hinder the base of economic welfare? Can Sudanese expertise efficiently and effectively guide the national banks without external assistance? These and other questions are discussed in chapter two. Chapter two also evaluates the Sudanese banking experience after the years of independence to see if the banking system has been able to meet people's expectations. In some detail the existing foreign banks in the Sudan are examined, what is expected from them in short and long term government plans for development, and can they rise to what is expected from them. Will they find a healthy and encouraging
atmosphere so that they can expand their facilities while achieving what they came into the country for in the first place, i.e., profit.

The third chapter makes use of scientific developments in decision making theory by applying them to the banking organization in the Sudan. "Organisations are regarded as a total system for decision making with decision centers hopefully coinciding with management job assignment" (Greenwood, 1965, p. 285). A new look to the banks as organisations will help in setting a clear outline for their role in the development process. No process of decision making or proper management can achieve optimal results unless it is aided by an efficient and up-dated information system, and a proper cost benefit analysis.

There is a need for unification of the system under which banks operate. The banks in Sudan currently work in a diversity of systems, British, French, Turkish, etc. In chapter three, we recommend that a unified system should be devised, where banks can operate within the umbrella of the State supervision.

In an effort to introduce new concepts of systems management, the fourth chapter applies the methodology of the theoretical concepts of the systems management to the People's Cooperative Bank in the Sudan to rationalize the existing processes of handling the emigrant checks through PERT methods. Therefore, in this chapter we will discuss the organizational structure of the bank with special stress on the new emigrant unit.
There are currently a great number of Sudanese who are working abroad. The total amount of hard currency transferred by those emigrants is not less than $50 million annually. We think that if we can rationalize the existing processes the transferred amount can be doubled. We started our study by concentrating on the techniques of PERT method. We made systematic recordings and critical examinations of existing and proposed ways of doing work, as a means of developing and applying easier and more effective methods, by eliminating unnecessary work and avoiding delays. A statistical study will be made to find the actual time taken throughout all steps. Providing a better service is the only way to keep emigrant accounts and to encourage them to transfer their monies because interest rates and other regulations are already designed by government and all banks are equal as far as rules and regulations are concerned. The fourth chapter in its entirety tries to apply the systems approach in creating new techniques for providing better services to an important sector of customers.

The fifth and final chapter concentrates upon the human factor in the process of banking management. There is a need for a proper and realistic system for the evaluation of performance of employees along with the means and methods that secure its accurate application. By doing this, there will be a favorable atmosphere for motivating employees and raising their morale. This will be reflected in better productivity. Our main concern in the fifth chapter will be the examination of the existing salaries and incentives system and
how it can be developed to provide for pay according to responsibilities, duties and degree of physical and mental involvement.

In our concluding chapter we will draw up a set of recommendations that will have a significant effect on the overall efforts of betterment of the banking system in the Sudan.
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Final Paper
Comparative Analysis of the American Public Administration
Versus the Sudan Administrative System

Fathi Mohd. Beiram

Presented to:
Dr. Robert LaPort, Jr.
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INTRODUCTION

We compare to learn the distinctive characteristics of a particular administrative system or cluster of systems, to find out what makes certain administrative features work well in one country or era while they fail dismally in another, to identify the factors, cultural, political and social that are involved in success or failure, to explain the differences in behavior of bureaucrats and bureaucracies in different countries and cultures, and finally, to discern what changes, if any, ought to be introduced and how they can be introduced, to improve the performance of a bureaucracy.¹

According to this introduction the purpose of this paper is just a modest attempt to make a kind of study in which we can compare the administrative system in a developing country (Sudan) with a developed country (U.S.A.). In fact it is not a real comparison between the two countries because the result is known. It is known that the gap between Sudan in this scope and the U.S.A. is very wide. The purpose is to know where the Sudan is in this field and also to try to narrow this gap.

In addition to this introduction the discussion in this paper is divided into two chapters. The first deals with the basic principles, form, spirit and features of the American administrative system as an endeavor to find out the real pattern in which that system is functioning.

In the second chapter our discussion will focus upon the historical background, the impact of the British on the Sudanese administrative system and the contemporary Sudanese administrative system as compared to the American system.

The paper will climax with a conclusion through which we can show

¹Introduction to Comparative Public Administration by Raphaeli, p. 1.
the differences and similarities between the American and the Sudanese system and how to administer a meaningful relationship from within the recommendations which will take place at the end of our discussion.
CHAPTER ONE

Foundation of American Public Administration

A. Basic Principles

Public administration in America is a large enterprise encompassing the daily activities of literally millions of government workers and touching many aspects of the daily life of virtually every American. The growth of government activity and public bureaucracy, at all levels, is one of the most significant social phenomena of years. It has become the subject of much sober-minded discussion among scholars and practitioners.²

The subject of public administration and bureaucracy is not brand new for most Americans and most of them are familiar with it. The American administrative system has its own distinguishing features and characteristics. It is based on law, dependent on representative, elected legislative bodies, Congress, state assemblies, county commissioners and city councils.

Due to the above factors the system is consequently subordinated to democratic control and is responsible to public opinion. The conduct of public administration depends heavily upon the consent of the government. The American public administration system is civil in structure, personnel and point of view. It is flexible to a degree, adaptive, experimental, constructive, and relatively unfettered by precedent. The basic principle of the American public administration is the system is Federal where the nation, the states and the cities are autonomous parts of a complex whole, each taking responsibility for a wide range of functions and all cooperating at many points in the common task of providing services and regulating conduct. It is deeply rooted in the local communities

²Public Administration in America, George J. Gordon, p. 3.
because of its federalism on the one hand, and it reflects attitudes of
democracy and self-government on the other. The American administrative
system works on a huge scale world-wide. It operates in multiple geograph-
cal areas, numerous climates and different environments in metropolitan
areas, in states, in regions, in the continental United States, and
around the globe.

In order to discuss the basics of American public administration it
is better to mention some definitions. Public administration may be
defined as all processes, organizations and individuals associated with
carrying out laws and other rules adopted or issued by legislatures,
executives and courts.

Public administration is the management of men and materials
in accomplishment of the purposes of the state. This definition
emphasizes the managerial phase of administration and minimizes
its legalistic and formal aspect. It relates the conduct of
government business to the conduct of the affairs of any other
social organization, commercial, philanthropic, religious, or
educational, in all of which good management is recognized as
an element essential to success.¹

The first definition does not limit the participants in public
administration to administrative personnel, or even to people in govern-
ment. It can and does refer to a varied assortment of individuals and
groups with an interest in the consequences of administrative action.
That certainly includes, perhaps foremost, administrators themselves.
But it also includes members of the legislature, their staffs and legis-
lative committees, higher executives in the administrative apparatus of
government, judges, political party officials whose partisan interests
overlap extensively with issues of public policy, leaders and members of
interest groups seeking from the government various policies, regulations
and actions, mass media personnel, particularly in their watchdog role

¹Introduction to the Study of Public Administration, Leonard
D. White, p. 2.
over actions and decisions of public officials, and members of society at large, who can have some impact, even when not well organized, on the directions public policy follows. The politics of administration involves agency interactions with those outside the formal structure as well as interactions among those within administrative agencies. It will be useful to review briefly formal administrative structures of the national executive branch.

National Executive Branch

The establishment of a strong executive was one of the surprises of the constitutional convention. During the period immediately preceding the Revolution, the executive power, represented by the royal governors, had been far from popular, and when control passed into the hands of the states the first impulse was to slash away at the executive and exalt the legislatures. This same distrust of the executive was also present at Philadelphia, in 1787, and proposals were heard that the executive branch be headed by a committee of three, for fear that a single official might develop monarchical powers. Again, it was argued that if a single executive was set up, he should be encumbered by a council. These views were defeated by those who had seen the fumbling and the weakness of a headless government under the Articles of Confederation. Experience in the states had shown that an unchecked legislature could be as dangerous as a tyrannical executive. The legislative department is everywhere extending the sphere of its activity, said Madison in 1787, and drawing all powers into its insatiable vortex, and consequently a strong executive was favored to checkmate possible legislative usurpation. The office thus created has become the most important responsible executive on the globe.

The Constitution of the United States is virtually silent on the subject of public administration, except to refer to the president’s responsibility to faithfully execute the laws. The structures are the product of congressional action, as are many of the procedures followed

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4 Public Administration in America, George J. Gordon, p. 8.
5 The American Constitutional System, C. Herman Pritchett, p. 53.
within administration. The national executive branch is organized primarily into five major types of agencies, there are four formal bases, or foundations, of organization, and two broad categories of administrative employees. These are deserving of brief consideration because they have some impact on the way administrative machinery functions and on the context of policies it helps enact.

The principle types of agencies are:

1. Cabinet level departments
2. Independent regulatory agencies
3. Government corporations
4. Various units of the Executive Office of the President
5. Other independent agencies - these agencies can be organized according to function, geographic area, clientele, or work process. The two broad categories of employees are specialists and generalists. 6

Cabinet level departments: This is the largest and the most visible of national executive organizations. It is also in most states and localities. It consists of twelve departments in the national government, including the Department of State, Department of Defense, Department of Health, Education and Welfare, the Department of Commerce, Interior, Labor and Transportation and the Department of Energy. Every department is headed by a secretary and a series of top level subordinates; all are appointed by the President with the approval of the Senate and he can dismiss them for reasons of political disloyalty without explanation.

6Public Administration in America, George J. Corden, p. 9.
These departments are composed of many smaller administrative units with a variety of titles such as bureau, office, administration and service. The departments and their subunits generally are responsible for carrying out specific operating programs enacted by Congress.

**Independent regulatory agencies:** These are a second major type of administrative entity, usually called commission or board, such as the Federal Trade Commission, the National Labor Relations Board and the Interstate Commerce Commission. They differ from cabinet level departments in a number of important ways.

1. They have a different function, namely to oversee and regulate activities of various parts of the private economic sector.

2. Their leadership is plural rather than singular. They are headed by a board or commission of several individuals instead of a secretary.

3. They are more independent of other institutions and political forces than are departments.

4. Members are appointed by the President with Senate approval.

5. They are better protected legally against dismissal and they serve a term of office longer than that of the appointing President.

6. The agencies are designed to regulate private sector enterprises in a detached and objective manner, with some expectation of effectiveness in preventing abuse, corruption and the like.

**Government corporations:** are national, state or local government agencies identical to private corporations in most of their structures and operations. They are headed by a Board of Directors. Three of the newest such entities are the National Rail Passenger Service Corporation,
the Corporation for Public Broadcasting and the U.S. Postal Service. The oldest which was founded in 1930 are the Federal Deposit Insurance Corporation and the Tennessee Valley Authority.

The Executive Office of the President: Although it is in its fortieth year now, it has become important in the 1960-1970's. It is the collection of administrative bodies close to the office of the President and designed precisely to work for the President. They are the White House office which consists of the President's staff, the Office of Management and Budget, the Council of Economic Advisors and agencies such as the National Security Council and the Domestic Council. Also there is a collection of miscellaneous agencies, the U.S. Civil Service Commission, the General Services Administration, the Environmental Protection Agency and the Nuclear Regulatory Commission.

Clientele-based agencies: are those which appear to address problems of a specific segment of the population. Finally, there are work process agencies such as the Economic Research Staff of the Department of Agriculture, the Economic Studies Division of the Federal Power Commission and the Soils Research Staff of the U.S. Geological Survey.  

We discussed in brief the five major types of agencies of the national executive branch. The picture in state and local government, while similar, varies somewhat from the national government. In general states and larger local governments resemble the national government in composition and organization of their executive branch agencies. Most states now have numerous cabinet level departments which stand in much the same relationship to the governor as do national departments to the President. States also have a wide variety of regulatory agencies.

In brief we present hereinafter the structure of power in the U.S.A. which shows the administrative relationships and interrelations between the concerned bodies that govern the whole country.

**State Executive**

The organization and functioning of state government have been influenced by a variety of factors, including the precedent of the national government, historical events, efforts of political reforms, and regional customs and traditions. It is apparent that the form of the national government has had a pervasive impact on the government of the states. Like the national government, all states have separate executive and judicial branches that have coordinate powers with the legislature. But due to other influences the organization and operation of the executive and judicial branches vary greatly from one state to another.8

The main responsibility of the state executives is to carry into effect public policy and for performing other functions as enacted into law. In most states the executive power is not concentrated in the chief executive to the same degree as in the national government, where only the President and Vice President are elected and all other executive officials are appointed by the President. In the states the voters customarily choose the Governor and Lieutenant Governor, other officials, Attorney General, Secretary of State, and Treasurer Auditor. Most states do not have one elective executive but several, each of whom is empowered by the state constitution. The other elected officials are not responsible to the Governor.9

The Governor: He was the representative of the English king during the colonial days, so he was not held in high esteem. Even after the Revolutionary War the Americans continued their distrust of executives

8 American Democracy State by Henry A. Turner, p. 42.
9 Ibid., p. 44.
and they provided short terms and relatively little authority for their
governors. Today, the governor is the most visible, important and influ-
ential of the state officials. The governor must be a citizen of the
United States, a qualified voter of a certain age, usually 25 or 30, and
resident of the state of a period of time - most often five years.

In the past many states elected their governors for one year, but
after 1920 all governors have been elected for two years or more. At
the present time the governors in some states are elected for four years
and others for two years. The size of the governor's staff varies greatly
from one state to another. These staff assistants aid the governor by
performing a variety of tasks. Today, in the heavily populated states the
duties of the governor are too great for any one person to handle without
intelligent and dedicated assistants.

The governor as chief executive of his state is similar to the
President in national government. The powers and duties of the governor
are derived from the state constitution.

B. Form and Spirit of American Administration

In order to stand upon the form and spirit of the American adminis-
tration system, we have to discuss some elements which include the
Presidency, democracy and Federalism which will aid in the understanding
of the American form and spirit.

The President:

The President of the United States is the most important figure
in the American system of government. He is the chief executive,
responsible for the proper execution of the laws passed by Congress.
At the same time he is the chief source of legislation, because
although the power to make laws remains with Congress, that organi-
zation usually waits for the President to present his suggested
legislative program before seriously beginning to work. If Congress agrees with the President's proposals, it enacts the laws to carry them out. If it disagrees, it rejects the proposals, and they do not become law.\textsuperscript{10}

The President is one of the leaders in the two major American political parties. He is the Commander in Chief of the Armed Forces. This is the highest military position in the nation. He is responsible for the development and conduct of the nation's foreign policy.

The decisions of the American President influence London, Paris and Moscow almost as much as New York and Chicago. That was part of the President's powers. I will maintain some limitations on his authority. The President is limited in exercise of his powers by many institutions and forces. Congress serves as an independent critic of presidential policies and the court can prevent presidential actions which they consider to be in opposition to the United States Constitution.

The opposition party overlooks no opportunity to publicize his weaknesses. The powers of the office allow the President to act boldly in the name of the people and in their interests. The limitations upon his powers prevent his exceeding his constitutional and political authority. It is a matter of great pride with Americans that no President has ever attempted to become a dictator.

**Democracy:** It is a widely admired form of government. Virtually everyone pays lip service to democratic ideals, in fact a large part of the world is governed undemocratically. This is paradoxical but not at all unusual. Even dictators, of both the Communist and Fascist variety, use the word democracy for theoretical purposes. But what is democracy? Everyone knows that it is government by the people. Originally the word

\textsuperscript{10} The Presidency by Joseph Nance, p. 1.
comes from two Greek words demos, meaning people or multitude, and klatas which means government or authority, together these two words spell demokratia from which is derived democracy. 11

The previous definition alone "government by people" does not tell what democracy is. Democracy has also been defined as government by laws and not of men, although it is correct but inadequate. The list below offers more details which government must meet. These criteria can be used to determine whether a government is democratically based or not.

1. Constitution: Democratic government derives its authority from a constitution framework which is based on the principle of majority rule. A constitution is a document of principles which serve as the basis for relationship between government and governed. It defines and limits the power of the government. It provides the framework for government by laws not by the fiat of individuals who occupy positions of political power. Thus in most dictatorships there is a conspicuous absence of a constitution because it may inhibit the whim of the dictator. In order to be effective, a constitution must be meaningful. It must have some significance to both the governing group and the governed. In many countries constitutions serve as a facade for rule by a small group or elite who do not hesitate to destroy the constitution whenever necessary.

On paper the Soviet constitution appears democratic, but in practice it is not since it makes the Communist party the only legal political party.

2. A free press: One of the important values of democracy is the form of the press. A press which is not controlled by some agency of the

11 United States Government and Politics, Yinger and George, K., p. 18.
government is vital to the existence of democracy. A free press is the unofficial watchdog of democracy, exposing scandals, inefficiency and corrupt practices in government. A free press is a link between government and people, it can let policy makers know what the public thinks and vice versa. Dictatorships are afraid of a free press. They always suppress or rigidly control all newspapers which do not support their regime. This fact alone indicates how significant the role of the press to democracy.

3. Political parties: Democratic government cannot function well without competitive political parties. If a system is to be called democratic, it must have at least two political parties that compete for the voters favor. Political parties have been described as the backbone of democracy. Competitive political parties are anathema to dictators.

4. Elections: No democracy can exist without periodic elections. Elections serve two purposes. They afford the public an opportunity to participate in the making of policy. They provide the public with a group of individuals to run the government for a certain period of time. Elections must be held periodically and with appropriate notice to the electorate. Whether it is every two, three or four years makes no difference, but they must be held. The party in power cannot decide to put off elections indefinitely because it wants to stay in power.

5. Majority rule and minority rights: The democratic government is based on the principle of majority rule. This means that the power and authority will be to whom received a greater number of votes, political party or individual. The principle of majority rule goes hand in hand with the corollary of minority rights. The logic is that once the majority
assumes power, it should not suppress the minority which in democratic societies should have the opportunity to become the majority.

Federalism:

It is not at all unusual for beginning students of government and politics to react strongly when told that both the United States and the Soviet Union have a federal form of government. This implies that there is confusion about what federalism really is. Quite obviously there are some who equate federalism with democracy. This is a mistaken assumption. Whether a system of government is set up on federal, confederal or unitary model has little to do with whether it is democratic or oppressive. Thus it is that the United States and the Soviet Union are federally structured countries and that Great Britain and Mussolini's Italy were organized on the unitary model. 12

The power in the federal system is divided between two levels. Some power is given to the central or national authority. Some is given to the regional parts or units.

The American constitution makes definite provisions for the division of power. It states very plainly that certain powers are to be given to the central government while others are left to the states. So the American citizen comes in contact with two levels of government, the state in which he resides and the central government. In the United States each state has its own system of courts and its laws.

A federal system such as in the United States requires a written constitution to spell out clearly how power is to be divided, which power to be given to the central authority and which to the several regional units. The United States is only one among many nations which are federally structured. Canada, Mexico, Australia and Brazilians, Swiss and many others have federal systems, but there are some differences from one federal system to others, these differences usually involve the distribution of power, how much is to be located in which level of the system.

12United States Government, Yinger and George, K., p. 28.
C. Features of the American Administration

In the previous part our concerns included some discussions and definitions for some factors which we think help us to recognize the features of the American administration. Any administrative system is featured by certain elements which combine to form that system. These elements include leadership, organization, methods and procedures and management mechanism. All these are tools for the administrative system.

The most obvious and significant feature of the American system is the principle of federalism upon which it is based. The American constitution in 1789 established a nation of the states with the power and authority divided between the central government and the regional or state governments. This division of authority is provided for in the constitution of the country and may be changed only by methods specified in that fundamental law. In the countries with unitary systems of government, authority may be changed also by fundamental law but in the central government which local governments derive their powers and their existence.

The rationale for establishing a federal system in the United States was to prevent a concentration of power in a strong national government, with the states being viewed as counterweights and protectors of individual liberties against a central power.13

In the last we have to mention that the American administrative system which based on the federal system permits the central government to exercise authority over questions of national matters. It makes possible the decentralization of certain administrative activities and thus helps

prevent overburdening the national administrative system. It enables
the states and localities to adopt political institutions and procedures
that meet their particular needs. It encourages individuals to parti-
cipate in politics and government. It enables individuals who are
politically ambitious to gain experience in state and local positions
prior to seeking higher and more demanding national offices. The checks
and balances inherent in federalism provide protection for individual
rights and help to ensure that officials of the central government will
act responsibly.
CHAPTER TWO
Basic Framework of Sudanese Administrative System: Comparative Study

A. Historical Background

Sudan is the largest country in Africa because it occupies almost one million square miles, surrounded by eight nations: Egypt - Libya in the north, Chad - Central Africa in the west, Zaire - Uganda - Kenya in the south and Ethiopia in addition to the Red Sea in the east. In terms of climate it is located entirely within the tropical zone and the annual rainfall ranges from virtually none in the north, where the area is desert or semi-desert to 120 cm. in the south where the equatorial jungles exist.

According to the 1955/56 census and the estimated figures of the 1973/74 census the total population is 19.4 million and the population density is said to be 20 persons per square mile. As to its economic resources it is worth mentioning here that owing to its climatic zone and geographical location the Sudan is mainly an agricultural country but its economic activities cover five areas. These are the agricultural sector, the industrial sector, the communications and transport sector, the housing and public utilities sector and the public service sector.

In addition to these features, ethnically, two thirds of the population occupy the northern part of the country and this group is composed mainly of Moslem Arabs and Nubians who use the Arabic language. The rest of the population (1/3) occupy the southern part of the country and this group is composed of Nilotic, Sudanic and black tribes who use
different slangs but the main language used in this part is the English language.

When we focus on Sudan from the administrative standpoint we can trace that Nubia, the ancient name of the northern half of Sudan was colonized by Egypt centuries before the Christian era. In the 6th century A.D. the Nubians embraced Coptic Christianity, but in the 15th century were converted to Islam by conquering Arabs.

Although the Arabs extended their conquests to the south, it was not until 1821 that all of Sudan was unified by El Mahdi, the Sudanese rebel who led the Sudanese nation in his first real attempts to unite the whole country in 1881. Some historians see that El Mahdi was a Moslem religious fanatic who revoluted against Egyptian rule and won control over most of Sudan for a period of five years, e.g., 1881-1885, but actually he was a Sudanese contender of an Islamic pattern who tried to govern the Sudan within the rules displayed by the "Koran" socially and economically.

The followers of El Mahdi followed his revolutionary administrative philosophy up to 1898 when the Anglo-Egyptian army defeated them and Sudan was proclaimed an Anglo-Egyptian condominium under a foreign governor-general but however Britain dominated the administration in practice for fifty-four years.

In 1956 the Sudan gained its independence and became under Sudanese administration but it is worth mentioning here that different attempts were experienced before that date to help Sudanese independence. As an example to these attempts we like to mention here the Egyptian troops meeting which took place in 1924 which the students of the military college tried to make use of and the British governor-general was murdered. The second attempt took place in 1936 when the status of Sudan
was affirmed by an Anglo-Egyptian treaty which was established as a result of the Sudanese national movement toward independence.

As a result of that treaty the Independence Anti-Egyptian Front imposed the first Sudanese election in 1948 favoring an independent republic instead of union with Egypt and so in 1953 Britain and Egypt concluded an agreement providing for Sudanese self government.

Since independence and up to now the Sudan lived under four administrative systems:

1. Two party system 1956-1958: This was a parliamentary system.

2. In 1958 General Ibrahim Abboud seized power in a military coup, dissolved parliament, nullified the constitution, and promised some democratic reforms but failed to do that up to 1964.

3. As a given result to the social and economic deterioration of Sudan during Abboud’s administration a national revolution took place and imposed resignation on his regime and a civilian government was set up and an election resulting in a coalition government took place. Unfortunately, black rebels in the southern part of the country launched widespread attacks against government forces and a constituent assembly was dissolved in 1968. A new civil government took place without any significant effect to the deteriorating situation.

4. In 1969 a military coup led by Colonel Gaafar Mohamed El Numeiry overthrew the Supreme Council, annulled the provisional constitution and established a revolutionary council which administered the country up to 1973 when a new constitution was adopted and the supremacy of the country became a combined civic-military one up to now.
It is evident that all through the prior systems the major goals of the nation were the national unity and the economic development but we can easily state here the Sudanese nation could not achieve these goals up to now. From the historical display which we made before it became clear that the rapid change took place as an issue to reach the national goals and as we stated before even Numeiry could not reach these goals because in 1971 he was toppled by communist-backed rebel officers but he regained power in a counter-coup and was elected President. Moreover, in 1976 an abortive coup rebelled against Numeiry but failed to abolish him, and that coup is still working from outside the country irrespective of the reconciliation which took place between half of it and Numeiry in 1978.

B. The Impacts of the British on the Sudanese Administrative System

Before we focus the lights on the impacts of the British administra- tion on the Sudanese administrative system we like to mention here that the Khedive Ismail of Egypt first divided the Sudan into specific administrative units or provinces where each was governed by a responsible and independent official instead of serving under a Governor-General residing at the distant town of Khartoum, the capital.

Commencing, however, with the time of the reconquest of the Sudan in 1898, the country had been divided, for administrative purposes, into provinces. Each province was divided into a varying number of jurisdictions labeled as Manurias, each of which was placed under the control of an executive officer or Manur and of one or more sub-manurias.

On the higher level there was the Central Administration which consists of the Governor General, his council, and the Provincial Governors. The two forms for all official purposes reside in the capital, Khartoum. The first British Governor-General of the Sudan was General Charles George Gordon, who acted for barely forty-three months in two terms where the first term was from 1877 to 1879 and the second one was from 1884 to 1885 and he was assassinated at his post after an interval of thirteen years, during which period the country was ruled by the Mahdists.

After Gordon there came a second British Governor-General, Lord Kitchener who was also Sirdar of the Egyptian army. It is of great importance to recall Gordon's remarks in connection with the appointment of Kitchener as Governor-General: "If Kitchener would take the place, he would be the best man to put in as Governor-General." The layout policy of Kitchener was to decentralize as far as possible, and to leave the responsible men upon the spot the control and the details of administration. The same policy was followed by the third Governor-General Sir Lee Stack.

In terms of the British administration organizational system, the Governor-General was assisted by the following bodies:

1. Governor General Council
2. The Civil Secretary
3. The Financial Secretary
4. The Director of Intelligence
5. The Legal Secretary

6. The Medical Director
7. The General Manager of Railways and Steamships
8. The Director of Agriculture
9. The Director of Posts and Telegraphs
10. The Director of Works
11. The Director of Customs
12. The Director of Education

Taking into our consideration the division made of the whole country into different provinces together with the complexity of the bodies that help the Governor-General, not only were the duties of that Governor never ending, the responsibilities were enormous. Also, at the same time that the new government took over the country those responsibilities must have seemed overwhelming, if not hopeless.

After a long period of administrative experience the problems which had to be solved at that time have become less and less formidable, and while the burden of responsibility remained heavy, the decentralization of much of the Governor's work, formerly conducted in the capital by the prestated bodies, has considerably relieved the situation. Irrespective of that there were other additional bodies that helped the Governor-General to achieve his objectives and these additional organizations were:

a. The Central Economic Board: Established since 1906 with its president and secretary and his functions were consultative. It possesses no executive authority.
b. The Civil Service Selection Committee
c. The Council of Secretaries
d. The Commercial Intelligence Bureau
e. The Khartoum Town Improvements and Allotment Board
f. The Khartoum Museum Board
g. The Labour Bureau
h. The Permanent Promotion Board
i. The River Board
j. The Central Sanitary Board
k. The Repression of Slave Trade

As we can see from the prior reorganizational system it appears that a decided change has come about in both the character and the scope of the administration of the Sudan. A few years later a rational thought was done in the sense that the administrative system be run through two main channels, namely the Central Government and the Local Government to devote more and more attention to those questions that concern the following activities:

1. Providing wider education
2. More social advancement
3. Equitable system of taxation
4. Closer look and inspection of sanitary matters
5. Improvement of the national mode of living

In brief we like to establish here that the British, irrespective of their colonial goals, have had great impact on the institutionalization of the Sudanese administrative system. Of course, it is not our job to admire colonization but also by the same token we cannot deny the privileges which the Sudan achieved from the Western administrative pattern which laid down the layout of the recent system.

16 The Sudan in Evolution, Percy Martin, p. 40.
It is worth mentioning here that the British administrative era in the Sudan which elapsed for more than fifty years has had the following impacts on the post Sudanese administrative system:

1. It helped institutionalization of the Sudanese administrative system.

2. It divided the authority into two separate bodies, namely the Central Government to serve the whole country and the Local Government to function nationally to the benefit of the provinces as interrelated administrative units.

3. It established the fiscal policy through a defined budget.

4. It shifted the Sudan from the regionalization atmosphere to a worldwide relation.

5. Through the disadvantageous policies implemented by the British the citizens made use of the different social, economical and other constraints which inspired the Sudanese desire to national unity which helped them to achieve the independence in 1956 later on.
C. Contemporary Sudanese Administration System
   in Comparison to the American System

As we stated before, administratively the Sudan was divided into provinces but after its independence it has been divided into nine provinces and each province is sub-divided into districts and localities. However, the approach used before in governing the country through two main administrative systems, central and local, went on.

From our previous discussion it appears the the Sudan has been a sovereign state since 1956 but before that, as we mentioned before and especially between 1899-1955, the country was under a condominium rule between Britain and Egypt. Practically, though, the British were the direct rulers since the political as well as administrative powers were in the hands of British staff personnel.

Moreover, the country was ruled as one political unit and the colonial policy was always planned in such a way as to keep the southern part - the most relatively underdeveloped - a closed area before the north. In a more specific sense, the powers were embodied in the following organizations:

1. The Civil Secretary: was responsible for the coordination of all administration in the provinces, for the maintenance of internal security and for foreign relations of the country.

2. Legal Secretary: the head of the judiciary

3. Financial Secretary: The head of the financial department and was in charge of all financial and economic policies, formulations and all the financial implementations.

Sudan was governed by the following political regimes:
a. Civil multi-party system for the period 1956-1958
b. Military system for the period 1958-1964
c. Combined civil system for the period 1964-1969
d. Civil-military system since 1969 up to now

In terms of the modifications that were implemented through all these different systems we like to mention here that the first three systems have kept the same administrative stream of their predecessors with the exception of the national outlook. The only regime which paid a fruitful attention in terms of developing the administrative system in the Sudan was the recent system irrespective of its handicaps. Therefore, our focus is on the processes mastered by that system in particular.

Disregarding their explicit platforms, cohesive organizations and strong local support all parliamentary and military administrative systems before 1969 were unable to accomplish the desired national goals. Moreover, the whole Sudanese life was constrained by numerous social and economical difficulties and the whole administrative system was under severe corruption. All these elements led Gaafar Numeiri, the recent President of the Sudan to rebel against the civil political system in May 1969.¹⁶

Before we jump to conclusions it is worth mentioning here that the six or seven months prior to May 1969 coup were filled with intrigue and counter-intrigue, fence-mending and other behind-the-scenes machinations on the part of virtually all leading political figures in the country. Near the end of the said period one could state the following observations:

¹⁶Politics in the Sudan Parliamentary and Military by Peter K. Bechtold, p. 259.
1. The bizarre contact of the governing party with its erstwhile avowed opposition.

2. Drawbacks of ethics and moralities which inspired the rumors and speculations to abound widely, and accordingly the political atmosphere appeared to grow more and more hectic by the hour.

3. The most disastrous aspect of the party in power before the May revolution was the virtually total neglect of major national objectives.

More and more concerned Sudanese began to speak of a national crisis and the necessity to search for drastic remedies. One such possible remedy emerged in a group of relatively obscure officers led by the Colonel (at that time) Gaafar Numeiri, a career soldier with a record of having led previous unsuccessful coups.

After the abolition of the civic regime in May 1969 the new regime of Numeiri faced three major challenges which namely were:

a. Continued rebellion in the southern region of Sudan

b. A badly tottering economy with rapidly dwindling foreign exchange reserves

c. The expected political opposition from those groups whom the military had replaced

The first two problems were inherited from the defunct parliamentary regimes but it is most interesting to state here that in less than three years in power Numeiri reversed his policies on all three issue areas drastically. These reversals are worth examining, particularly in the context of the reformed administrative systems which came as a result of the ruler's changing perceptions of and motivations toward public policy specially his reliance on the American administrative system
which is considered to be the cornerstone for all modifications implemented in the recent Sudanese administrative system as will appear later from our conclusion.

But let us return to the three issue areas to find out how Numeiri's regime administered the difficult situations in these areas.

Almost immediately after May 25, 1969 the new regime built only its administrative concept on achieving the following steps:

1. It outlawed all existing political parties, confiscated their properties, and arrested virtually all political leaders save those who managed to escape abroad.

2. The senior ranks of the civil service, police and judiciary were purged of all officials who were associated with the old regime through appointment tactics, reactionary programs or simple corruption, or were suspected of ideological opposition to the newly conceived socialist policies.

3. All banks and foreign properties were nationalized.

4. Existing development plans were scrapped and replaced by new ones based on scientific principles.

5. As a given result of the mistreatment of different prior regimes to the southern region it was not surprising that southern political leaders mistrusted the new military rulers in Khartoum, the capital, despite assurances of new attempts at reconciliation of the North-South conflict.

Numeiri demonstrated the sincerity of his efforts to bring about a solution by publicly promising regional autonomy within a unified Sudan and by appointing a prominent southerner to the newly created Ministry of Southern Affairs.
On the other hand, when initial efforts at a diplomatic solution failed to gain the confidence of southern rebel leaders - who after all had had negative experiences with the previous regimes, Numeiri was compelled to solve that chronic problem within the peace settlement which took place in Addis Ababa, the capital of Ethiopia in 1972.

Generally speaking, the contemporary administrative system of the Sudan has been reorganized in the manner shown in the following chart. It is evident from the organizational chart of the administrative system in Sudan that the previous institutions have expanded and the interrelation and the interaction between all administrative units began to accomplish their objectives.

In the last we have to mention that the recent regime applied a new method in governing the Sudan by dividing the whole country into specific regions which are said to be five regions and the process is under implementation by now and the measures used are American-oriented. In our conclusion we shall investigate the level of resemblance to the American system.
CONCLUSION AND RECOMMENDATION

The methodology of public administration is not static but it is developing due to the fact that worldwide activities are increasing and so the administrative functions have steadily increased. Therefore, the leadership of the executive bodies has been progressively established, the magnitude of operations has multiplied and the task of coordination has almost escaped performance.

To help the administrative system at work cope with all that, the organizational structure and relationship have been trying to catch up with consequences and events, but the tempo has always been too fast. Especially for a developing country like the Sudan which is always in search for the best method to reorganize its administrative system in order to catch up with the developed countries.

Taking into our consideration all these facts we tried to trace the advancement which the Sudan has achieved in comparison to the American administrative system. The guiding lines of our comparison were almost the same components of any rational administrative system, especially those elements which cover leadership, organizations and all decision-making processes which lead to good administration.

It is beyond any doubt that the gap between the United States as a developed country and the Sudan as a developing country is very wide, but the components of the administrative system in both countries are the same. Unfortunately, the efficiency and the effectiveness of the Sudanese administrative system are still far beyond those of the American one for the following reasons:
1. The political, social and economic environment where the administrative system is involved is stable in the United States, but, to the contrary, the same environment is unstable in the Sudan.

2. Institutionalization of the administrative system has been administered for decades in the United States. At the time the Sudan is still in search for the rational method to construct its system.

3. The presidency started in the United States in 1789 with George Washington, the first president, but it was implemented in Sudan very recently with Elumueiri, the first president since the independence, in 1971.

4. The most and significant difference between the two systems is that the power and authority of the U.S. president is derived constitutionally from the federal states while in the Sudan the reverse is true. The president delegates his power and authority to the provincial commissioners or to the regional governors since the introduction of the regional system.

5. The political structure of the United States provides for democracy by its twin party or multi-party system, but the Sudan is governed by a one party system which, in my thinking, closes the door in the face of any democratic function, not to mention individual rights.

6. The American Constitution defines the characteristics and the legitimate relationship between the federal, state and metropolitan governments. However the Sudanese constitution gives the central government the right to supervise local government.
7. Investment in the United States is dominated by the private sector where it is accomplished in Sudan by the public sector. Therefore, we find the trend of economic growth in the first one is toward more benefits but in the Sudan the task of all economic plans is to help it accomplish its expected goals.

8. In terms of natural resources, irrespective of their scarcity worldwide, the United States has got the lion's share in comparison to Sudan. Moreover, the capability of America to invest its resources is enormously higher than that of the Sudan due to the advancement the U.S. achieved in numerous fields such as technology, mechanism and management.

9. The one-party system under which the Sudan is administered gives in my opinion great opportunity to dictatorship where to the contrary the democratic system in the United States makes it easy for administration to stand upon its errors and as a result to that the governments on all levels become more capable of building an effective feedback system which helps forecast good planning, programming and rational utilization of all resources.

As we mentioned before the gap between the United States and Sudan is very wide irrespective of the recent efforts made by the existing administrative system. In order to narrow that gap we like to present here some recommendations which, if implemented, we think can help the Sudan achieve its expected developmental goals.

1. Most of the administrative processes followed in the Sudan are traditional or classic, and in order to accomplish renewal and development of the administrative system we have to give the opportunity to the new
administrative blood of those who received higher studies according to the contemporary Western concepts.

2. The one-party system implemented in Sudan is unhealthy to the effect of the policies and decisions taken to implement these policies. Therefore, we suggest that the opposition should be given the opportunity to present its views which can help find out the errors and the effective buildup of the feedback information system.

3. The relationship between the administrative bodies and managerial organizations, especially with those that concern financing and banking should be governed by the constitution itself instead of the recent debates which give the supremacy to the president in dealing with all functions that stem from the relationships and interaction between national, foreign banks with the Bank of Sudan.

4. As a result of the absence of a good information system most of the administrative reforms in Sudan could not achieve their goals. It is important to the nation to have a good information system to help find out the base for building a rational feedback system to help develop all processes and the administrative system is no exception.

5. The main defect in Sudanese administration, in my opinion, in its lack of quick administrative action emanating from application of slow administrative procedures. To secure quick decision and quick action, public management should modernize. In Sudan the middle-level personnel lack proper training in office work, so the top level have to spend most of their time in conducting routine office work. To break this bottleneck, middle-level personnel should be recruited from secondary school graduates, and they should be given preemployment training in a special training center.\(^7\)

\(^7\) Institute of Public Administration (Sudan), p. 114.
6. Very recently, the Sudan has been divided into specific regions to resemble the states in the American system and every region is said to have its own administration but the centralization and concentration of power and authority within the president's hands and the central government will no doubt lead to more failure and ill administration.

If we are really concerned about our economic, social and political development, every region should have its own identity through the constitution and the central government has to play the role of a coordinator only. This means, as we mentioned before, the power should be divided between two levels, some power is given to the central or national authority and some is given to the regional parts or units.
1. Nimrod Raphaeli, *Reading in Comparative Public Administration*.


11. Institute of Public Administration (Sudan).
Figure 1–1 Major Agencies of the United States Government

THE CONSTITUTION

EXECUTIVE

THE PRESIDENT

Executive Office of the President
Office of the Press Secretary
Office of Management and Budget
Office of the Solicitor General
Office of the Director of National Intelligence
Office of Science and Technology
Office of Small Business
Office of Telecommunications

LEGISLATIVE

THE CONGRESS

Senate
House of Representatives

Agriculture
Department of State

Department of Defense

Department of Justice

Department of Labor

Department of Transportation

INDEPENDENT OFFICES AND ESTABLISHMENTS

Federal Deposit Insurance Corporation
Federal Election Commission
Federal Reserve System
General Services Administration
Interstate Commerce Commission
National Aeronautics and Space Administration
National Park Service
National Science Foundation
National Transportation Board
Postal Rate Commission
Securities and Exchange Commission
Small Business Administration
U.S. Court of International Trade
U.S. Postal Service
U.S. Trade Commission

Source: Adapted from the U.S. Government Organization Manual.
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Sundanee Financial Institutions and Their Functioning

Beiram Mohamed Fathi

Presented to:
Dr. Brian Bower
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INTRODUCTION

Sudan is the largest African country with a total area of one million square miles (2.5 M square kilometers) and the tenth largest in the world. In other words, it is more than half as large as the combined areas of all countries in Europe outside the Soviet Union.

Comparing this vast area with the existing population of only 17.6 millions and average population density of slightly less than 5 persons per square kilometer, the Sudan will appear among the most sparsely populated countries of the world.

Such a small population density renders the establishment of a network of transport and communications very costly and uneconomic.

Besides this introduction the emphasis in this paper will be on financial institutions in the Sudan, mainly banks. We will trace their institutional development, the operation of the banking system, government borrowing from it, the monetary policy adapted, and lastly the role of the Banking System in the development of the Sudan.

The Third World in general and Sudan in particular depend a great deal on the Banking Systems. Nationalization of banks was seen as a symbol for economic independence, but to what extent did the idea of a government guided system of banking enhance or hinder the base of economic welfare.

Can the pure Sudanese expertise stand on its feet and prove that it can do without external assistance? These and many other questions should now be faced. It is high time to evaluate the Sudanese banking experience
after the years of independence to see if the banking system has been able to achieve the goals and expectations of the people.

Conclusion and recommendation: Based on the discussions in the paper an attempt will be made to come out with concluding remarks and recommendations.
CHAPTER I

INSTITUTIONAL DEVELOPMENTS

A. Historical Background

Before the Sudan attained political independence in 1956 its economy displayed all the characteristics of a colonial economy - its concentration on the production of one crop, namely cotton, its independence in the U.K. and other advanced countries of Europe for its import requirements, the concentration of economic activity in certain parts of the economy to the neglect of other parts, the existence of an expatriate modern sector side by side with an indigenous poorly developed sector and so on. Within this environment there existed a banking and credit system consisting mainly of expatriate banks, to serve the needs of both export and import trade and also to serve as depositories to the expatriate and indigenous firms operating within the country.

These banks were created in order to fulfill certain economic functions. They operated freely in the country, with no central body to supervise their functioning. The Sudan, moreover, did not have a currency of its own. British coins and Egyptian notes were both circulating in the country as legal tender since the year 1900.

The banking system consisted of seven commercial banks:

1. Barclays Bank DCO (established 1913)
2. National Bank of Egypt (1901)
3. Banque Misr (1953)
4. Ottoman Bank (1960)
5. Credit Lyonnais (1953)
The most important and influential bank was Barclays Bank. It was the only bank which had branches spread almost all over the country.

The decision-making regarding money and credit, at the time of independence was very diffused. The Sudan was part of the sterling area. The National Bank of Egypt's branch in Khartoum, besides being a commercial bank, was serving as the fiscal agent and the tender of last resort to the other expatriate commercial banks. Moreover, as a lender of last resort it had to undertake borrowing of funds from Egypt to expand credit to the Sudan.¹

The responsibility of foreign exchange administration and follow-up of the value of currency and the exchange rate policy rested with the Ministry of Finance and Economics. The relationship between commercial banks was regulated by the Sudan Banker's Association, whose membership was drawn from the expatriate banks themselves.

On attaining political independence, it was thought by the authorities that logic necessitated consistency in the management of money and credit policy. In 1957 therefore, the Sudan Currency Board was established to undertake the issue of the Sudanese currency. Although the idea of a Sudan Currency Board was the same as that of the West African Currency Boards, it was different in the sense that it was not a holder of foreign exchange in the form of sterling or other currencies. While the Sudan Currency Board used to issue the currency through the National Bank of Egypt, the Ministry of Finance and Economics was the only institution charged with the responsibility of managing the foreign exchange. There was, therefore, no

¹S. F. Jawhari, The Recent Trend in Development of Banking in Sudan, p. 73-92.
autonomy on the part of the Sudan Currency Board to hold foreign exchange and convert it at will.  

Although some wished the Sudan Currency Board to be the final institutional development in the banking field, the prevalent circumstances made it imperative on the policy makers to think in terms of establishing a central bank with the aim of ending the existing diffusion and multiplicity in monetary decision-making. Such diffusion consisted of the following.

a) The Ministry of Finance and Economics was charged with the management of foreign exchange reserves and also the exchange rate policy.

b) The Sudan Currency Board was separately charged with the responsibility of the currency issue.

c) The expatriate commercial banks operated freely with no central instruction to supervise their conduct. Business problems emanating from competition were settled within the forum of the Sudan Banker's Association.

d) The National Bank of Egypt, being the fiscal agent for the Government, was charged with the role of ensuring a reasonable supply of money, with the obvious limitations involved in undertaking such a role.  

In view of this undesirable diffusion, an act was passed in 1959 establishing a central bank for the country. On the 21st of February

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2 Z. Sieniaski, "The Sudan Currency Board," The Society of Economic and Political Science, University of Khartoum - Sudan.

3 Jawhri, ibid., p. 67.
1960 the Bank of Sudan commenced operations as the country's central bank. The Bank of Sudan, therefore took over the assets and liabilities of the Sudan Currency Board and the National Bank of Egypt. Moreover, the management of the country's foreign assets was taken over from the Ministry of Finance and Economics. In this way the responsibilities which were previously held by various organs came to be assembled in a single institution. This ended the diffusion and multiplicity in monetary decision-making and paved the way for a more consistent control and exercise of policy regarding money and credit.

The Bank of Sudan Act was worked out in such a manner which rendered it broad and permissive enough to take care of any future provisions or actions which the bank might wish to take. Certain amendments were made in 1962 and 1969 to enable the bank to have more flexibility in its operations.

Between the time the Bank of Sudan was established, until nationalization took place in May 1970, new banking institutions were created. Two commercial banks were established. The first was the Sudan Commercial Bank which was the first Sudanese owned national bank (1962). It received considerable encouragement and assistance from the Bank of Sudan. In 1965 the French Bank "Credit Lyonnais" went into partnership with the Sudan Government and a new bank was formed under the name of "El Nilein." 60% of the latter's share capital was for the Sudan Government and 40% for Credit Lyonnais, Paris. 4

Another development was the establishment of two more development banks, in addition to the Agricultural Bank of Sudan, which was established one year earlier than the Bank of Sudan. These two were the Industrial Bank of Sudan (1962) and the Estates Bank (1967) whose operations will be discussed in the second chapter.

In May 1970, a fundamental change took place in the banking arrangements in the Sudan. The Government decided to nationalize the ownership of the banking system as well as the nationalization of other Sudanese and foreign enterprises. The objectives of this Nationalization Act were:

a) To develop and improve the banking facilities to the various sectors particularly the traditional sector and the rural areas which desperately need these banking facilities.

b) To give the Bank of Sudan and all the Government firm control over the monetary policy and to implement this policy quantitatively as part of a coordinated national economic policy designated to benefit the Sudanese people.

c) To use the banking system as an instrument of control over capital investment and other units of the public sector.

d) To terminate foreign influence and control so as to reorganize the banking system on a sound basis along socialist principles, and to stop the drain of the economic surplus.  

As a result, Barclays Bank became the State Bank for foreign trade, Bank Misr became the People's Cooperative Bank, the Arab became the Red

Sea Bank, National and Grindlays became Omdurman National Bank and the Commercial Bank of Ethiopia became Juba Bank. The Sudan's Commercial Bank and El Nilein Bank, on the other hand, retained their previous names. A reorganization was undertaken in 1973 with the aim of specialization.

This necessitated the merger of four banks into two. To El Nilein Bank was added the Red Sea Bank and to Omdurman National Bank was added the Juba Bank, thus renaming it Omdurman-Juba Bank. This reduced the number of commercial banks to five specializing in various activities.

Another significant change following nationalization was the status of the governor of the Banks of Sudan. The bank of Sudan Act, realizing the important role of the banking system in a planned development, gave the central bank wide authority to exercise control over the resources of the banking system. Therefore, a Board of Directors was appointed with the chairman in the status of minister, directly responsible to the Head of the Revolutionary Council and the Cabinet to ensure the independence of monetary policy from any pressures from the Ministry of Finance as used to be the case before nationalization. This newly acquired status was kept until 1973, when a return to the previous arrangement was deemed necessary. It was believed that the Bank of Sudan, and implicitly its monetary policy manifested too much undesirable independence. Therefore, the Bank of Sudan Act was amended in such a way that it took away the minister's power from the Chairman of the Board. The Chairman became

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6 Sayed A. Abdalla "Developments In the Sudan's Financial Institutions," p. 8.
Governor and Chairman of the Board of Directors, responsible directly to the Minister of Finance and National Economy.

Yet another development in the same year was the passing of the Saving and Investment Council's Act. This Act had given this Council some supervisory powers over the commercial banks previously exercised by the Bank of Sudan. Moreover, it was designed to serve as advisor to the Minister of Finance and the National Economy on matters relating to commercial banks. To eliminate any inconsistencies, the Governor of the Bank of Sudan was appointed chairman of the Savings and Investment Council.
CHAPTER II
THE ROLE OF THE BANKING SYSTEM IN DEVELOPMENT

A. The Commercial Banks

Commercial Banks did not develop in the Sudan until 1900. Before 1900 the monetary system of the country was too primitive to encourage the growth of banking. The growth of banking did not accelerate until 1949.7

Banks are financial institutions which serve as an intermediary between those who deposit their money and those who wish to borrow such money at a certain cost on a certain basis.

The commercial banks play an important role in the activities of the banking system. On the one hand, it accumulates currency from the public, corporations and companies in the form of current accounts, saving accounts and time deposits. On the other hand, it offers credits on the ground of priority determined by profitability and security of guarantee. In order to balance between liquidity and profitability and to meet the daily requests for withdrawals most of the credits of commercial banks were of short-term duration, not exceeding one year.

But following nationalization the directives of the central bank asserted that profitability should not be the major basis for credits, particularly if it were directed toward developmental projects.

7Dr. O. H. Said, "Banking Organization" in Daily paper (Sahafa) 1/15/67, p. 5, col. 3.
The policy promulgated after nationalization called for financing developmental and productive projects rather than personal and consumption credits which eventually led to inflation and disturbed the balance of the national economy. 8

Table 1 shows the growth in deposits of the commercial banks. It is immediately clear that the movements in deposits follow closely the fluctuation in exports, which in turn depend on an uncertain agricultural activity. Deposits have increased almost four times between 1956 and 1975. In between it is observed that there was a significant decline in the volume of the deposits especially during 1957 and 1958, the years which witnessed one of the most serious cotton failures in recent history. Since then deposits of commercial banks took an upward, though fluctuating trend reflecting the expansion in agricultural and commercial activities.

In the pre-central bank period, commercial banks, as we mentioned, were the main depositors of the central and local governments and boards whose deposits represented 65.3% of total deposits in 1956. Private deposits were only Ls. 8 million of 34.7% of total deposits. This figure has since then risen astronomically, (four and a half times) to Ls. 102 million in 1973 representing 96.6% of commercial banks total deposits. 9 The Central Bank was established in 1960, a year of high exports, and the commercial banks were, therefore highly liquid. The bank, in an effort to reduce this excessive liquidity raised the rate of discount to commercial banks to 4½% which is one half to one percent higher than the rates charged the National Bank of Egypt. This action however, did not affect the commercial banks.

8 Dr. Elghough, Legal States of Banks (Arabic), p. 45.
9 Bulletin of the Department of Research and Statistics, Bank of Sudan 1978, p. 44.
## TABLE 1
Growth of Commercial Bank's Deposits
(Millions of Sudanese Pounds)

<table>
<thead>
<tr>
<th>Year</th>
<th>Central Government Local and Boards</th>
<th>%</th>
<th>Private Deposits (Ls.000)</th>
<th>%</th>
<th>Total (Ls.000)</th>
<th>%</th>
<th>Index</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pre Central Banks</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1956</td>
<td>15,080</td>
<td>65.3</td>
<td>8,018</td>
<td>34.7</td>
<td>23,098</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>1957</td>
<td>7,605</td>
<td>44.2</td>
<td>9,612</td>
<td>55.8</td>
<td>17,217</td>
<td>100</td>
<td>75</td>
</tr>
<tr>
<td>1958</td>
<td>7,279</td>
<td>73.1</td>
<td>12,359</td>
<td>26.9</td>
<td>19,638</td>
<td>100</td>
<td>85</td>
</tr>
<tr>
<td>1959</td>
<td>8,165</td>
<td>35.6</td>
<td>14,775</td>
<td>64.4</td>
<td>22,940</td>
<td>100</td>
<td>99</td>
</tr>
<tr>
<td>Post Central Bank</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1960</td>
<td>13,606</td>
<td>44.7</td>
<td>16,865</td>
<td>55.3</td>
<td>30,471</td>
<td>100</td>
<td>132</td>
</tr>
<tr>
<td>1961</td>
<td>10,200</td>
<td>33.7</td>
<td>20,106</td>
<td>66.3</td>
<td>30,306</td>
<td>100</td>
<td>131</td>
</tr>
<tr>
<td>1962</td>
<td>12,054</td>
<td>33.8</td>
<td>23,608</td>
<td>66.2</td>
<td>36,662</td>
<td>100</td>
<td>154</td>
</tr>
<tr>
<td>1963</td>
<td>13,397</td>
<td>36.5</td>
<td>27,139</td>
<td>63.5</td>
<td>42,756</td>
<td>100</td>
<td>185</td>
</tr>
<tr>
<td>1964</td>
<td>2,542</td>
<td>8.2</td>
<td>28,319</td>
<td>91.8</td>
<td>30,861</td>
<td>100</td>
<td>134</td>
</tr>
<tr>
<td>1965</td>
<td>2,177</td>
<td>6.2</td>
<td>32,706</td>
<td>93.8</td>
<td>34,883</td>
<td>100</td>
<td>151</td>
</tr>
<tr>
<td>1966</td>
<td>1,294</td>
<td>3.4</td>
<td>36,281</td>
<td>96.6</td>
<td>37,575</td>
<td>100</td>
<td>162</td>
</tr>
<tr>
<td>1967</td>
<td>1,529</td>
<td>3.3</td>
<td>42,022</td>
<td>96.7</td>
<td>44,351</td>
<td>100</td>
<td>192</td>
</tr>
<tr>
<td>1968</td>
<td>1,295</td>
<td>2.9</td>
<td>42,864</td>
<td>97.1</td>
<td>44,159</td>
<td>100</td>
<td>191</td>
</tr>
<tr>
<td>1969</td>
<td>1,399</td>
<td>2.8</td>
<td>48,485</td>
<td>97.2</td>
<td>49,884</td>
<td>100</td>
<td>216</td>
</tr>
<tr>
<td>Nationalization</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1970</td>
<td>2,249</td>
<td>3.9</td>
<td>54,875</td>
<td>96.1</td>
<td>57,124</td>
<td>100</td>
<td>247</td>
</tr>
<tr>
<td>1971</td>
<td>3,332</td>
<td>5.4</td>
<td>58,360</td>
<td>94.6</td>
<td>61,692</td>
<td>100</td>
<td>267</td>
</tr>
<tr>
<td>1972</td>
<td>4,933</td>
<td>5.7</td>
<td>51,352</td>
<td>94.3</td>
<td>56,285</td>
<td>100</td>
<td>374</td>
</tr>
<tr>
<td>1973</td>
<td>4,272</td>
<td>4.0</td>
<td>101,538</td>
<td>96.0</td>
<td>105,810</td>
<td>100</td>
<td>458</td>
</tr>
</tbody>
</table>

liquidity significantly. This was due to the large funds controlled solely by the Gezira Board's pattern of receipts and expenditure. Moreover, the fluctuating nature of these funds constituted an unstable basis for the bank's credit activities.

Accordingly, it was arranged, in 1961, to transfer the Board's fixed deposits to the Bank of Sudan. By 1964, as more restrictive measures were adopted, all cotton receipts were credited to the Board's account with the Bank of Sudan. These rearrangements drastically changed the structure of the commercial banks' deposits and ensured their dependence on central bank credit as can be seen from Table 1.

Table 2 shows the three categories of commercial banks' deposits, viz. current, demand and saving deposits. During the years 1956 and 1965 (excepting the unusual years of 1957 and 1958) deposits under current account represented about 80% of the total deposits. While demand deposits kept a relatively constant small share of total deposits, the saving deposits showed an impressive increase from 0.5% in 1959, 4.2% in 1960 to 20.3% in 1970 and 23.0% in 1973. This impressive record is due to concerted savings campaigns launched by the commercial banks as well as the upward revision of interest rates. 10

We now consider the other important function of commercial banks, namely lending. Between 1956 and 1973 commercial bank's advances to the private sector have grown about four and a half times from Ls. 22.0 million to Ls. 98.8 million. In fact had it not been for the highly

10 Sayed A. Abdalla, Ibid., p. 10.
<table>
<thead>
<tr>
<th>Year</th>
<th>Current</th>
<th>Demand</th>
<th>Saving</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1956</td>
<td>19.3</td>
<td>83.5</td>
<td>3.7</td>
<td>16.0</td>
</tr>
<tr>
<td>1957</td>
<td>13.5</td>
<td>78.4</td>
<td>3.5</td>
<td>20.5</td>
</tr>
<tr>
<td>1958</td>
<td>13.0</td>
<td>76.4</td>
<td>4.1</td>
<td>20.8</td>
</tr>
<tr>
<td>1959</td>
<td>19.6</td>
<td>85.3</td>
<td>2.4</td>
<td>10.4</td>
</tr>
</tbody>
</table>

**Post Central Bank**

<table>
<thead>
<tr>
<th>Year</th>
<th>Current</th>
<th>Demand</th>
<th>Saving</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1960</td>
<td>21.4</td>
<td>70.2</td>
<td>7.8</td>
<td>25.6</td>
</tr>
<tr>
<td>1961</td>
<td>26.1</td>
<td>86.2</td>
<td>2.6</td>
<td>8.2</td>
</tr>
<tr>
<td>1962</td>
<td>30.8</td>
<td>86.5</td>
<td>2.1</td>
<td>6.0</td>
</tr>
<tr>
<td>1963</td>
<td>36.8</td>
<td>86.1</td>
<td>2.4</td>
<td>5.5</td>
</tr>
<tr>
<td>1964</td>
<td>25.7</td>
<td>83.2</td>
<td>6.8</td>
<td>2.7</td>
</tr>
<tr>
<td>1965</td>
<td>26.3</td>
<td>83.1</td>
<td>1.3</td>
<td>3.9</td>
</tr>
<tr>
<td>1966</td>
<td>29.2</td>
<td>77.7</td>
<td>1.6</td>
<td>4.3</td>
</tr>
<tr>
<td>1967</td>
<td>33.3</td>
<td>75.2</td>
<td>3.0</td>
<td>6.8</td>
</tr>
<tr>
<td>1968</td>
<td>32.2</td>
<td>72.9</td>
<td>2.0</td>
<td>5.2</td>
</tr>
<tr>
<td>1969</td>
<td>36.5</td>
<td>73.1</td>
<td>2.2</td>
<td>4.4</td>
</tr>
</tbody>
</table>

**Nationalization**

<table>
<thead>
<tr>
<th>Year</th>
<th>Current</th>
<th>Demand</th>
<th>Saving</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1970</td>
<td>43.5</td>
<td>76.2</td>
<td>2.0</td>
<td>3.5</td>
</tr>
<tr>
<td>1971</td>
<td>46.3</td>
<td>75.0</td>
<td>1.3</td>
<td>2.1</td>
</tr>
<tr>
<td>1972</td>
<td>64.9</td>
<td>75.2</td>
<td>2.4</td>
<td>2.8</td>
</tr>
<tr>
<td>1973</td>
<td>76.4</td>
<td>72.2</td>
<td>5.1</td>
<td>4.8</td>
</tr>
</tbody>
</table>

restrictive credit monetary policy during the years 1960-1973, these advances could have grown to a much higher level. The striking fact about advances is their short-term character. With the exception of the years 1957 and 1958 short-term advances represented more than 80% of total advances. This is an indication that the previously inherited traditions of colonial banking of concentrating on profitable short-term activities has not been significantly changed. It could also be observed that with the relative decline in financing of exports and imports, due to foreign exchange in the case of the latter, commercial banks extended short-term loans to industrial and agricultural activities. The continued concentration of commercial banks on short-term financing was one of the major reasons why the authorities encouraged the establishment of the three development banks.

B. Foreign Commercial Banks in the Sudan

A period of doubt and suspicion followed the nationalization generally in the economic Sudanese activities and particularly in the banking system. Some of the external banks were reluctant to give facilities. The exports and the foreign reserve of the country suffered for a while, although the profits firmed up, the performance of the banks are still far behind. To evade this the government has approved lately of establishing foreign banks which are now in service.

1. Abu Dhabi National Bank. This bank was established after the negotiations took place between the Democratic Republic of Sudan and the

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Arab Emirates, on the 25 May, 1976. It started operating on October 1976 with an authorized capital of five million U.S. dollars, subject to further increase. The capital was paid by the Arab Emirates alone.

The purposes for establishing the branch in Sudan are as follows:

1. To enhance economic relations between the two countries.
2. To assist in providing finance for development projects in the Sudan.
3. To assist in financing foreign trade in the Sudan.
4. To encourage financiers and businessmen from the Arab Emirates to invest in Sudan.
5. To provide banking services for Sudanese working abroad and also for non-residents of the Sudan.  

2. International Bank for Commerce and Credit. This bank whose head office is in Luxembourg, was established here in September 1976, with an authorized capital of five million U.S. dollars. The capital was paid by American and Arab individuals. Its activities, like any other bank, include granting credit financing for both foreign and local trade. The bank is planning to open a new branch at Port Sudan so as to extend its services to other areas of the Sudan.  

3. Palastr Islamic Bank. The idea of establishing this bank originated from the rejection of the use of interest rate which is prohibited in

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Islamic "shariya law." The Islamic ideology, in regard to investment, approves of partnerships, and that, profit or loss, should be shared equally by the partners. Faisal Bank is the first of its kind to be established in the Sudan.

The Bank makes use of different types of investment concessions which are not applied by other banks. Besides, it intends to initiate collection by "Zaka" obligation which they think will contribute to social equality. The authorized capital is Ls. 6 millions divided up as follows, the Sudan 40%, Saudi Arabia 40%, neighboring Islam countries 20%. There are also 600,000 shares with a face value of Ls. 10 thousand, each of which was offered for sale. The shares were received with great enthusiasm, leading to a quick sale detailed as follows: 338,000 shares purchased directly by the four partners, 95,000 by Sudan, 120,000 by Saudi Arabia and 47,000 by the rest of the Islamic countries.

On the 10th of May, 1978 the Bank started functioning after having employed a good number of capable people to work in its various departments. 15

C. The Specialized Banks

The very nature and mechanics of the Sudanese commercial banks have convinced the policy-makers these banks would not be able to satisfy the requirement of agricultural short-term credit, nor the needs of industry for fixed capital nor long-term financing of housing schemes. Three development banks were, therefore established between 1959 and 1967 in order to satisfy the needs of the sectors. These three banks are:

1. The Agricultural Bank of Sudan (1939)
2. The Industrial Bank of Sudan (1962)

1. The Agricultural Bank of Sudan. The case for establishing this bank became more apparent when conditions demonstrated to the policy-makers that the existing commercial banks were not prepared to undertake any risky financing, especially in a sector such as agriculture. When the export crops failed in the 1957/58 season, the commercial banks immediately refrained from extending finance to this sector. The Agricultural Bank of Sudan was established with the specific aim of promoting the agricultural sector by providing it with short, medium and long-term financing.

The initial capital of the Bank was subscribed by the government and later augmented by the Bank of Sudan. The following table shows that during the first few years of its existence, the Agricultural Bank largely concentrated on the short-term credit needs of the farming community. There was, however, a rather noticeable decline in this type of credit after 1970, due mainly to the fact that prior to this date the Agricultural Bank had been financing various agricultural schemes in the private sector which were taken over by the government in 1970. All such schemes are currently run by the Agricultural Reform corporation, which acquires its credit needs directly from the Bank of Sudan. 16

16 Sayed A. Abdalla, Ibid., p. 14.
<table>
<thead>
<tr>
<th>Years</th>
<th>Short-term</th>
<th>Medium-term</th>
<th>Long-term</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1969</td>
<td>4,951</td>
<td>364</td>
<td>8</td>
<td>5,323</td>
</tr>
<tr>
<td>1970</td>
<td>1,281</td>
<td>598</td>
<td>12</td>
<td>1,891</td>
</tr>
<tr>
<td>1971</td>
<td>814</td>
<td>590</td>
<td>65</td>
<td>1,469</td>
</tr>
<tr>
<td>1972</td>
<td>1,209</td>
<td>322</td>
<td>28</td>
<td>1,569</td>
</tr>
<tr>
<td>1973</td>
<td>1,908</td>
<td>474</td>
<td>6</td>
<td>2,394</td>
</tr>
</tbody>
</table>


By law the stated policy of the Agricultural Bank is as follows:

a) That preference is given to small and medium cultivators as well as cooperatives.

b) That the Bank will take the initiative to increase productivity by supplying improved seeds, insecticides, fertilizers as well as extension services.

c) That the Bank will help producers in handling and storage of crops and supply information regarding market conditions.  

Farmers are expected to participate with a minimum of 30 percent of the funds required to create a sense of responsibility and to insure their commitment. The Bank accepts as security for short-term loans movable property and crop guarantees, for medium-term loans and long-term loans real estate security, deeds, shares and other collateral. Land offered as freehold or leased for a sufficient period of time longer than the time of

repayment of all the loan. The value of security offered in all cases
must be 30 percent more than the amount of loan applied for.

The Agricultural Bank has 13 branch offices, five with subbranches.
Branch managers are authorized to approve loans not exceeding 1s. 1000 to
a single farmer. Larger loans must be approved by Bank headquarters.
Repayment of short-term or seasonal loans is normally made more installment
coinciding with harvest, or by depositing the crop with the Bank. Medium
and long-term loans are repaid in installments as agreed in the original
negotiation. In the period 1969-70 (according to annual report) 446
households received new loans. In 1970 the Bank reported that 13 percent
of loan volume (1s. 3 million) was overdue.  18

As we mentioned the Bank concentrates on short terms as it finances
seasonal crops. The repayment of these loans occurs within a maximum
period of fifteen months. The following table shows that short-term loans
have the highest percentage of the total loans every year, between 71% - 88%
during the last five years.

<table>
<thead>
<tr>
<th>Year</th>
<th>Short-term loans</th>
<th>Medium Term loans</th>
<th>Long term loans</th>
<th>Total</th>
<th>Short Term loans/ Total loans</th>
</tr>
</thead>
<tbody>
<tr>
<td>1973</td>
<td>1909</td>
<td>479</td>
<td>6</td>
<td>2394</td>
<td>80%</td>
</tr>
<tr>
<td>1974</td>
<td>2308</td>
<td>391</td>
<td>-</td>
<td>2771</td>
<td>83%</td>
</tr>
<tr>
<td>1975</td>
<td>3087</td>
<td>1289</td>
<td>-</td>
<td>4376</td>
<td>71%</td>
</tr>
<tr>
<td>1976</td>
<td>4287</td>
<td>602</td>
<td>2</td>
<td>4891</td>
<td>88%</td>
</tr>
<tr>
<td>1977</td>
<td>5243</td>
<td>1757</td>
<td>-</td>
<td>7000</td>
<td>75%</td>
</tr>
</tbody>
</table>

Source: The Agricultural Bank of Sudan.

2. **Medium-term Loans.** Most of the advances loans from the Agricultural Bank for establishment of new schemes and improvement of already completed projects. The Bank also finances construction of irrigation works, digging of wells, water canals, the establishment of gardens, poultry and dairy farms. The Bank also finances the purchase of agricultural and harvesting equipment. The repayment of these loans occurs within a maximum period of five years.

3. **The Long-term Loans.** These loans constitute a small proportion of the total loans of the bank. The limited resources of the bank do not allow it to await repayment after 10 years and that is why it provided a limited amount of long-term loans during the period 1972-1977 which did not exceed 8,000 S. pounds. 19

The Bank provides these loans mainly for the construction of huge projects such as the Agro-industry schemes and also for setting up farms with long gestation periods such as tea and coffee plantations.

The Agricultural Bank supplies its customers with fertilizers, insecticides propagated seeds and other essential agricultural equipments.

4. **The Industrial Bank of Sudan.** The Industrial Bank of Sudan was established in 1961 to assist and promote the establishment and modernization of private industrial enterprises in the Sudan and to encourage the participation of both internal and external private capital in Sudanese enterprises.

Moreover, the Bank was to conduct, in collaboration with appropriate government institutions, systematic research into sectors of the industrial

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production suitable for operations by the private enterprises. The Industrial Bank can finance public sector as well as private sector enterprises in the form of equity and loan investments.

The Industrial Bank is authorized to obtain additional funds over and above its paid-in capital by borrowing. However, borrowing is limited to three times its own net worth. The Bank’s capital was subscribed to by the Bank of Sudan. The U.S.A. also contributed about $2 million to help the Bank during its early stages of operation. The Bank provides medium (2-6 years) and long-term (6-15 years) loans. It can lend up to two-thirds of the capital of the enterprises in which it invests. Security normally required is first mortgage on the borrowers fixed assets such as land and buildings. The Bank is also authorized to acquire shares in industrial enterprises.

In spite of the contribution made by the Bank of Sudan towards its capital, the amount of credits extended by the Industrial Bank appear to be very modest. Table 5 shows the size of funds disbursed to finance industrial, private enterprises and their provincial distribution.

<table>
<thead>
<tr>
<th>Province</th>
<th>1974</th>
<th>1975</th>
<th>1976</th>
<th>1977</th>
<th>Average</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Khartoum</td>
<td>37</td>
<td>39</td>
<td>87</td>
<td>88</td>
<td>83</td>
</tr>
<tr>
<td>2. Kassala</td>
<td>20</td>
<td>-</td>
<td>3</td>
<td>-</td>
<td>6</td>
</tr>
<tr>
<td>3. Blue Nile</td>
<td>-</td>
<td>29</td>
<td>9</td>
<td>7</td>
<td>11</td>
</tr>
<tr>
<td>4. Bahr El Gazel</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>5. Equatoria</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>6. Upper Nile</td>
<td>7</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>2</td>
</tr>
<tr>
<td>7. Northern</td>
<td>-</td>
<td>32</td>
<td>-</td>
<td>5</td>
<td>8</td>
</tr>
<tr>
<td>8. Darfur</td>
<td>10</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>4</td>
</tr>
<tr>
<td>9. Red Sea</td>
<td>12</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>3</td>
</tr>
<tr>
<td>10. White Nile</td>
<td>14</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>3</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>100</strong></td>
<td><strong>100</strong></td>
<td><strong>100</strong></td>
<td><strong>100</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

The table indicates that most of the loans disbursed were concentrated in the most advanced parts of the country namely Khartoum, Blue Nile and Kassala provinces. This is because the bank was in the habit of helping existing enterprises to continue operation. The shift after 1970, to other less developed provinces was a reflection of the government's determined policy to enhance the development of the relatively backward areas. The year 1973, however saw a shift-back in the bank's lending policy in favor of the relatively more advanced parts of the country. This was in spite of the dramatic increase in the bank's advances during this same year.

During the six and a half years it has been in existence, the Bank has received 516 applications for financial assistance. Of the applications received eighty-eight loans (17.1 percent) totalling Ls. 1,907,532 were approved. These projects involved a total investment of Ls. 3,921,094 increased industrial production by about Ls. 5 million and created 2,227 new jobs. In addition, at the request of the Government, the bank made an equity investment of Ls. 438,360 in the Nile Cement Company. With few exceptions, the Bank has charged a uniform rate of 8.5 percent per annum on loans of six years or less and 9.5 percent per annum on loans of seven years or more. The amortization period of the loans has ranged from two and a half years to twelve and a half years. The overall performance of the Bank, however, was rated as quite inadequate. On the one hand, this is due to shortcomings in the Bank's own policies and practices. On the other
hand, it is the outcome of forces outside the Bank's domain, mainly the shortage of viable projects and the inability of entrepreneurs to formulate well-conceived investment projects. The isolation of these structural difficulties has indicated several possible lines of action and policy changes. 20

D. The Sudanese Estates Bank

The objective of all the Estate Bank established in 1967 is to solve the shortage in housing by providing long-term assistance to citizens intending to construct houses in urban areas of the country, especially those in the lower group. In addition, the Estate Bank has itself undertaken the construction of a number of low cost houses and distributed them to applicants according to certain set criteria and against a certain sum of money to be paid by installments over a certain number of years.

The Bank is further charged with the responsibility of undertaking research designed to improve building standards and to promote the use of local materials in the construction industry.

The total paid-up capital of the Bank at 30 of May, 1973 was Ls. 3.6 million, all of which was subscribed by the Banks of Sudan. In the four-year period 1969-1972 the Bank had made 2,862 separate loans with a total value of Ls. 2,550,000. The Estate Bank Act requires the lending institution to extend 65 percent of its loans to low-income borrowers, and a further 30 percent to middle-income borrowers. The interest rates charged by the Estates Banks are 4.5 percent for low-income loans, 6 percent for

20 Osman H. Saeed, The Industrial Bank of Sudan, An Experiment in Development Banking, p. 54.
middle income loans, and 10 percent for middle-income loans and 10 percent for commercial loans. 21

Table 6 shows that the number of borrowers in every province according to income groups in the period from 1973 to 1977 has increased. The highest percentage achieved by low-income groups was 6% in 1974 while the lowest percentage was 2% in 1973. On the other hand, the highest and medium income groups registered the highest percentage of 8% in 1973 and the lowest percentage of 2% in 1977. 22

<table>
<thead>
<tr>
<th>Province</th>
<th>Medium</th>
<th>Low</th>
<th>Total</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Khartoum</td>
<td>400</td>
<td>348</td>
<td>748</td>
<td>62%</td>
</tr>
<tr>
<td>Gezira</td>
<td>87</td>
<td>138</td>
<td>225</td>
<td>18%</td>
</tr>
<tr>
<td>White Nile</td>
<td>18</td>
<td>85</td>
<td>103</td>
<td>8%</td>
</tr>
<tr>
<td>Kassala</td>
<td>16</td>
<td>20</td>
<td>36</td>
<td>31%</td>
</tr>
<tr>
<td>The Nile</td>
<td>10</td>
<td>27</td>
<td>37</td>
<td>3.2%</td>
</tr>
<tr>
<td>Red Sea</td>
<td>9</td>
<td>11</td>
<td>20</td>
<td>2%</td>
</tr>
<tr>
<td>Southern Pro.</td>
<td>23</td>
<td>6</td>
<td>31</td>
<td>3%</td>
</tr>
<tr>
<td>Blue Nile</td>
<td>-</td>
<td>3</td>
<td>3</td>
<td>0.2%</td>
</tr>
</tbody>
</table>

Source: Estate Bank of Sudan

21 Francis A. Lees and Brooks, "The Economic and Political Development of Sudan, p. 92.

In Table 6 it shows that Khartoum Province received 62% of the total number of loans in 1977. This may be according to the fact that the three towns (Khartoum, Omdurman and Khartoum North) represent the largest area of population concentration and center of social economic activity in the Sudan. Next to the three towns comes Gezira province while the other provinces are lagging behind.

In order to avoid concentration and to support efforts aimed at expanding credit facilities to meet the requirements of recent housing schemes, the Estate Bank had to extend its branches inside and outside Khartoum. As a result, a branch to serve the police force was established at Khartoum in 1975. Elobeid Branch was opened in 1976 and provided loans for low income and medium groups as well as commercial loans. Another two branches are to be established at Atbara and Public Electricity and Water Corporation in the year 1978. Other estate schemes were designed to assist the Bank to attain its objectives.23

The important scheme is the Sudanese Building Material Corporation which was established in 1973 and the Estate Insurance Company which was established in 1977.

In May 1976 the bank established The Group Housing Scheme to solve housing problems for small families of high and medium income. The scheme was considered economically sound to increase bank returns and enable the bank to finance similar schemes in the coming future.

1. Sudanese Saving Bank. The Post Office Saving Bank is the oldest saving institution in the Sudan with branches all over the country. In 1974 the first saving bank was established in Wad Medani and another branch was opened in Homsahna. The objective was to accelerate rural development and to extend banking services to remote areas.

The total amount of the bank deposits up to February 1978 was about L. 2.9 million out of which Ls. 0.88 million were in the saving account, Ls. 1.2 million in investment account, with an interest rate of 9%, and Ls. 0.74 million in the current account. The amount of the bank deposits in the year 1978 was more by Ls. 450,000 than the year before.24

The Sudanese Saving Bank financed the following local projects:

1. The El Gezira Transport Company to which the Bank contributed 25% of its capital.

2. The Taxi Ownership project to which the bank caters for all its finances.

3. The Central Marketing System

4. The flour mills in Rufa’a

5. The fodder factory in Rufa’a.25

The total amount of approved loans up to February 1978 was about Ls. 1,443,100 out of which Ls. 101,600 were personal loans, and Ls. 132,400 housing loans.


Loans and credits increased from Ls. 481,000 in February 1977 to Ls. 1,047,000 in February 1978. The bank granted 61% of the total loans and credits for commercial activities, 8% for industrial activities, 9% for housing, 7% as personal loans and the remaining 15% to the other sectors.

E. Government Borrowing from the Banking System.

When the Bank of Sudan was established, its Act stipulated that, in its relationship with the Government, the Bank should make it a point to grant the central government temporary funds until such time the Central Government received its own revenues.

The early years of the 1960's were years of high domestic and external liquidity such that the Central Government had no need to resort to the banking system for temporary borrowing.

The inception of the Ten Year Plan in 1961 and the ensuing depletion in the country's both external and internal liquidity led the government to resort to the banking system for finance. This situation is typical of many less developed countries. On the revenue side, the government was fairly able to increase direct and indirect taxes continuously in addition to tapping new sources of taxation, such that an impressive growth in revenue was achieved.

However, while revenues continued an upward trend, government expenditure grew faster than the growth in revenues and hence the deficit and the

permanent resort to the Banking System. Although during the first program in 1966 by IMF the government was able to restrain itself and reduce its dependence on the banking system, yet pressures for wages were stronger and during the fiscal year 1968/69 this restraint was completely given up. This is so because the government decided to raise the salaries and wages of the public sector employees. Since then the dependence of the public sector on the banking system for credit became a permanent feature. A number of factors were responsible for this rather continuous rise in government expenditures since 1966.

a) The continued expansion in public sector employment which led to the wage bill commanding an increasing share of total expenditure.

b) The conflict in the southern region which necessitated heavy expenditure on defense and security.

c) After 1969, expenditure on defense and security took an upward trend. It was believed that previous governments neglected the expansion and the modernization of the defense mechanism.

d) The creation of numerous new institutions, and government units, especially after 1969.

e) The adoption of a new educational system and the cost of such a change partially contributed to the rise in government expenditure.

f) More recently, the settlement of the souther question, in 1972 created new financial commitments which had to be met from the central government’s resources.\(^{28}\)

\(^{28}\) Sayed A. A., Ibid., p. 25.
Because of all this the government recourse to the banking system became a permanent feature. Not only this but the situation reach a stage where part of the public borrowing have been converted in long term loans to the government to be repaid over a period of ten years.

The public sector resorts to borrowing from the Banking System to cover its budget deficit. The total borrowing available to the Central Government and public entities from the Bank of Sudan amounted to LS. 289 million in 1976/77, 76.7%. 29

The following table shows that the Central Government, Sudan railways, and Government Boards withdrew the whole of their allotments. It is also noticed that the Animal Resources project exceeded the ceiling allowed it by about 28.7%. The rest of the entities did not reach the ceiling allowed. The largest borrowing came from the Agricultural Production Corporation, and Gezira Scheme. This is due to the seasonality of production of these entities, that resort to the Central Bank to finance previous operations of production and marketing.

The following table shows that the total borrowing up to March 1978 amounted to LS. 237.3 million, i.e., about 74.9% of the ceiling of borrowing.

---

<table>
<thead>
<tr>
<th>Borrower</th>
<th>76/77</th>
<th>1977/78</th>
<th>July/March</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Maximum (Lm. M.)</td>
<td>Actual (Lm. M.)</td>
<td>Maximum (Lm. M.)</td>
</tr>
<tr>
<td>Central Government</td>
<td>44.8</td>
<td>44.8</td>
<td>55.2</td>
</tr>
<tr>
<td>Sudan Railways</td>
<td>20.4</td>
<td>20.4</td>
<td>22.8</td>
</tr>
<tr>
<td>Gezira Scheme</td>
<td>59.0</td>
<td>52.1</td>
<td>59.0</td>
</tr>
<tr>
<td>Public Electricity and Water Corp.</td>
<td>8.3</td>
<td>8.3</td>
<td>5.2</td>
</tr>
<tr>
<td>Public Corporations</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Agrarian Reform</td>
<td>65.9</td>
<td>64.6</td>
<td>42.6</td>
</tr>
<tr>
<td>Agricultural Production</td>
<td>64.4</td>
<td>59.0</td>
<td>101.7</td>
</tr>
<tr>
<td>Animal Wealth Project</td>
<td>0.6</td>
<td>0.8</td>
<td>0.6</td>
</tr>
<tr>
<td>Mechanized Farming</td>
<td>1.6</td>
<td>1.2</td>
<td>1.9</td>
</tr>
<tr>
<td>Suki Scheme</td>
<td>8.2</td>
<td>5.7</td>
<td>8.2</td>
</tr>
<tr>
<td>Sugar</td>
<td>9.0</td>
<td>7.0</td>
<td>15.8</td>
</tr>
<tr>
<td>Irrigation and Earth Moving</td>
<td>3.0</td>
<td>2.8</td>
<td>3.0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>289.1</strong></td>
<td><strong>221.5</strong></td>
<td><strong>376.1</strong></td>
</tr>
</tbody>
</table>

Source: Bank and Currency Department, Ministry of Finance and National Economy. Note Figures are approximated.
CONCLUSIONS

In such a brief survey it is often difficult to draw comprehensive conclusions. However certain remarks and observations can be inferred from the previous analysis.

1. The policy-makers were quick to realize that the diffused state of financial institutions and the weaknesses in monetary decision-making could only be solved by creation of the Central Bank.

2. Until the time of nationalization the Banking System operated within a laissez faire framework. However, certain measures, viz. transferring the government's and Gazeira Board's deposits from the commercial banks to the Bank of Sudan in 1964, made these banks dependent on the Central Bank for credit. Moreover, when the government adopted IMF stabilization programs, these banks had to abide by certain ceilings.

3. As for resources of the banking system it is clear that there occurred an impressive growth in deposits of commercial banks. Most of this increase was in private deposits. Within these deposits, savings deposits have reflected a phenomenal rise (according to the Bank of Sudan Annual Report, from LS 0.1 million in 1956 to LS 24.3 million in 1973.)

4. It seems to me as a result of deterioration in the public sector resources, the government had to resort to the banking system for temporary credit. With the sustained increase in government expenditures and the failure of revenues to offset such an increase, resort to bank credit, gradually became a permanent feature. Not only this, but part of the government borrowing was converted into long-term loans, because of the inability of the government to repay immediately following the close of the financial year.
Besides the remarks included in the previous part, I would like here to point out some general recommendations for Banking System in the Sudan as a humble contribution to aid in resolving some of the problems of banks in the Sudan and to enhance the efficiency.

These recommendations come as a result of working for fifteen years in this field during which, I come across many of these changes and problems.

These recommendations briefly are:

1. As long as all of the banks in Sudan are nationalized and under the control of Sudan Bank, the Government Bank, which also draws their general policies, there is an obvious need to standardize the working system and to unify the information systems to facilitate the follow-up and controlling of these banks, and also accounting system.

The situation now is that some banks follow the French system, other groups follow the English system while a third group follows the Arabic system, and no real change took place since their nationalization.

2. Information System is a basic essentiality therefore it is important to develop an information center to help the banking system in Sudan and provide them with updated essential data.

I think it will be beneficial, too to centralize this information center as the case in United States to avoid any discrepancies or mistakes that are encountered by the banks today due to confusions or lack of information.

3. Together with suggested information center the Sudanese Banking System needs an extensive well organized library to help in fruitful research developments and any other writings within this field.
4. Along the line it is essential to have a department or division for the development of local information helping in the right

5. The training conducted by foreign experts but after nationalization there is a great need to adopt these programs to raise the qualifications of the employees. This is usually done either by sending them abroad to get experience, or by opening training centers and equip them with all required facilities.

6. There is a crying need for a computer system in the Sudan to carry the burden from the employee and to speed up the operations leading to greater efficiency.

7. In a part of this paper we touched on the foreign banks working in Sudan. I understand their important role, but I prefer if all the transactions that take place could be governed by certain rules that limits their impact on the national banks, as an example there is great migration and transfer from national banks to these foreign banks where they get better payments and other employee benefits, therefore it is very important to control their transfer.

Finally, I do not say these are the ideal solutions to solve all the Sudanese banking problems but I hope they might initiate the others to participate in setting solutions towards ideal conditions.
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The Pennsylvania State University
Institute of Public Administration

Fall 1979

Decision Making With Reference to the
Banking Organization in Sudan

Presented to
Dr. Mowits

by
Beiram Fathi
# Table of Contents

Introduction

1. Values and Objectives of Decision-Making

2. Phases of Decision-Making

3. Approaches of Selection Among Alternatives

4. Types of Decisions in the Banking Organization in Sudan

Conclusion
INTRODUCTION

In an article in "Contingency Views of Organization and Management," the editors distinguish three pillars in the traditional theory:

1. Scientific Management: originated by Frederick W. Taylor, which called for the value of hard work, economic rationality and individualism. This basic aim was to increase productivity through scientific analysis. Though the theory undermined the human individual voluntary and spontaneous response to work, yet it flourished under the zeal for more productivity.

2. The Bureaucratic Model: initiated mainly by Max Weber. He was interested as a sociologist in the broad economic and political structure of society as well as the administration of organizations. He considered bureaucracy to be the most efficient model of decision making and distinguished its following characteristics:
   a) A division of labor based on functional specialization.
   b) A clearly defined level of hierarchical authority.
   c) A set of regulations and rules of obligations and rights of the organization's personnel.
   d) A system prescribing procedures for acting in different situations.

1 "Contingency Views on Organization and Management", Rosenwig and Kast.
e) Impersonality in inter-personal relationships.

f) Development of a selection criterion based on competence and efficiency.

3. Administrative Management Theory: Innovated by Henry Fayol. It focuses on pyramidal form of unity of command, delegation of authority, limited span of control, etc. The main criticism directed to this theory is its ignoring psychological and sociological factors.

This century witnessed the emergency of psychology, sociology and anthropology and the stemming of behavioral sciences. They adopted a "humanistic view" in resentment of the traditional "Mechanical Man."

Organizations have grown very complex and the discipline borrowed heavily from other fields: psychology, sociology, political science, and economics. Versus the traditional school sprang the Human Relations and the Behavioral Schools.

"Organizations are regarded as a total system for decision making with decision centers hopefully coinciding with management job assign-
ment."2

Herbert Simon wrote, "Before establishing any immutable principles of administration we must be able to describe in words how an adminis-
trative organization looks and how it works."3 He concluded, "If any theory is involved it is that decision making is the heart of administra-
tion."


3 Herbert Simon, "Administration Behavior".
Decision making is merely a process of making a choice among alternatives. The most simple situation is either to take an action or not at all. "Social scientists are interested in how individuals and groups reach a decision; how much information is necessary; who influences the outcome the most; how disagreements are resolved; what procedures are usual and how choices are made. Since the kind of decision making relevant to behavioral science covers such a broad area, many different categories of decision making are possible: qualitative, quantitative, normative and substantive; those based on the functions of decision-making and those based upon its determinates."  

Besides this introduction the paper consists of four chapters and a conclusion. The first chapter will deal with the values and objectives of decision making. The second chapter focuses on the phases of decision making. The third chapter will examine briefly some of the approaches of selection among alternatives. The fourth chapter will examine the process of decision making in the banking organization in the Sudan. The paper will climax with a conclusion which summarizes the discussion of the various chapters and attempt to make recommendations.

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4 Organizational Behavior, Applewhite, Phillip. p. 54.
VALUES, OBJECTIVES AND DECISION MAKING

Herbert Simon considers decision making and management as synonymous.\(^5\) Thus decision making acts as a focus for the analysis and study of management.

In organizations some decisions seem to have been based on personal reasons or emotional factors. They are sometimes influenced by individual differences, social pressures, leadership differences, communication structure, etc. The rational approach calls for feelings and emotions to be put aside. Some confuse the "rational man" with the "economic man" of the classical economic theory. Thus the focus of rationality is the maximum pay-off. But still non-economic factors do affect decision making.

Three approaches emerged regarding decision making: 1) pure rationality, 2) incrementalism or middle-through, and 3) limited rationality.

1. Pure rationality: Decision-making according to this approach consists of a series of ordered, logical steps:

   a) Specification of organization's goals is ranked by priority.
   b) All possible alternatives are identified.
   c) Cost of each alternative is compared to benefits.

d) Judgment is made regarding the alternative closest to values.

e) The choice of the alternative with the highest pay-off is made.

But the applicability of this approach is very limited, and constrained by human capability to generate and manipulate the enormous amount of information needed. "It has been argued that the costs of information are as high as to make it rational to be ignorant."  

These limitations to optimum results in decision making is referred to by Herbert Simon as "bounded rationality." Rarely is a decision made in complete information and perfect foresight. Simon called that the "administrative man model" should look not at optimal but what is satisfactory or good enough. He criticized the "economic man" that behavior falls short of objectives of rationality in three ways:

1. Rationality requires a complete knowledge and anticipation of consequences that will follow in each choice. In fact, knowledge of consequences is always fragmented.

2. Since these consequences lie in the future organizations must supply the lack of experienced feeling in attaching value to them. But values can only be imperfectly anticipated.

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3. Rationality requires choice among all possible behaviors. In actual behavior only a few of all these possible alternatives ever come to mind. Mouzelis Nicolas observed, "The organization is an information processing and decision making network stirring the organization towards its general goals."  

2. Incrementalism or muddle through: This approach was advocated by critics of pure rationality like Charles L. Lindholm and Aron Wildavsky. It says that decision making is not a conscious form of pure rationality but is the process of incrementally adjusting existing practices in order to re-establish consensus among participants. There is no planned search for alternatives. It emphasizes that decision making is highly politically oriented.

Lindholm argues that most social and political problems defy solution because of constraints like lack of intelligence, inadequate information, costly analysis, poor or inadequate criterion to judge the value of the decision, inability to control variables related to the decision. Administrators should consider incremental modifications of past government activities. Incremental decision is remedial and its sight into the future is limited. He also argues that incrementalism is consistent with democracy. It relies on pluralism and interest groups. His critics argued that though it might be pluralistic it excludes minority groups.

3. **Limited rationality:** This approach is a compromise between pure rationality and incrementalism. Alternatives are sought in this approach not to reach optimal or maximal solutions to problems, but to satisfactory ones. This is best illustrated in Amitai Etzioni's model of "mixed scanning." This means that limited rationality avoids to examine in detail all possible alternatives as prescribed in pure rationality. At the same time it is possible to be incremental and comprehensive with a long and short term perspective.

Chester Barnard observed that at top level decision emphasis on goals is prominent. At the middle level the decisions broad objectives are reduced to specific ends. At the lower level decisions are technological.

Alexis takes a "systems approach" in describing types of decisions. He presented the framework for viewing decision making models in two categories: closed and open decisions. The first faces known alternatives and the second incorporates adaptive or learning features.

He identifies six elements common to all decisions:

a) The state of the nature.

b) The decision maker.

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c) Goals or ends to be attained.

d) The relative alternatives and set of actions from which choices will be made.

e) Relation that produce ordering alternatives.

f) The choice itself.

A useful approach to the kinds of decisions that have strategic importance for the organization is provided by James Thompson. He notes that "decision issues always involve dimensions: a) beliefs about cause/effect relationship, b) preferences regarding possible outcomes." He wrote "when outcome preferences are clear but cause/effect relationships are uncertain we will refer to the judgmental strategy for decision making where the situation is reversed and there is certainty regarding cause/effect but uncertainty regarding outcome preferences the issue can be regarded as calling for a compromise strategy for decision making. Finally where there is uncertainty on both dimensions we will speak of the inspirational strategy for decision making if indeed any decision is forthcoming."
PHASES OF DECISION MAKING

"It is convenient to think of decision making as involving several phases or steps. First the manager has to determine whether or not a decision needs to be made. The second phase of decision making is that of developing or generating alternative strategies or courses of action to solve existing problems. Finally the decision maker must select the appropriate alternative from those available."\(^{14}\)

Regarding the first phase it emphasizes "that the need for decisions arises because of the existence of problems."\(^{15}\)

Problems in organizations arise because of two factors:

a) Failure of the organization to perform in such a way as to attain set goals and objectives.

b) When the objectives prove to be inappropriate.

In the first efforts are directed in the wrong direction or the performance is inadequate. In the second objectives of the organization in changing conditions tend to be obsolete and thus need revision or they might prove to be unrealistic.

While in the first phase analysis is important in discovering the problems of the organization creativity tends to be predominant in the second phase of contemplating alternatives. Once the


\(^{15}\) Ibid., p. 30.
alternative that contributes most to the achievement of the objectives of the organization emerges. These are referred to as the means available to achieve those ends. This phase nevertheless is affected by two variables which are uncontrollable: a) state of nature and b) competitive strategy.

Richards elaborates on decision making in situations of certainty and uncertainty. Under certainty situations the role of management is simply to select the strategy offering the utmost pay-off. Under uncertainty situations or what is referred to as "decision making under ignorance or uncertainty" the decision maker has to deal with the two above-mentioned factors. In all circumstances he has to develop strategies putting in mind how his opponents or competitors might act, and in this case it is referred to as "decision making under risk." "Under such conditions of uncertainty conditional values for each alternative strategy under each possible competitive strategy or state of nature should be calculated. The next step involves the selection and application of a criterion for handling the conditional values that have been derived."16

Many approaches can be suggested in conditions of uncertainty i.e., "the Laplace criterion" or the principle of insufficient reason; "the criterion of optimism or Maximax and "the criterion of regret."

Litchfield lists five phases for decision making if it is to be rational and positive: "Definition of the issue - analysis of

16 Ibid., p. 47.
the existing situation - calculation of alternatives - deliberation choice.  

In an article in the Journal of Management Science, Carson E. Agnew wrote "Decision analysis traditionally focuses on problems where uncertainty about certain states of nature has an important impact on an individual's choice. Because a decision maker frequently has the alternative of gathering more data before he makes his choice, an important part of any decision analysis involves finding the value of perfect or imperfect information."  

Simon identifies three phases of decision making:  

1. The intelligence activity, which includes the search for activity and finding the occasions for making a decision.  

2. The design activity which refers to finding the possible courses of action, develop the alternatives and determine the consequences.  

3. The choice activity - the choice from among the different courses of action or alternatives developed in second phase.  

In the coming chapter I will attempt to elaborate on the process of decision making and the approaches to the selection among alternatives. 


19 Herbert Simon, "New Science of Management Decision."
III

APPROACHES OF SELECTION AMONG ALTERNATIVES

"Planning has been defined as the selection from alternatives of objectives, policies, procedures and programs. Thus the core of planning is decision making - the selection of a course of action. Without alternatives there would be no occasion for making decisions. Conversely there can be no decisions that do not, in the strictest sense, involve planning, since decisions must necessarily affect future courses of action. It is no wonder then, that managers tend to see decision making as their central job. But it is often not recognized that decisions involve planning, even though they may be made quickly under emergency circumstances and with little thought or may influence a course of action for only a few minutes."

In the attempt to choose among alternatives various basic approaches to decision making can be tried. The most important of these approaches are: a) Experience, b) Experimentation, and c) Study and analysis.

a) Experience: Mostly decision makers depend on their past experience or past similar situations to handle problems. They attack to their experience and think it is infallible, especially as they have been enhanced by its very mint. This approach is dangerous because it is seldom that a human being confesses his past mistakes.

In addition they do not necessarily repeat themselves in the same manner and the same situation, thus rendering past experience as obsolete. Life does not reiterate itself. Thus good decisions must be thoroughly evaluated against future events. In other words "experience and history are matters of history and belong to the past."

Nevertheless, if experience is scrutinized and subjected to analysis rather than blindly following it might serve as a useful basis for decision making. It does not differ whether it is personal or external experience.

b) Experimentation: Another approach for selection among alternatives is to try all courses of action available and watch what happens. But, though this approach is relevant to scientific experiments, it is also utilized in business decision making especially where there is a number of intangible factors involved.

Newman pointed out that this technique should be resorted to after exhausting all the other techniques. Obviously, it is very expensive. Moreover the result of experimentation might not be of great use in the future due to varying situations and conditions.

c) Study and analysis: It is an effective technique. Though experience might be infiltread in the analysis and experimentation resorted to in an attempt to verify hypotheses, yet the research approach has many ways of weighing alternative courses of action.

21 Ibid., p. 518.
The problem according to this approach would be broken to its component parts and the tangible and intangible factors examined. The focus here is on the problem as a whole and its various parts and thus bring to the forefront the strategic factors of the different alternatives and of the major components of each alternative. It thus applies the scientific method.

Research and analysis is less expensive than experimentation. The principle of the limiting factor must be applied for the selection of alternatives. Then follows the process of evaluation after alternatives have been reduced to a manageable number, and choose the one that most contributes to the objectives of the organization. This phase is of extra importance as it comprises weighing the expected results of an alternative with the objectives sought by the organization.

Statistical decision theory is one approach to decision making that is limited to highly structured situations where costs and rewards of decision making, choosing a course of action are quite explicit and can be formulated mathematically. It includes also operations research.
TYPES OF DECISIONS IN THE BANKING ORGANIZATION IN SUDAN

Decisions in banks cover a wide and diversified range. It is quite difficult to encompass all types of decisions in banks in general and in developing countries in particular where the experience in banking is very recent. If developing countries became owned by the governments scores of years often their counterparts in developing countries went far ahead.

Broadly we can classify the types of decisions in banks into three categories:

1) Decisions pertaining to planning, operations and supervision.
2) Decisions aimed at expansion (i.e., the establishment of internal and external branches.
3) Decisions geared to promote the methods and procedures in banks operations.

The decisions geared to planning cover the following:

a) Savings
b) Currency
c) Investments
d) Other bank operations.

Decisions focused on expansion operate in:

a) Installation of domestic branches.
b) Presence in markets where money circulates.
c) Renewal of basic assets.
Regarding decisions for the promotions of the methods, techniques and procedures the emphasis is in the following:

a) The introduction of modern accounting machines and the shift towards automation in lieu of manual work system.
b) The installation of an information system to collect and manipulate data.
c) The simplification of methods and procedures and the promotion of performance in order to render better service for the clientele.

It is evident that decisions in banks have a great impact on the economy and affects and spectrum of activities.

Planning and Control Decisions

Decisions in this connection encircles a variety of activities, e.g. determining the size of currency, limiting the ceiling for assets and the determinations of the size and types of other activities to be embarked upon. This requires the availability of data and statistics to aid in taking decisions for the following:

a) The Determination of Static and Mobile Assets. Assets in banks are of two categories: static which remains for long periods in banks, and mobile which is of shorter duration.

Data is vital to determine the nature and types of money sources in banks. In turn it aids management to formulate investment policy and choosing the appropriate alternative.
b) **Prediction of the Size of Savings and the Size of Loans.** It is important to examine the economic situation and trend and accordingly predict the size of savings and loans. If analysis of data produces a result different from the established rates due to change in situation new studies should be conducting to enable for the decision with optimal results.

c) **Determining the Currency to Meet Drawings of Clients and Meet Investment, Requires Information and Data Regarding the Size of Mobile Savings.** Information concerning the trend of loans and its rates is prerequisite for determining currency.

d) **Determining a Ceiling for Assets Involving Risk.** Management is always faced with the question of determining maximum assets that involve risk. Risk is an inseparable part of bank activities, i.e., loans may not be repaid. It is more conspicuous in developing countries like Sudan due to the absence of merchantile law. Banks may be compelled to abandon some investments under losses. It is difficult to avoid risk but decisions should be calculated. In this connection Howard D. Crosse asserts,

> Taking risk can almost be said to be the business of bank management. A bank that is run on the principle of avoiding all risks or as many of them as possible, will be a stagnant institution and will not adequately serve the legitimate credit need of its community. On the other hand, a bank which takes excessive risks or what is more likely takes them without knowing the extent of them, or even that they exist at all, will inevitably run into difficulty.22

Decision on Revenues and Expenditures

It is needless to mention that the revenues of banks originates from credit interests, the returns of investments and the fees it acquires in rendering services. The expenditures include salaries and wages, interest on savings and others. Decisions in this connection should utilize cost-benefit analysis. But this is not the case in Sudan due to historical factors regarding its creation and nationalization and the different systems they operate as they were branches of foreign banks, e.g. British, French, Egyptian and Turkish.

Decisions Regarding Expansion

It aims at establishing internal branches and prompt existence in money markets domestically and abroad.

Establishing Domestic Branches. It is similar to the expansion of an industrial plant capacity which should have strong economic justifications. In the banking organization in Sudan the following factors prevail in deciding to establish branches:

a) To meet the needs of a specific area
b) To abolish bank illiteracy in certain areas
c) Competition (it is applicable to a great extent in the Sudan because all banks were nationalized in 1970. In 1976 some foreign banks were permitted to establish branches in Khartoum).
d) To relax the burden on existing branches.
e) Potential development in a certain area.
f) To retain grand clients by establishing branches in the site of their projects.

g) Political reasons as banks are owned by the government.

In this connection the specialised departments in banks prepare studies, but the unavailability of data and inefficient transportation and the problem of rigid centralization obstruct the process. It is worth mentioning here that the Minister of Finance and Bank of Sudan (the central banks) retain the authority to approve the establishment of new branches often the nationalization of banks.Normally the geographic factor is predominant. Reasons for rejecting the establishment of a new branch may include:

a) Insufficient need
b) Predicted situations adverse to the bank
c) Insufficient funds
d) Size of activities small.

Existence in Money Market

Such a decision is not easy in developing countries due to the absence of modern methods and techniques. For this reason foreign banks act as agents or correspondents for Sudanese banks in foreign activities i.e., foreign trade. Nevertheless some decisions were based on studies conducted by Sudanese banks to establish branches in foreign countries where great numbers of Sudanese work e.g. rich Arab oil countries, Saudi Arabia and Abu Dhabi. This experience should be reviewed closely so that other banks may follow suit.
Decisions Directed Towards the Promotion of the Work Systems in Banks.

The reasons behind such decisions are:

a) To increase profit
b) To promote the efficiency and promptness of work.
c) Inclination to employ modern technological techniques.

Regarding the first banks in Sudan do not have a free hand in increasing assets that yield profit because the central bank, Bank of Sudan determines the size and kind of assets. The rate of interest determined by the central bank has a ceiling, and the fees for services are unified. Thus the only way to increase profit is to cut expenditures through taking the right decision to promote the efficiency of the work. In such cases to attract clients promoting the efficiency is the only way to attract clients. It is now contemplated to introduce electronic machines to promote efficiency. Calculating and electronic machines best apply to repetitive routine operations which is typical in banks.

But the decision to shift from manual work to electronic machines requires the following information:

a) Size of current and expected work.
b) Costs of manual work as compared to costs of electronic machines.
c) Existence of trained work-force.
d) Costs of training.

Unfortunately management in banks currently takes the decision for electronic machines and automation without considering the above-mentioned factors. In essence in taking such a decision the predicted expansion is not taken into account.
Studies are now in progress to unify the banking system in the country. In fact banks in Sudan follow out-dated and obsolete procedures, and the status-quo is maintained because banks are owned by the state, and the scarcity of trained bankers. The latter was aggravated by the movement of the highly trained work-force to foreign banks permitted to operate in the country. An example of the deficiencies in Sudanese banks is the long time it takes to cash a check and the authentication of signatures. This is because of the absence of merchantile law that protect commercial activities. But it is hoped that in the near future these methods and procedures will be abolished and modern methods, techniques and electronic machines will be introduced and in turn promote the efficiency of work in banks.
CONCLUSION

Decision making is the core of management. Theorists and practitioners indulged in the search for the best thing to do to reach the right decision. Though the phases for decision making vary it might be represented by three phases: identification of problem, contemplation of alternatives and choice from among these alternatives. The choice among alternatives should be approached either by experience, experimentation or research and analysis.

Decision making will still be the focus of study and it will dominate the thought of management students and practitioners for a long time to come.

In my opinion the process of decision making cannot achieve optimal results unless it is aided by an efficient and up-dated information system. Regarding banks cost-benefit analysis constitutes an important component in decision making.

The line of authority between the commercial banks and the central bank (Bank of Sudan) should be defined clearly. The influence of governmental organs over banks should be established or at least relaxed to give this management of banks, due to their intensive experience in the field, a free hand to take decisions in the various activities indulged in by the banks.

The unification of the system under which banks operate is of vital importance. The banks currently work in a diversity of systems, British, French, Turkish and Arab. A one system should be devised particularly after all banks become the property of the state.
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Organizations and Systems Management
With Special Reference to the People's Cooperative Bank in the Sudan

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Presented to
Dr. Robert Mowitz
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INTRODUCTION

Systems thinking, a logical step in the development of man's approach to the study of complex phenomena, has developed over the years a shift in emphasis from a macro, to a micro, and back again to a macro viewpoint. The original macro level overlooked the many relevant details of the later micro studies. While these in turn became too divorced from one another to adequately define the working of the whole. Systems thinking with a present macro approach attempts to place components in the proper perspective to one another. To study their natural interactions and the effect of these interactions on the whole as well as on the way the whole affects and is affected by its environment.¹

Besides this introduction, in this paper, we would like to demonstrate the concept of organizations and systems management through the knowledge we achieved within our study as the analysis for public decision, in which we need to determine the goals or objectives, establish alternatives, investigate the impacts or consequences. The required resources and costs that help accomplish the objectives, and finally we work out the rational model.

To achieve all that we like to present in our first chapter the basic principles of systems approach, and the methods and designs it provides for solving some problems, and try to find the relationship between policy analysis and modeling.

¹ Management Systems by Peter P. Schoderbek, and other.
In the second chapter we shall apply the methodology of the theoretical concept examined in the first part to the People's Cooperative Bank in the Sudan as an endeavor to rationalize the existing processes of handling the emigrant's cheques through the PERT method. Therefore, in this chapter a discussion will be made of the organizational structure of the Bank with special stress on the concerned unit of our study, the existing model for handling the emigrant's cheques, and finally we shall display a new model to enhance the operation within the concept of the PERT method.

A conclusion to the discussion will take place at the end of this paper in order to establish the bottlenecks and put forward the required treatment through the recommendations.

We think that the recent processes used in handling the revenue of the emigrant's cheques are far beyond our expected development goals. Therefore by reviewing these processes within the methodology of the systems concepts, we shall not only achieve the satisfaction of these Sudanese emigrants and inspire their ability to transfer more hard currency to the Sudan, but we shall also, make the following.

It is estimated that the number of the Sudanese working abroad is very large. They are mostly the surrounding Arab countries such as Saudi Arabia, Libya, Kuwait and the Arab gulf. The total amount in hard currency transferred by them to the Sudan annually (in their current account in the Sudanese banks) is not less than $50 million. We think that if we can rationalize the recent processes that amount will jump to at least $80 million per year.

Through our practical experience in the People's Bank which extended to 15 years, it became evident to us that the interaction and interrelation
between the existing units and the problem of duplication of work.

Communication systems and training hinder to a great extent not only the bank's opportunity to achieve its objectives but also the flow of hard currency to Sudan, a matter that results in retarding the implementation of the development projects.

By reorganizing the unit in question we think that all these problems can be deleted and also we think that the utilization of the existing workforce in the Bank is not rational and so by remodeling our unit we may perhaps focus the light on other unit's errors to help forecast and plan for the future due to a well-built feedback information system.
CHAPTER ONE
Framework of System Analysis

A. Basic Principles of System Approach

The management has grown so diverse and complex in its functions and also its goals that it requires new approaches to handle it efficiently and effectively. The systems approach claims it has effective means to overcome the ever-growing responsibilities of modern management.

"A system is an organized or complex whole, an assemblage or combination of things or parts forming a complex or unitary whole." 2

The world system covers a range and spectrum of concepts. The systems approach enables the decision-maker to integrate together internal and external factors that were ignored before the emergence of the discipline. It offers him an overview of the various subsystems that constitute the system and renders his thinking systematic. The four functions of management, planning, organizing, controlling, and communicating, can be refined and better carried out by applying the systems approach.

It is a system when a group of items interacting regularly or interdependent forming a unified whole, also when a group of things connected according to a scheme or certain laws; for example, the solar system and all the nervous system.

In Analysis for Public Decisions by Quade, he identifies a number of steps to be followed when taking a problem from a systems point of view. 3

2 The Theory and Management Systems by Johnson, Richard A., Fremant K.
3 Analysis for Public Decisions by Quade, p. 35.
1. Clarification of the problem
2. Identification of the objective or objectives
3. Measurement of effectiveness
4. Determination of a criterion
5. Determination of the environment
6. Investigation of alternatives
7. Formulating a model
8. Collection of data
9. Comparison among alternatives
10. Examination of the analysis for sensitivity
11. Consideration of deficiency in the analysis
12. Summarization and recommendation of the best alternative.

The general systems theory, among other things attempts to rectify and restructure administrative systems in an endeavor to avoid some of the defects that render the system incapable of achieving its stated objectives. It includes the restructuring of the personnel through job-classification, eliminating duplication of work in fragmented organizations, establishing a reliable information system, and facilitating prompt communication with the organization and creating a unity of command.

Communication and control are the decisive processes in organizations. Communication is what makes organizations cohere, control is what regulates behavior. 4

The administrative reform in developing countries like Sudan includes the review of the laws and regulations that govern the public service and determine the relationship within and without the organization.

The study and examination of administrative systems in developing countries assumes greater importance because the public sector is the leader in all economic activities, services, and development. Unlike the system in most of the developed countries in which the private sector

4Management Systems by Schoderbek, Peter F., p. 47.
dominates various fields, its counterpart in developing countries plays little if any in developing countries will yield a great return due to the vital role it plays.

The systems approach will help most of the developing countries in the establishment of efficient organizations to achieve the objectives of development plans and handle the economic, social and cultural activities. As we know the problem in most developing countries where, as we mentioned, the public sector plays an active and leading role are mainly due to the rarity of efficient personnel. Despite the everchanging environment, no attempt was made to develop the personnel or to promote the procedures to meet the goals of the country. Another factor is the misuse of available resources and the diversity of social problems that need to be combatted.

In Sudan the public sector controls most of the economic activities in the country, also after nationalization the banking organization, a new burden was added to the administrative machinery of the country, i.e., managing institutions (banks) for the purpose of profit. The country suffers from the problems mentioned above as any developing country. I will discuss some of the problems which I believe stand as impediments in the development of management for administering the public sector and utilize the resources for real development.

1. The Problem of Duplication of Work. What I mean by duplication of work is the existence of several organizations as sections in different organizations performing similar duties and striving to achieve the same objectives. This is a waste of time, money and effort and gives rise to conflict in work. This point will be clear in the PERT method in the People's Bank System in Sudan in the following chapter. This is contrary
to the principle of division of labor and specialized sections that vividly envisages its objectives and efficiently works towards achieving them. This can only be solved by applying the systems approach in trying to examine and analyze the present principles of administration and the selection of the appropriate models.

The defects of duplication mentioned earlier in this part manifest themselves more conspicuously in Sudan where the loss goes back to the public sector.

A striking example of the duplication of work is the field of training. Internal and external training is carried out by various organizations. There are organizations for training like some institutes and centers for training in almost every department, in the case of Sudanese Banking each one has its own center.

This duplication is a squander of the efficient cadre of training despite their rarity. If there was conformity there would be a multiplied effect. Another serious problem which emerges from this duplication is the diversity of training methods applied despite the fact that they belong to a system that employs similar principles and procedures of administration.

This duplication should be examined and analyzed to come out with a unified system for training that overcomes all problems and properly utilizes the material and human resources unjustly fragmented in the field.

In some departments, more than one section functions in the field of training without the least coordination between them, i.e., the personnel section, the training section, and the section of organization and methods.

The example of training mentioned above is one from many that is prevalent in the field of public administration.
The appropriate solution is to examine and analyze all organizations, to diagnose the problem of duplication, and to use modern principles and techniques to create a sort of unified and integrated organization elevated towards specified and unchallenged goals and objectives, through testing different alternatives and choosing the one that best fits the situation. The systems approach claims the ability to solve such problems.

2. The Problem of Communication Systems. Generally, communication is a set of information circulated among members of an organization. It makes the members more related through the transmission of information used in performing their duties in an endeavor to achieve the objectives of the organization for which they work.

Communication is the cement that makes organizations. Communication alone enables a group to think together, to see together, and to act together.  

There is a close relationship between the structure of the organization and the communication system. They are interdependent.

Communication and control are the decisive processes in organizations. Communication is what makes organizations cohere, control is what regulates their behavior. If we can map the pathways by which communication is communicated between different parts of an organization and by which it is applied to the behavior of the organization in relation to the outside world, we will have gone far towards understanding that organization.  

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5 Schoderbek, Management Systems, p. 93.  
There are three problems that hinder the means of communication in government organizations.

1. Technological Problems. It refers to the tools for communicating the required information, i.e., messages, phone or other communication tools. The essence here is the appropriate choice to achieve the required objective.

2. The second problem is to transmit the required and adequate information. In many instances, information might be communicated incompletely or distorted, which disrupts the accurate decision.

3. The third and last problem is the utilization of communicated information for the purpose it was intended to serve.

Shannon and Weaver say in this regard.

There are three levels of communication problems.
Level A: How accurately can the symbols of communication be transmitted? (The technical problem).
Level B: How precisely do the transmitted symbols convey the desired meaning? (The semantic problem.)
Level C: How effectively does the perceived meaning affect the conduct in the desired way? (The effectiveness problem.)

The administrative machinery in Sudan suffers from the problems discussed above. But the following are the major problems which I believe are the genesis of other problems.

1. The Technological Problem. All governmental agencies in Sudan lack modern tools of communication, mainly due to the absence of scientific

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knowledge and expertise. Modern devices for storing information like the microfilms, widely used, are scarce in Sudan. Most agencies and also the Banking organizations use the traditional and primitive methods and means for storing and manipulating information.

Development efforts in developing countries have been and are still handicapped by the absence of scientific knowledge and a complexity of factors. These detrimental factors or bottlenecks as they might be called, offset the good effect of many efforts that are made in this field. Existence of such bottlenecks is not only destructive and wasting of limited resources, but also it causes a great deal of delay in realization of development objectives that are usually carefully designed and well-defined and calculated.  

2. Centralization and Decentralization. The administrative machinery is highly centralized in Sudan. This has its impact in the communication process and the process of decision-making. A striking example is Banking (People's Cooperative for example). The headquarters of which is located in Khartoum. There are branches all over the country. All decisions are taken by the head office. All the details and reports, also monthly budget for the purposes of control must be sent to the head office in Khartoum. In a country with lack of modern tools of communication, imagine the time taken for communication and the correspondence undertaken. The result is that the problems do not find immediate and prompt solutions. To avoid

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8 Institute of Public Administration (Sudan) Arabic.
these drawbacks, the means and methods of communication should be subjected to close study and analyzed in order to come out with a sophisticated and refined system to aid the administrative machinery and facilitate the process of decision-making.

Regarding the problem of centralization, it should be relaxed and powers delegated to regional offices or branches to take decisions in time on the site, within the goals of the organization. This serves two purposes: problems are duly attended to, and the problem of communication is lessened.

3. The Problems of Training. Training as we know, is the process of acquiring skills and knowledge to promote the efficiency of individuals for the broad purpose of promoting performance in the organization and increasing its effectiveness.

The problems of training in Sudan can be summarized in the following points.

1. After completing training programs, participants go back to perform their duties the way they used to before acquiring the training. In other words, the program failed to change their behavior on-the-job. This is a waste of money and effort, as training is not meant for itself, but to promote performance and efficiency to come nearer to the accomplishment of the goals and objectives of the organization.

2. The efforts of training are fragmented and do not follow a unified path. Training should be of national concern and integrated in a national organization.

3. Resistance to change. Most of the incumbent of key posts resist and fight change. They strive to keep the status quo and strongly stand in the way of applying new ideas and new techniques.
4. The selection of foreign training programs is another leakage. In many cases, programs in foreign countries proved to be irrelevant and do not meet the needs of developing countries.

I think that before designing and embarking upon training programs, training needs should be determined realistically. It is useless to train individuals without developing the organization to which they belong. These should go side by side to achieve the stated goals of both the organization and the training. Training should be a continuous process and should be extended to all employees at all levels. The present system of selecting some employees for the available training program does not serve this purpose. If training programs cannot be designed domestically, the other alternative is to make use of international training institutions often ensuring the relevance of the training programs.

B. Policy Analysis and Modeling

1. Policy Analysis. In a broader sense, policy analysis may be defined as any type of analysis that generates and presents information in such a way as to improve the basis for policy-makers to exercise their judgement. Operation research, systems, cost-benefit, and cost effectiveness analysis are all of this type, although they all tend to slight certain aspects such as the political and organizational problems associated with decision-making and its implementation.

In its general context it implies the use of intuition and judgement and encompasses not only the examination of policy by decomposition into its components but also the design and synthesis of new alternatives. Policy analysis covers an enormous variety of studies to help improve
decision-making in a particular situation. Therefore it takes the format of operations research, cost-benefit analysis, cost-effectiveness analysis, and systems analysis as stated before.

In a very specific sense, policy analysis may be thought of as an encompassing systems analysis but with an additional concern for the distributional impacts of policy whereas operations research is the attack of modern science on complex problems arising in the direction and management of large systems of men, machines, materials, and money in industry, business, government and defense. Its distinctive approach is to develop a scientific model of the system, incorporating measurements of factors such as chance and risk, with which to predict and compare the outcomes of alternative decision, strategies or control. The purpose is to help management determine its policy and actions scientifically.9

Systems analysis is to be thought of as encompassing operations research plus economic considerations and inquiry into goals and their interaction with means. To avoid confusion the term operations research is to be confined to efficiency problems but systems analysis is to be confined to problems of optimal choice.

System analysis provides assistance to logical thinking, but it can never solve problems in the same manner that operation research can. A systematic approach can assist a decision-maker choose a course of action by investigating his full problem, search out objectives and alternatives, and compare them in the light of their consequences, use an appropriate

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9 Analysis for Public Decisions by Quade, p. 4.
and possible analytic framework to bring expert judgement and intuition to bear on the problem.

Cost effectiveness analysis is a form of systems analysis in which the alternative actions or systems under consideration are compared in terms of two of the consequences, dollar or resource costs and the effectiveness, associated with each alternative. The effectiveness of an alternative is measured by the extent to which that alternative, if implemented, will attain the desired objective.\footnote{Analysis for Public Decisions by Quade, p. 25.}

Preference is an alternative that produces the maximum effectiveness for a given level of cost or the minimum cost for a fixed level of effectiveness.

Effectiveness measurement always presents a problem in the sense that it must be measured on a scale that depends on the nature of the goal and that may require the use of a proxy. Moreover one may be able to use cost effectiveness to rank competing alternatives for one goal, but he cannot use that method to compare alternatives that seek different goals.

Cost benefit analysis. It is much more powerful for decision-making than cost-effectiveness because it helps find out the preferable choice between programs designed to accomplish widely differing tasks. Benefits and costs could be calculated for each program and compared with the corresponding difference for other possible actions e.g., monetary expression of both benefits and costs for each program or action make it easy for the decision-maker to reach his desired objective. The aim of cost-benefit analysis is to maximize the present value of all benefits less than all
costs, subject to specified restraints such as limited funds, choice of a discount rate, and quantification of many other elements.

2. The Importance of the Model. Models are vitally important in scientific work and, in my opinion, in any intellectual endeavor. An understanding of the nature and role of a model is prerequisite to clear thinking.11

The model is the heart of analysis, our focus on the following parts will be on the different types of models such as physical model, diagrammatic model, conceptual model, and formal mathematical model.

A model is a created substitute for reality as a clear, precise, and manageable designation that can produce information about the consequences of a proposed action.

A characteristic feature in the construction of a model is abstraction, certain elements of the situation may be deliberately omitted because they are judged irrelevant, and the resulting simplification in the description of the situation may be helpful in analyzing and understanding it.

In addition to abstraction, model-building sometimes involves a conceptual transference. Instead of describing the situation directly, it may be the case that each element of the real situation is simulated by a mathematical or physical object, and its relevant properties and relations to other elements are mirrored by corresponding simulative properties and relations. For example, any geographical map may be considered a physical model of some sector of the world, the planetary system can be simulated mathematically by a set of mass points moving according to Kepler's laws.

11Irwin, D. J. Bross, Design for Decision, p. 161.
A city's traffic system may be simulated by setting a miniature model of its road net, traffic signals, and vehicles. A model involving such transference in addition to abstraction, is called a simulation model.12

All models have one basic feature in common, they all aim at reducing the complexity of the problem at hand by eliminating nonessential features so that we may concentrate on the features that describe the primary behavior of the significant variables. The construction of a model, simulative or not, is to determine the most appropriate action to be taken in the face of a given situation. The main function of an analyst is, after all, to give operational advice to a decision-maker. He may find himself at the frontier of the state of the art, and he may have to rely heavily on whatever expert judgment may be available, rather than on a solid non-existent theory.

Due to these facts the analyst's model is therefore apt to be ad hoc, tentative, e.g., subject to modification and improvement, future-directed, and policy oriented. As an example to variation of dimensions in which models may differ we like to mention the following types of models.

a. Physical Model. This is more or less an accurate physical representation or image of some real-life phenomenon. The scale is reduced or enlarged according to the situation (airplane model is reduced and human eye model is enlarged). The model aircraft, for example is easier to study than a full-sized aircraft for various reasons. It is more convenient to handle and manipulate. It is also simpler than the original, and principles of operation may be more apparent. There is some danger of over-simplification,

12 Analysis for Public Decisions by Quade, p. 143.
of course, and some characteristics of a real aircraft would be over-
looked if all attention were focused on the model.

The construction of a physical model is used in various branches of
science, engineering, and industry. Models are used to design oceanliners,
bridges, water supply systems, and all sorts of products from automobiles
to stage scenery. Not all models involve a change in size. In aircraft
construction, a full-size model of a part of a plane is sometimes constructed
out of wood in order to insure that an absent-minded designer does not put
components in place which cannot be reached for repairs. In this situation
the relevant factor is size and the make-up eliminates other factors such
as weight, function and so on.13

b. Diagrammatic Model. This kind of model is a step removed from
the physical model, a road map is a familiar example and flow charts are
a particularly valuable sort of diagrammatic model, especially in situations
where some commodity or some portion of the population passes at a regular
rate of flow from one condition to another.

c. Formal Mathematical Model. It describes explicitly the quanti-
tative changes in a particular variable or system in response to various
stimuli. A simple one in this category is the compound interest model,
and more advanced ones are those normally used in the inventory model, the
gravity model, and all computations implied to the cost-benefit and cost-
effectiveness analysis. The major characteristic of the formal mathematical
model is that the decision-maker is to take their parameters as a given.

13Design for Decision by D. F. Bross, p. 163.
he cannot change them because they suggest that the particular variable in question is fixed.

Advantages. The real answer to why should a model be used, is this procedure has been followed in the development of the most successful predicting systems used in science. It is simply a matter of going along with a winner. A big advantage of a model is that it provides a frame of reference for consideration of the problem. This is often an advantage even if the preliminary model does not lead to successful prediction. The model may suggest informational gaps, which are not immediately apparent and consequently may suggest fruitful lines for action. When the model is tested, the character of the failure may sometimes provide a clue to the deficiencies of the model.

Another advantage of model-making is that it brings into the open the problem of abstraction. The use of a model may bring questions to light. It may suggest preliminary experiments to determine which characteristics are relevant to the particular decision problem under consideration. The advantage of mathematical models is that they often provide the cheapest way to accomplish prediction. Sometimes it is possible to reach the same results by the sheer mass of data by a brute force attack on the problem - but the mathematical route is generally more economical. ¹⁴

Finally we have to mention that when someone builds a model or modifies a model already built for another purpose, it is necessary for him to be very clear as to why the model is wanted, what is wanted out of it specifically, and how it will contribute to solving the decision-maker's problem.

¹⁴Irwin D. J. Brooks, Design for Decision, p. 171.
CHAPTER TWO

The People's Bank System in Sudan

A. The Organization Structure of the Bank

This section is based mainly on my experience and also on a study conducted by the People's Bank-Khartoum. It is needless to mention that the banking organization in the Sudan is not as complex as its counterparts in developed countries, neither in the magnitude nor the types of operations. It is beyond the scope of this paper to review the history of banking in the Sudan. Let it suffice that in the end in 1970 the Sudanese authority (General Ga-afar Nemeiri, the head of the military council, who succeeded in the rule, the country after his revolution on May 25, 1969 declared the nationalization of all banks in the country, foreign and Sudanese. Some banks were amalgamated and the five public sector banks were emerged.

1. The People's Cooperative Bank
2. Neilin Bank
3. Bank of Khartoum
4. Commercial Bank of Sudan
5. Unity Bank.

Prior to the nationalization of all banks each one had its own administration, and its own terms of services. Now in Sudan all banks after nationalization do not have a free-hand in deciding their assets. The Central Bank (Bank of Sudan) determines the size and types of assets and imposes maximal rates of interest upon banks operating under its control. As we know to increasing the profits you should increase revenues and also you have to decrease expenditures. But how can the Banking achieve these goals under the control of the Central Bank. Thus the only way to increase profits is to develop and promote the system, simplify procedures
and render better services to clients as the only aspect of competition among the different banks to attract clients. That is what we try to do in our bank, especially after many complaints from our customers for some delay in our system. So we started our study concentrating on the techniques of method study. We made systematic recording and critical examination of existing and proposed ways of doing the work, as means of developing and applying easier and more effective methods, by eliminating unnecessary work and avoiding delays. A statistical study was made to find the actual time taken throughout all steps.

I think that after I have gained invaluable knowledge after studying systems analysis and kinds of models it will assist me in developing the study which mentioned above that is by applying another model 'Fert-Method' to further decrease the time in emigrants section, our intention of this study.

The following is the location of the emigrants section in the People's Cooperative Bank structure.

The structure of the commercial nationalized banks, which the People's Bank is one, consists of an independent board of directors and a general assembly whose terms of reference were to formulate policy and supervise performance. The general manager is responsible for executing the policy assisted by a deputy and three assistants for banking affairs, legal affairs and finance. These assistants head and supervise specialized auxiliary departments, personnel, research, public relations, external relations, training, external and internal financing, credit, loans, and emigrants section, our focus will be on this section as mentioned.
Location of the Emigrants Section in the People's Cooperative Bank Structure
8. Evaluation of Existing Model for Handling Emigrants Checks

1. People's Cooperative Bank is one of the Sudanese Commercial Banks, having as one of its aims to increase the number of emigrants using it so that it will have the necessary foreign currency needed for economic development projects.

2. Emigrants are those Sudanese citizens walking abroad who transfer their savings to Sudan.

3. In order to attract the emigrants to increase their saving, the government imposes a system of incentives and subsidy increment given by the Sudan Bank through the Commercial Banks.

4. The actual number of emigrants is much greater than the number registered by the Labor Department, reliable emigrants statistics were unavailable.

5. To increase the number of emigrants using the bank is extremely important. Our intention is how to increase them and to make any necessary improvement to cope with this increasing.

The actual number of Sudanese emigrants who are registered by the Labor Department for the period from 1974-1978 is divided between the Arab countries as follows: 65.08% of emigrants reside in Saudi Arabia, 30.89% in Libya, 2.12% in United Amarat Arab, 0.98% in Kuwait, 0.85 in Jordan.15

This percentage is a total of 10,175 emigrants. But a further study was made by the Labor Department to know the real number of them; it was found that more than 200,000 emigrants were not registered by the Labor Department.

C. Some Methods for Exchanging Emigrants' Savings

1. **Legal Exchange.** Legal exchange is the exchange of money organized by the government. The government usually aims at collecting the greatest amount of foreign currencies which will be used for economic development. To attract the emigrants for exchanging their savings, the government installed a system of giving a subsidy increment equal to 25% of the exchanged amount of money plus a percentage of 18.625% of the same amount of money. Also an exemption of Ls. 1500 from customs will be given. This system is practiced through the commercial banks. Each emigrant can choose any bank to carry out the necessary transactions. It depends upon the policy and efficiency of the commercial bank, to attract emigrants.

So each bank tries to adopt good methods to attract emigrants.

2. **Unofficial Exchange.** (1) A large amount of Sudanese emigrants saving, is exchanged through the Sudanese travellers who visit them and returned home. The emigrants give the travelers the amount of money they need in the local currency of that country with the aim that they will receive back in turn the equivalent amount of money in Sudanese currency.

(2) A great amount of money also exchanged through a number of currency merchants who have agents to receive local currencies from emigrants in the countries where they worked and give them instead an equivalent amount of money in Sudanese currency.

(3) A significant amount of the emigrant savings will be exchanged by purchasing goods, equipment and cars with the aim of conveying these things to the Sudan and selling them to receive their equivalent Sudanese values.
D. Some Methods Used By People's Bank for Increasing the Emigrants Using It.

This was by direct contact between the emigrants and the representatives of the Bank. The bank sent two officials to Saudi Arabia (I was one of them and it was my own idea) to study the possibility of attracting the emigrant to use the bank.

The officials were able to make more than 1000 emigrants account in a very short period, about 45 days. They used to have direct contact with the emigrants in their places of work, in their houses, clubs and in the embassy.

According to the recommendations of the officials, the bank begins to improve the existing method by removing the bottlenecks and eliminating the unnecessary repetition and rearranging the layout to save time and money. My participation will be in the emigrants section that is by applying PERT method in one of the processes in this section.

For the purpose of this paper I will discuss how the present methods and procedures in the emigrants section and this is mainly from the report issued by the Research Department in the People's Bank.

E. Application of PERT Method in the Emigrant Section in the People's Cooperative Bank - Sudan.

No doubt that the computer system plays a primary and critical role in the performance of banking systems, but as we mentioned in the previous part of this paper that the banking in Sudan is not as complex as its counterparts in developed countries. In addition the decision to introduce the computer system needs more study, training which may be a long time. For the time being I will apply the data and report issued by the Research
Department in the People's Bank to the PERT method for the purpose of minimizing the time expanded in the emigrant section.

On reviewing the functions of the emigrants section in the People's Bank it appeared to us that the activities run by that section are as follows:

a. The secretarial services section receives the envelope which involves one of the following transactions:

1. Cheques
2. Payment orders
3. Exchange through another internal bank
4. Banknotes
5. Exemption certificates
6. Others.

All these documents are to be transferred to the emigrant section which in turn executes all of them according to officials specialties.

Our focus here is on the cheques process which is administered now in an inefficient way at the time if we applied PERT, it will no doubt result in a high level of efficiency, and the objective can be reached in less time and expenses.

Before we apply that method we would like to display here the activities followed now from the very beginning. The specialized official receives the cheque from the head of the emigrants section, until the emigrant is notified that the required amount of money is deposited in his personal account. The activities will be shown in order and with accordance to their recent flow in the People's Bank.

a) The head of the emigrants section receives the cheque after he signs in the in-letter book, then he transfers that letter with other correspondence to the registry official who in turn registers the same letter in the book concerning the emigrant's section. The process of
receiving the letters and reviewing them then passing them to the registry official takes 20 minutes since the head of that section cannot pass the letter in concern of the check under study alone, that cheque will consume the same time period.

b) The registry official after receiving all letters from the head of the section, he re-registers them again in the book concerning the emigrants section, then he returns the book to the head of the section to give his written instructions on each letter separately including the letter under consideration. The registry official takes 30 minutes.

c) The head of the section, after reviewing the mail for the second time and giving his instructions he dispatches the letters to the concerned officials individually. This process takes 10 minutes.

d) Here the letter concerning the emigrant cheque begins its effectiveness where, the official responsible for that check has to register all emigrant checks in one sheet and he has to wait until he reaches 25 checks according to the fact that he has to send abroad not less than that number. This process takes 40 minutes.

e) The concerned official passes the sheet to the lady-typist who consumes 50 minutes in typing the whole sheet and then she passes the sheet to the auditor for reviewing the whole process.

f) The auditor takes 40 minutes to pass the sheet correctly. After reviewing the sheet he passes it to the head of the section for signature.

g) The head of the section takes 10 minutes to finish that process, then he passes the sheet to the secretarial section who in turn has to dispatch every cheque to his destination abroad for collection.
b) The cheque takes 10 days to come back confirmed from the foreign bank. After that the bank will be in a position to confirm to the emigrant customer whether the required amount has been deposited in his account or not.

In brief the processes go like follows:

\[(A) \rightarrow (B) \rightarrow (C) \rightarrow (D) \rightarrow (E) \rightarrow (F) \rightarrow (G)\]

The total time = 3 hours and 20 minutes.

According to PERT/CPM

\[(A) \rightarrow (D) \rightarrow (G)\]

The total time = 2 hours and 40 minutes.

The total time can be reduced by 40 minutes if we applied PERT in this operation only.

Taking into our consideration the cost per/hour paid to all officials participating in that operation as shown in the following:

<table>
<thead>
<tr>
<th>Post</th>
<th>Pay/Month</th>
<th>Pay/day</th>
<th>Pay/Hour</th>
</tr>
</thead>
<tbody>
<tr>
<td>(A) Head of Section</td>
<td>$500</td>
<td>$16.66</td>
<td>2.8</td>
</tr>
<tr>
<td>(B) Registry</td>
<td>150</td>
<td>5.00</td>
<td>0.8</td>
</tr>
<tr>
<td>(C) Repeated</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>(D) Official</td>
<td>150</td>
<td>5.00</td>
<td>0.8</td>
</tr>
<tr>
<td>(E) Typist</td>
<td>125</td>
<td>4.20</td>
<td>0.7</td>
</tr>
<tr>
<td>(F) Auditor</td>
<td>270</td>
<td>9.00</td>
<td>1.5</td>
</tr>
<tr>
<td>(G) Repeated</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

39.8 6.6 total per hr.
On the other hand the 80 minutes spared in the emigrant section by
PERT and also by studying the problems to removing the bottlenecks and
eliminating the unnecessary repetition can be spared in all other processes
of a like nature in the same section §.6. 6 x 80 = 480 minutes in the sec-
tion. We can also give the customer the expected confirmation to his
deposit in more short time than used by the bank now.

There is no doubt that the urgency in replying to the customer will
inspire his ability to send more hard currency which we have already
stated that can help implement the developing projects of the Sudan.
Conclusion and Recommendation

System analysis claims the monopoly of solving all problems that other theories and approaches failed to resolve.

In developing countries, where the public sector plays a leading role in social and economic activities, the public administration organization is hindered by the absence of efficient and effective administrative system, also by problems like supervision of work, communication systems and training. These problems are aggravated by the absence of competent and highly qualified personnel in the public sector.

I will now attempt to find some solutions for some of the problems which I have discussed in the previous part in an endeavor to promote performance in the public sector especially the part of banking.

In my opinion this can be achieved by the following:

1. Administrative organizations should be continually examined and analyzed to identify the drawbacks and develop it on a basis of modern principles and techniques.

2. Giving more attention to training for the employees of the public sector, such as in the fields of banking, management, finance, etc.

3. Leaders in public organizations should lead the way to development, they should not ignore existing organizations. They are supposed to direct them to satisfaction instead of suboptimization.

Throughout the paper I have attempted the application of the PERT method in promoting efficiency in the emigrants section, operations and activities. The following are modest and humble suggestions which may aid in resolving part of the problems which are facing the banks in Sudan and to enhance efficiency.
1. Computer system must introduce to promote efficiency and assist in information, analyzing and in reaching rational decisions.

2. Department for statistics and research in each bank should be created to collect data which is the backbone for decision-making in the activities of banks.

3. All banks should issue from time to time guide containing of information banking which aid in the purposes of researches and also aid in statistical analysis. As Dr. Nowitz has written "information is the critical variable in decision system design."

4. Banks should use the modern principles of decision-making instead of depending on classical and old methods.

About the method and procedures adopted in the emigrants section in the People's Bank, I recommend that more emphasis should be given to the following recommendations.

1. To establish an emigrant guide containing sufficient information to help the emigrants to deal with the bank.

2. To establish permanent offices in the Sudanese embassies in Saudi Arabia, Libya, and United Arab Emirates or send representatives of the bank periodically to these countries to stimulate the process of attracting the emigrants to use the Bank services.

3. To increase the number of foreign agents by have addition agents in these countries.

4. Make an alphabetical index for the names of all emigrants using the bank to assist in finding the number of accounts.

5. The section must keep a signature list of the foreign banks, so that if the section receives a payment order it can check its signature with
with that on the list and then pay the beneficiary instead of keeping the payment order waiting coverage.

6. Instead of accumulating every twenty-five cheques together, we must find another way to treat each cheque separately.

7. Lastly, I do not claim that these recommendations represent the best method to solving all problems but I hope they will stimulate others to contribute more towards a complete solution.
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Wages, Salaries and Incentives with Special Reference to the Public Corporations and Banking Organizations in the Sudan

Presented to: Dr. Stevens
by: Fathi Mohd. Beiram
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Introduction

The principle of financial incentives goes back to the heritage of the ancient Greeks and the writings of British thinkers like Adam Smith and John Stewart Mill. They held that man chooses from the alternatives available to him the best that gives him the utmost pleasure and evades the one that causes him pain and discomfort. Fredrick Taylor contributed in the field in the last decade of the 19th century and ran various studies to motivate the workers by increasing the wages with a substantial increase. The human relations school that prospered and spread after the scientific management school brought about a new principle; that prize and punishment is not the only way to motivate workers especially skilled workers. Human relations in management would have a greater impact on workers and productivity. Both the scientific management school and the human relations school believe that the interests of management and workers are parallel and of equal importance and there is no reason for a conflict. The details will be discussed throughout the paper.

Besides this brief introduction the paper comprises three chapters and a conclusion. The first chapter will focus on the principles of incentives, their types, and the conditions that safeguard the success of incentive policies. In the second chapter, I will review the incentives, wages and salaries policy in the public service in the Democratic Republic of Sudan. The discussion will examine the reasons underlying the introduction of special pay ladders for specific categories and the positive and negative aspects that were
manifested when these pay ladders were put into effect. The third and last chapter will survey the wages and salaries policies in the public sector in the Sudan. The discussion will confine itself to public corporations and the banking organisations in the country.

The paper will climax when a conclusion that summarizes the discussions of the preceding chapters followed by the recommendations on how to rectify the policies of incentives, wages and salaries in the Sudan.
CHAPTER I
Incentives and Its Impact on Employees Performance

A. Incentive Principles:

"A satisfactory incentive system is one that induces workers to meet or exceed production standards and that at the same time does not cause labor unrest."¹

This statement is self explanatory. After the flourish of psycho-analysis financial incentives were no longer considered the only means to motivate people. This concept was emphasized by the human relation school. The worker should be looked upon as a human-being that possesses certain characteristics and attributes besides the technical skills. He is affected by political, social and religious affiliations. Managers should pay these properties adequate attention in their efforts to motivate workers to achieve the objective of the organization in maximum productivity. Dr. Abdel Moniem Khamis defines incentives as those financial and morale-building factors that tempt an individual to progress to the maximum of his abilities, current and potential.²

Dr. Lee² distinguishes between two categories of motivation theories; he classifies them in two categories: content and process. "Management often supplements wages and salaries with increments related to employee performance. These are

²Lee, Robert D., "Public Personnel Systems,

* Dr. Abdel Monien Chamis is chairman of the Board of Directors of the Institute of Public Administration, Egypt.
variously called incentives, commissions, bonuses and piecework plans, all designed to motivate employees to improve their performance."

It is more important that an individual should possess zeal and enthusiasm for work rather than just the ability to work. Effective management should attempt to reconcile and integrate the needs and objectives of the organization and the individuals working in it. From hence the need for motivating the employees to work more effectively and cooperatively to achieve the objectives of the organization. Motivation aims at changing the behavior of people towards accomplishing maximum productivity.

"Human relations as an area of management practice is the integration of people into a work situation in a way that motivates them to work together productively, cooperatively and with economic, psychological and social satisfaction."

This definition comprises the following:

1. Human relations aims at establishing an integrated social unit of the organization.
2. The reconciliation between the interests and objectives of the individuals and the organization.
3. This reconciliation will enhance voluntary and mutual cooperation among individuals to achieve the stated objectives of the organization.
4. The existence of economic security and psychological satisfaction.

Incentives may be classified as positive and negative.

Scott defines positive incentives as "those agreeable factors associated with a work situation that prompts a worker to strive to achieve or excel the standards or objectives set for him," and negative incentives as "those disagreeable factors in a work situation to avoid which the worker strives to meet the standards set for him."^4

Positive incentives include the wage, promotion, continuity of employment, preference in case of lay-off. Negative incentives include fear of lay-off, discharge, reduction of work etc.

The hierarchy of motivational incentives, both financial and morale-building may include:
1. Job satisfaction.
2. Recognition.
3. Advancement and promotion.
5. Types of Incentives:

   Individual incentives: Individual incentives plans should be embarked upon unless it is hampered by technical and economical reasons. Experience in this field has proved that individual incentives are more effective than group incentives. This is because the individual compares between the efforts he exerted and its outcome. From the psychological standpoint he likes to have self-esteem and be treated as a separate entity. This does not mean that we undermine collective or group work which aims to establish cooperation and reduce the

costs of production.

Employees, generally, do not like individual incentives and vigorously fight individuals with high productivity for fear of lay-off or reduction of wage.

One of the defects of individual incentives is that it creates animosity and unwanted competition among employees which might stagger trust between management and laborers. Some contend that individual incentive plans are expensive and requires the employment of a host of experts in job evaluation.

Group incentives: Group incentives do not motivate employees to be more productive like individual incentives. It is a consensus among scholars and practitioners in the field that productivity decreases as the size of a group working together increases. Nevertheless, group incentives are preferable where the nature of work requires it and the cooperation of employees can be guaranteed and where it is more economical. "Group incentive plan is desirable in instances where the results of certain types of work depend upon the coordinated efforts of several people."5 The bonus is an example of group incentives. It should be paid immediately after approval in order to be effective and has its effect on the morale and psychological satisfaction of the employees. It should be also of considerable economic value. Fringe benefits, though some consider it as part of the terms

of service, can also be considered as group incentives.

C. Conditions for the Success of Incentive Policies:

As has been the slogan "good management is not easy," management that embarks upon an incentive pay plan should be aware of all of the attendant demands that are placed upon it. Flippo identifies some basic characteristics in order that an incentive pay system succeeds:6

1. The plan should be simple, understandable and calculable by the employer.

2. Earnings should vary directly with increased output and efficiency.

3. Earning should be paid to the employer as soon as possible.

4. Work standards should be developed on the basis of detailed studies of method, work place, and a normally qualified operator working under normal conditions.

5. Work standard should be guaranteed against change unless there is a change in method, equipment or specifications of material.

6. The base hourly rate should be guaranteed to the employee regardless of daily output.

7. The spread between normal incentive earnings and the base hourly rate should be sufficient to stimulate greater than normal effort from the employee.

I would like to add that the success of the incentive pay plan can be accelerated if the employees participate in its

planning and implementation. Prior to the introduction of incentive plans, an acceptable and satisfactory wage system should be established. Only then can we expect the success of the incentive plan.

\[ \text{If other conditions and such as not mentioned in the incentives are present for the motivation of workers,} \]
CHAPTER II
Incentives and Policies of Salaries and Wages in the Sudan

In studying the incentives system we have to examine first the current policies of salaries and wages in order to know the basis of incentives. As has been mentioned earlier in this paper the implementation of incentives plan requires the formulation of an accurate and satisfactory policy of salaries and wages. Dr. Ali Ahmed Saliman writes: "It has been noted that the economic thought does not distinguish between physical and mental efforts. Thus the distinction among salaries and wages is rather social than economic."\(^1\)

In this connection the report submitted by the international committee at the request of the government in November 1973, is considered a pioneer study regarding the wages and salaries system in the Civil Service in the Sudan. The committee consisted of a number of domestic and foreign experts under the chairmanship of Mr. Shaw, the reputed expert in this field. Due to the limited time available the committee considered the salaries of the civil servants only and did not include the workers.

The committee recommended some amendments on the salaries of civil servants established by Mr. Mills in 1951. It recommended the abolition of one grade, reducing the total to 15 as follows:

1. Super-scale positions: comprising positions from Group 1

to G 4; and upper positions from G 5 to G 7.

2. Administrative and professional, semi-professional and technical and semi technical and Clerical.

The last category comprises 10 positions which is excessive. It tends to divide the duties among these many positions and renders the work unsatisfactory.

The system of salaries and wages in the Sudan is unified and recruitment and advancement is based on the merits of the individual, qualifications and experience.

The merits of this system are:

1. Simplicity and non-complexity which renders it understandable to employees.

2. Equity as it provides for equal pay for work of equal value.

3. It facilitates the transfers of officials from one site to another for the similarity of salaries and duties.

A. Reasons behind the formulating of special pay ladders for public servants in the Sudan.

As has been mentioned in the preceding section the salaries and wages system in the Sudan is unified. But later when specialized personnel and technicians began to grow in number the need arose to create special pay ladders for them to attract them to the public service as the private sector gives them a better offer. The trend was to embark on job-evaluation concerning the duties and responsibilities regardless of qualifications. The new pay ladders (called Cadre in the Sudan) started to encompass almost all categories, though it was initiated for professionals and technicians. Equity in
this type of system requires an effective means for the evaluation of jobs with the similar duties and fixing appropriate pay for them.

There are two dominant reasons for special pay ladders in the Sudan:

1. Economical reasons: As the costs of living witnessed an unjustified jump, the salaries and wages were not able to meet the drastic rise in prices. The need for reviewing salaries and wages was eminent.

2. Political reasons: The political system in a developing country like the Sudan strives for the support of the intelligentsia. Special pay ladders is one of the temptations.

3. Professional reasons: This aimed at keeping the professionals especially physicians and engineers performing their basic functions while being promoted. They used to be promoted for management positions. The drastic effect of this can be seen due to the small numbers of professionals.

B. Positive and Negative aspects in the implementation of special pay ladders in the Sudan:

1. The introduction of special ladders pay system without a genuine campaign to fix prices will result in higher rise of prices that absorb the increase in pay granted.

2. Special pay ladder system is based basically upon seniority. After completing a specific period of years the employee automatically goes up the ladder despite his unsatisfactory performance. This is attributed to seniors refraining pointing to the negative properties of juniors.

3. It eliminates competition, which reflects itself on pro-
ductivity as the absence of competition does not compel the
employee to perform well and excel others.

This points out to the contradiction between the rules
of the Public Service Ordinance of 1975 and the special pay
ladders system. The former emphasizes the merit system while
the latter stresses seniority.

4. It creates inequity as it grants certain categories
fringe benefits, e.g. housing allowance and denies others who
perform similar duties.

5. It was not based on a comprehensive review of all public
servants. Lobbying, the strength of trade unions, the poli-
tical pressure they could exert and the personality of the
concerned minister, all affect it.

6. It created dissatisfaction and jealousy among employees
who sought employment in units that give better offers, thus
creating a kind of instability and the continuous mobility.

7. It weakened supervision. This is evident where some
juniors jump automatically to the same grade of the boss. This
relaxes control.

8. It lowered the morale of the employees. It is natural
as colleagues of the same qualifications and experience, and
who perform the same duties, enjoy better terms of service.
It reflected itself in repeated absenteeism and undeclared slow
downs.

The Cadre system, as I have mentioned several times can
only be effective and successful after job-evaluation and
classification. Untimely a Board for this purpose was estab-
lished in 1976. This is like putting the horse before the
wagon.

To conclude this chapter I will review the regulations of the incentives policies embodied in the Public Service Ordinance of 1975, Article (129).

It gives the President the power to confer upon employees who excel in their work, make studies to increase productivity and reduce costs or whose jobs require greater hours of work against personal rest, either of the following incentives:

a) Financial reward that does not exceed the annual basic salary.

b) Training or study-course domestically or overseas without being subjected to regulations governing training.

c) Any kind of medal.

d) Exceptional promotion without being subjected to regulations governing promotion.

As we can see the most effective incentives are financial reward and exceptional promotion. This does not undermine the other types of incentives, but financial reward is more satisfactory to employees where prices go up insanely and frequently.
CHAPTER III

The Policy of Salaries and Wages in the Public Sector

A. Salaries and Wages Policy in Public Corporations

When the revolutionary government took power in May 1969, it declared socialism. In 1971 the government nationalized and confiscated both foreign and domestic private enterprises. An ordinance was enacted to organize the public corporations under the supervision of a supreme committee. But in October 1971 the terms of reference of the Supreme Committee were delegated to the newly created Ministry of Public Service and Administrative Reform. A committee was formed to formulate a pay structure for the employees of Public corporations taking into consideration the pay structure of the employees of the Central government and granting public corporations employees some incentives according to production.

Factors that influenced the pay structure in Public Corporations:

1. The pay structure in the civil service and the public corporations prior to nationalization and confiscation.
2. The rate of pay corporations used to pay to employees prior to nationalization and confiscation.
3. The resources of public corporations and the ability of the treasury to pay through the budget and auditing.
4. Corporation should retain the competent calibre and attract outside expertise to play its role effectively in the

Note: This chapter is mainly based upon "Incentives and Salaries & Wages structure in the Public Service in the Sudan" (by Alsuhi Baniqar, lecturer at the Institute of Public Administration, Khartoum), (in Arabic).
economic and social development.

The committee in designing a pay structure for the Public corporations, had in mind the conspicuous differences between the nature of work in the civil service and the public corporations. The latter require prompt decision-making and immediate action and involves a kind of risk unlike the bureaucratic routine in the civil service. The calibre for such tasks is rare in a developing country like the Sudan and thus it should be rewarded and retained. The committee recommended a wage structure that offers more the prevalent structure of the civil service in order to motivate public corporations employees to increase productivity and maintain a high standard of efficiency.

The table below illustrates the pay structure of the senior executives in Public corporations in Sudanese pounds:

<table>
<thead>
<tr>
<th>Grade</th>
<th>Salary</th>
</tr>
</thead>
<tbody>
<tr>
<td>Grade 1 (A)</td>
<td>3,400</td>
</tr>
<tr>
<td>Grade 2 (B)</td>
<td>3,300</td>
</tr>
<tr>
<td>Grade 2</td>
<td>3,200</td>
</tr>
<tr>
<td>Grade 3</td>
<td>3,100</td>
</tr>
<tr>
<td>Grade 4</td>
<td>3,000</td>
</tr>
<tr>
<td>Grade 5</td>
<td>2,900</td>
</tr>
<tr>
<td>Grade 6</td>
<td>2,800</td>
</tr>
<tr>
<td>Grade 7</td>
<td>2,700</td>
</tr>
</tbody>
</table>

Source: Regulations of Public Corporations (in Arabic).
One of the criticisms voiced against the recommendations of the committee is that the pay structure it designed for the public corporations made the Civil Service employees feel in-equity. Comparison with the wages in the private sector is not valid in a developing country like the Sudan where the private sector is in infancy. Salaries and wages do not retain their actual value with the uncontrollable rise in prices. For this reason the government service in 1952 introduced a cost of living allowance that changes according to prices. The committee reviewed the salaries of the public corporations and the civil service in Great Britain and found the salaries of the chairman of the Board of Directors in public corporations are by far higher than the salaries of senior magistrates and top civil servants. But comparison with foreign countries is invalid due to differences in circumstances and environment. One of the shortcomings is the capability of the public treasury to pay salaries. The surplus in budget or balance of payments may be considered as a healthy symptom. It is difficult to discuss the capability of the public treasury when we combine the general budget with the development budget. Finally some of the public corporations suffered great losses and there is no justification for raising salaries and wages in unprofitable institutions.

Wages of Workers:

In April 1979 the committee formed to design a pay structure for workers in public corporations submitted its report. It evaluated and classified jobs giving each job a score. The end result was:
1. Grade I Segment (180-264):
   This includes manual and unskilled laborers, e.g. guards, messengers, etc. Literacy is required only where illiteracy hinders performance.

2. Grade I Segment (216-300):
   The incumbents work as supervisors for the preceding category or whose jobs required some skill.

3. Grade I Segment (264-384):
   It comprises workers who perform semi-technical jobs, who acquired relevant vocational training and experience. They supervise the above two grades.

4. Grade I Segment (312-444):
   The duties comprise doing specialized technical job and qualifications are acquired by training and experience. Incumbents work as supervisors for the preceding category.

5. Grade 2:
   It includes jobs that require medium skill acquired through training and experience. The duties cover the training of juniors and appraisal of their performance.

6. Grade 3:
   It is for highly skilled laborers.

7. Grade 4:
   The responsibilities include planning, training and supervision of subordinates. It requires both lateral and vertical contacts and communication.

   In its deliberations the committee discovered that in some corporations like Beta Inc. pay was geared to individual production. It recommended that it should be continued along
with complying with the minimum wage rate.

The time has come for establishing manpower planning. Only very lately the International Labor Organization "Human Resources Planning Committee" conducted a study embodied in the report titled "Growth, Employment and Equity, a Comprehensive Strategy for the Sudan." But it is too general and ignored vital details.

Manpower planning contributes in resolving many problems among which are:

1. Raising the standard and skills of workforce in accordance with current technology.
2. Proper utilization of human resources.
3. The distribution of available workforce to the central and regional areas and the determination of needs in this regard.

The Sudan in this critical stage of development suffers from major problems in the area of manpower planning. These problems can be summarized in the following:

a) Scarcity of skilled laborers. The problem was further aggravated by the immigration of skilled laborers to the oil Arab countries where they are well paid.

b) The lack of coordination between education planning and manpower planning. It created an absence of equilibrium between supply and demand.

Types of Incentives in Public Corporations in the Sudan

The Council of Ministers passed a resolution in 11/19/1974 regarding the criterion for incentives for public corporations
as follows:
1. That corporations achieve profit.
2. Salaries and wages should not be considered as incentives.
3. Incentives and rewards should not be considered for part-service benefits.
4. The approval of incentives remains with the authority of the concerned minister.
5. Incentives should only be paid after the fiscal audit report for the fiscal year.
6. In determining incentives individual efforts and competence should be considered and incentives should vary accordingly. Incentives should not be a right to all employees in a corporation for the mere reason that it achieved profit. Only those who did contribute in attaining the profit should receive incentives.
7. The maximum financial incentives should not exceed the salary of two months.
8. The remaining profit should be utilized in financing various needs within the organization or be payable to the Public treasury as stated in the regulations that govern the relationship between the Ministry of Finance and National Economy and the public corporations.
9. Incentives should not be paid in part or all in advance.

It is obvious from the above-mentioned principles that incentives are geared to profit and the contribution of employees in attaining it. But financial incentives are not resorted to in industry in the present time. Some American
researchers advocate that financial rewards do little in motivation due to the long time that elapses between exerting efforts and receiving the reward. A second reason is that a decrease in profit might create dissatisfaction of employees and they accuse management of mal-planning and production organization. Establishing such an incentive creates a lot of problems between management and labor in that it might be an acquired right that can not be removed.

B. Salaries, Wages and Incentives in the Banking Organization

This section is based mainly on my experience as a bank official for over fourteen years. It is needless to mention that the banking organization in the Sudan is not as complex as its counterparts in developed countries, neither in the magnitude nor the types of operations. It is beyond the scope of this paper to review the history of banking in the Sudan; let it suffice that in the end in 1970 all banks, national and foreign became the property of the state. Following nationalization a new ordinance and new regulations governing the terms of service of banks employees were issued. Prior to this each bank had its own terms of service. A central association for all banks employees was formed and indulged in negotiations with the representatives of the government to reach a contract. The negotiations were successful and an integrated ordinance regulating salaries, wages and incentives was endorsed.

The new pay structure comprises of ten grades starting from Grade 10 and moving downwards to Grade 1. New entrants
with high secondary school education are positioned in Grade 10, while those with college education are appointed in Grade 9. Advancement occurs by competitive promotions:

<table>
<thead>
<tr>
<th>Grade</th>
<th>Title</th>
<th>Salary</th>
</tr>
</thead>
<tbody>
<tr>
<td>Grade 10</td>
<td>Employee</td>
<td>576</td>
</tr>
<tr>
<td>Grade 9</td>
<td>Employee</td>
<td>648</td>
</tr>
<tr>
<td>Grade 8</td>
<td>Employee</td>
<td>720</td>
</tr>
<tr>
<td>Grade 7</td>
<td>Deputy of sub section</td>
<td>1,128</td>
</tr>
<tr>
<td>Grade 6</td>
<td>Head of Sub Section</td>
<td>1,416</td>
</tr>
<tr>
<td>Grade 5</td>
<td>Head of Section</td>
<td>1,776</td>
</tr>
<tr>
<td>Grade 4</td>
<td>Assistance Manager</td>
<td>2,208</td>
</tr>
<tr>
<td>Grade 3</td>
<td>Deputy Manager</td>
<td>2,580</td>
</tr>
<tr>
<td>Grade 2</td>
<td>Manager Branch</td>
<td>3,040</td>
</tr>
<tr>
<td>Grade 1</td>
<td>Assistant Manager General</td>
<td>3,300</td>
</tr>
</tbody>
</table>

The manager general and his deputy are appointed by a Presidential decree under separate terms of service. The pay structure displayed in the above table illustrates the annual basic pay. In addition employees are entitled to some fringe benefits as the following table shows:

<table>
<thead>
<tr>
<th>Grade</th>
<th>Housing Allowance</th>
<th>Transportation Allowance</th>
<th>Social Allowance (for married only)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Grade 10</td>
<td>-</td>
<td>10</td>
<td>15</td>
</tr>
<tr>
<td>Grade 9</td>
<td>-</td>
<td>10</td>
<td>15</td>
</tr>
<tr>
<td>Grade 8</td>
<td>-</td>
<td>10</td>
<td>15</td>
</tr>
<tr>
<td>Grade 7</td>
<td>-</td>
<td>10</td>
<td>15</td>
</tr>
<tr>
<td>Grade</td>
<td>Housing Allowance</td>
<td>Transportation Allowance</td>
<td>Social Allowance (for married only)</td>
</tr>
<tr>
<td>-------</td>
<td>------------------</td>
<td>--------------------------</td>
<td>-------------------------------------</td>
</tr>
<tr>
<td>Grade 6</td>
<td>20</td>
<td>10</td>
<td>15</td>
</tr>
<tr>
<td>Grade 5</td>
<td>20</td>
<td>10</td>
<td>15</td>
</tr>
<tr>
<td>Grade 4</td>
<td>80</td>
<td>20</td>
<td>15</td>
</tr>
<tr>
<td>Grade 3</td>
<td>100</td>
<td>20</td>
<td>15</td>
</tr>
<tr>
<td>Grade 2</td>
<td>120</td>
<td>20</td>
<td>15</td>
</tr>
<tr>
<td>Grade 1</td>
<td>120</td>
<td>20</td>
<td>15</td>
</tr>
</tbody>
</table>

For Grades 1 and 2 an allowance equal to 7.5 percent of the basic salaries is paid to meet the expenses they expend in meeting clients in their offices.

**Incentives:**

The new regulations cited various types of incentives for bank employees. It stated the following:

1. In case of profit the employees are entitled to a bonus paid once according to the contribution of each individual on the condition that the bonus does not exceed the basic pay of two months.
2. Competent and hardworking employees may be entitled to more than one annual increment.
3. An employee who devises means or procedures to increase productivity or to reduce costs, or that who acquire academic or professional qualifications related to the bank's operations in his own time and at his own expenses, may be entitled to a financial incentive not exceeding one hundred Sudanese Pounds.
4. Employees who spend three years or more in branches in remote areas of the country may be entitled to a financial incentive, an exceptional promotion or both.

Taking the pay structure and the incentives in mind I would like to make the following comments:

1. The positions of General Manager and Deputy General Manager are not attained by promotion. In many cases, incumbents were brought from outside the organization. This has its adverse effects on the morale of top managers who look forward to top management positions.

2. The range of the pay structure is limited to ten grades. In actual practice it means that employees are frozen in respective grades for a long period of time, sometimes five years.

3. The distinction embodied by the pay structure is negligible and thus promotion does not work as one of the strongest incentives as it is supposed to do.

4. The fringe benefits and various allowances constitute a substantial portion of the pay. But they are not taken into account in calculating post-service benefits, i.e., gratuities and pensions. Though the employees enjoy the fringe benefits during their working service, they are denied it on retirement.

5. Promotions are only made when there are vacant positions. The number of positions in senior grades is limited and the chance of promotion is narrow as the number in lower positions outnumber the upper positions several times. This bottleneck demoralizes employees.

6. The current pay structure was the result of collective bargaining after the nationalization of banks in 1970. Since then the prices witnessed a hysterical rise. This rendered the pay
structure obsolete and incompatible with the market. Lately an increase of 10 percent was agreed upon after the intervention of an arbitration committee. It was also decided to grant employees from Grade 10 to Grade 5 a housing allowance.*

7. Lately the government reviewed its policy regarding banking activities and permitted the establishment of foreign commercial banks, e.g. Chase Manhattan, the Afro-Arab Bank, First National City Bank, Faisal Islamic Bank, etc. The terms of service they offered were by far better than the terms of service of nationalized banks. Many employees left and worked with foreign banks. This signals the need for the revision of the pay structure.

8. The distinction between employees with secondary school education and those with college education is negligible. The former are appointed in Grade 10 and the latter in Grade 9. This situation does not tempt and attract college graduates.

9. Incentives are geared to the basic salaries. This is most unjust and unfair as it does not take into account the efforts exerted by each individual. No matter how vigorously he contributes his award is confined to the basic pay he receives.

10. The principle of pay and financial incentives for employees who work in remote areas can be justified in that it compensates them for the hardships they encounter. But it should not be taken into account in promotion. This means rewarding him twice.

These are the main criticisms against the pay structure and incentives in the banking organization in Sudan.
Conclusion

Incentives are essential to motivate individuals to identify themselves with the organization in order to achieve its goals and objectives. The special pay ladder initiated in the Sudan and the various types of incentives embodied in the law and regulations of the Civil Service can only prove useful if they are reviewed, taking into account the following factors:

1. The introduction of job analysis to different types of jobs in an endeavor to establish performance rates and criteria for each job. To organize the execution of duties each job should be supplemented with specific and clearly defined objectives.

2. A proper and reliable system for the evaluation of performance should be established along with the means and methods that secure its accurate application. This has a great and favorable impact in motivating employees and raising their morale.

3. Disciplinary regulations governing the performance and conduct of employees should be reviewed to parallel offence and penalty.

4. The methods of supervision and discipline should be developed.

5. Modern theories and concepts of management, e.g. management by objectives, should be introduced to enrich the practice particularly in corporations that are founded for profit. It is easy to measure performance and productivity here.

6. The structure of pay for officials and employees should be revised to provide for pay according to responsibilities, duties
and degree of physical or mental involvement.

7. Before indulging in any incentive plan, a satisfactory wage system that is satisfactory to employees should be worked out. If this is not secured incentive policies are doomed to fail in motivating employees and increasing productivity.

8. The formation of incentive plans should be confined to management alone. The representatives of employees should participate in the decision to avert any future disputes.

I do not claim that these recommendations represent the best method to reform the pay structure and the incentive plans, but I hope they will stimulate others to contribute more towards a complete solution.

A very interesting paper and treatment of incentives but many of your points rest upon assumptions (e.g., cost, autonomous operation, cost objectives) which are not always present.
1955.
CONCLUSIONS

In the preceding chapters I tried to put in perspective my personal experience as a bank employee for 15 years, together with what I gained from my study in the Institute of Public Administration at The Pennsylvania State University. Hopefully, the following conclusions and recommendations reflect some of the new management techniques and systems analysis that, if applied, can encourage the development of a better banking system which will in turn aid the general economic development of the Sudan.

Administrative and Structural Organization

1. Since its nationalization, the banking system is now under government supervision. The Central Bank is entrusted with the responsibility of coordinating and directing that system. It would be beneficial to look into the budgeting, accounting and management methods that are existing with a view to unify those methods. Cooperation and coordination are very difficult under the existing diverse methods. It is only through a unified working method that we can guarantee a more subjective and positive analysis. The application of new ideas will then be much easier. Increased training of employees, and exchange of experiences between banks must be emphasized, in addition, the use of unified information for research purposes is vital.

2. The existing government supervision maintains some degree of specialization for each bank, but each speciality is not clearly
designed. Duplication and overlap can be stopped if goals, objectives, and types of services for every bank are clear. The government can do this through new rules and regulations that provide terms of reference for work and boundaries for every existing bank.

3. We recommend the establishment of a new center for information systems where all banks can have access to necessary client information. The lack of a reliable information system is one of the major drawbacks to the banking system.

4. The existing network of banks should be expanded to cover the whole country. There are certain areas which still lack adequate banking services.

5. There is a need to educate the people to be more aware of the benefits of banking, and to be more involved with banking transactions. A program explaining and advocating the use of the banking system should be instituted.

Economic Development and Financing

1. It is too soon to evaluate the effect of nationalization upon the banking system although there has been a limited increase in the volume of investments. However to further encourage investment, there are several other actions that should be taken. First, new mercantile laws should be created that would provide for expedient procedures to provide necessary guarantees for businessmen and investors. Second, the creation of a Stock
Exchange Market to facilitate dealings in stocks and bonds and introduce new dimension to the money should be created.

2. An active role by the banking system in financing new development projects is necessary given the prevailing economic circumstances of the Sudan; financial resources are very tight and limited. The Central Bank of the Sudan together with other commercial banks should have more opportunities to be involved in drawing policies for development schemes that they have to finance. This will coordinate development policy and fiscal responsibility. In addition, the execution of bank financed projects will improve.

Specialized Banks

The Agricultural Bank

This bank is responsible for financing private and public agricultural sector and cooperative projects. In order to do this successfully, there is an urgent need to strengthen its financial resources. The bank should have a considerable degree of involvement with Ministry of Agriculture in drawing up and coordinating development plans for this sector. Efficiency and effectiveness of the Agricultural Bank might be increased by paying more attention to research units and finding new alternatives for providing extension services to farmers and agricultural investors.

Industrial Bank

The Sudan is still in the initial stage of its industrial development. The Industrial Bank will have a very essential role to
play in the near future as the industrial capacity of the Sudan grows. It will not be able to reach its potential unless it has a strong capital reserve to provide loans for the industry. The bank should also be able to work as an information center for providing the industry with updated information and to compensate for the lack of expertise in this area. Industrial planning for the country should be a cooperative effort between the Ministry of Industry and the Industrial Bank.

Real Estate Bank

The Real Estate Bank can have a significant effect on the existing housing problems of the country by initiating or financing middle and lower income housing projects. The bank should be more positively involved in doing research in related areas, such as in making use of local building materials and developing cost containment procedures of the building industry. More attention should also be given toward developing technical and research units of the bank.

General Considerations

The specialized banks should be allowed to draw long and short term loans with lower interest rates from commercial banks. The banks then, according to their specialization can, reinvest those loans in specific areas of development. A certain percentage of the outside loans and aid for the Sudan should be directed toward strengthening the capital of specialized banks by transferring some of these funds
to these banks at interest rates competitive with international loans. The banks can benefit from this hard currency and repay in local currency.

The new trend of encouraging specialized banks to open savings accounts will divert those banks from their major functions. They will go into competition with the commercial banks in areas that they are the least qualified for. It is our contention that specialized banks should confine themselves to what they were established for in the first place.

**Savings Bank**

The existence of savings banks to compete with commercial banks for the limited financial resources will only hamper the ability of commercial banks to find the money they need. We recommend the amalgamation of new savings banks into the commercial banks and opening of new branches in areas that are in need of banking services.

The Postal Savings Associations are also providing saving services in remote areas of the country where the banks cannot operate successfully. Postal saving services might be continued provided that these savings be put into commercial banks.

**Foreign Banks**

The government has recently allowed foreign banks to operate side by side with national banks. This decision will have future effects on the banking system and its role in economic development.
It will provide new dimensions of competition and the banks will need to gain more expertise in their endeavor to compete with this competition. Our recommendations in this area include the following:

1. We are against putting severe restrictions on foreign banks as they will be more reluctant toward extending services. Mutual benefits between the state and foreign banks should be maintained by drawing clear agreements to that effect. On the other hand, we don't agree on giving more concessions to the foreign banks to the detriment of the national banks of the Sudan. There should be a balance between what we will gain from the existence of those banks and what profits that they might gain.

2. To enable national banks to be in a position to compete with foreign banks we recommend the following:

   a. Improvement of banking services by more training for employees. This can be accomplished by establishing training centers, and making proper use of abroad training to import new techniques of management.

   b. More autonomy should be given to the boards of commercial banks so that they can be able to make their own decisions in matters of day-to-day administration.

   c. Branch managers should be delegated more powers. Building a sense of responsibility will give those managers more confidence in their abilities.

   d. The profit motive should not be overlooked. It should not give way to the argument that nationalized banks should be looked upon as service providing institutions.
Service provision should be left to the existing social agencies.

e. Employees of national banks should have working conditions, benefits and status compatible with their colleagues working with foreign banks. This will discourage employee exodus and preserve the needed qualified personnel.

f. Recruitment, promotions and training should be made on equitable bases and a merit system that will give each and every employee the chance to bring out his best.

Bank Employees

A successful banking system depends to a great extent upon the efficiency of its employees, which is dependent on their love of their work and satisfaction with their rewards. It is due to this fact that we devoted an entire chapter to deal in some detail with the question of salaries, wages and incentives as means of work development and stability. There is now more demand for a system of incentives that will enable national banks to compete with foreign banks in keeping their best employees. That system should include the following:

1. Incentive plans should be simple and understandable to the employees in order to avoid any conflicts between management and employees.
2. Incentives should encourage and reward those who are more productive.

3. Unions or representatives of employees should be allowed to participate in preparing incentive plans or programs and in the implementation process. Obtaining feedback from employees is essential to the success of any incentive plan.

4. Tangible rewards or monetary incentives often represent the best motivation.

5. Individual incentives have always proved to be more effective than overall or collective bonuses, because the individual feels that his outstanding efforts are rewarded. But to preserve the spirit of cooperation between the employees, and because of the special nature of banking services there should be frequent collective rewards and incentives. This will develop the spirit of teamwork needed for providing better services for clients.

Incentive systems should be flexible so that they can be evaluated and changed when there is a need to do that and to cope with the economic and social changes in the community. This system should also be preceded with an equitable salaries and wage system. We have mentioned in some detail the salaries and pay system that we prefer.

How to Attract Emigrant’s Remittances

In our research we have dealt with the question of the remittances of Sudanese citizens who are working abroad. We designed
a model that People’s Cooperative Bank can apply to improve performance and provide quick and reliable services for emigrants. As we mentioned before a large number of Sudanese are working in oil rich countries. These citizens have large incomes that might be useful in covering some of the country’s needs for hard currencies essential to its development projects if those earnings are brought back to the Sudan. It is essential to interest citizens working abroad in the idea of home investment of their savings. This may be done through providing incentives, e.g., higher interest rates for their savings and some concessions on their imports. Here are some of our recommendations:

1. Banks should provide improved services for emigrants and provide them always with up-to-date information upon what benefits they can get by remitting their savings.

2. Special branches or departments should be established to meet the needs of emigrant investments and savings.

3. Banks should extend their reach to where the majority of Sudanese are working by opening branches in countries like Saudi Arabia or Kuwait whenever possible.

4. Simplification of banking procedures will help this kind of client to have more interest in dealing with national banks. The government can contribute toward facilitating banking services in this area by providing the banks with data about the number of emigrants and the averages of their earnings so that proper research should be done on how to attract them to remit their monies.
During my course of service with People's Cooperative Bank, I suggested sending some delegates from the bank to explain whatever incentives or concessions they might get by remitting their savings in the Sudanese banks. Together with some of my colleagues we went to some countries where there are considerable numbers of Sudanese employees. We were successful in explaining the bank's policies toward the emigrants. We think that other banks can implement the same idea and send delegates abroad to explain their policies toward emigrants.

Final Notes

1. The Sudan is now moving toward an open economic system which encourages foreign investment and this needs an effective and efficient banking system that might help the government to implement its development plans.

2. During my stay in the United State I noticed that American banks are using the computer system with a great success. I recommend the introduction of computer systems into the Sudanese banking system. It will be very effective in organizing the work, expanding it and providing accurate records and analysis.

3. Last but not least, it is in order to mention here that the lack of relevant material and accurate data concerning the Sudanese banking system, and the lack of previous research done in this area were among the difficulties that hampered my efforts toward producing a much better research paper. There are many areas to be discovered and researched, e.g., the ability of Sudanese banks to be more
aggressive in taking business adventures and getting more involved with more daring projects sharing both losses and profits. I am sure that my colleagues, who in the future will undertake research or have the chance for further studies will be more successful in covering some of the areas that I failed to cover. I hope also that some of my recommendations and suggestions might find some attention from the people concerned in the government and the banking system and that some efforts might be made in implementing some of them.
VITA

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