REGIONAL DISTRIBUTION OF PUBLIC AGRICULTURAL CREDIT IN THE SUDAN

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CONTENTS

List of Tables
Acknowledgements
Abstract

Chapter I: Introduction
1-1 The Statement of the Problem and objective of the study 1
1-2 Research Methodology 4
1-3 Problems encountered in data Collection 6
1-4 Outline of the Study 8

Chapter II: The Role of Agricultural Credit
in Economic Development
2-1 The Role of Credit in Development 11
2-2 The Role of Credit in Agricultural Development 13
2-3 The need for Agricultural Credit in the Sudan 17
2-4 The Evolution of Agricultural Credit in the Sudan 21
2-5 Concluding remarks 25

Chapter III: Regional Distribution of Public Agricultural Credit
3-1 An Overview 30
3-2 Agricultural Bank of Sudan as a source of Public Credit 31
Chapter IV: Regional and Sub-sectoral Distribution of Agricultural Credit

6-1 Major Agricultural Production Systems and their Regional Location 51

6-2 The Distribution of Total Public Credit to the Agricultural Sub-sectors 61
- iv. -

4-3 Sub-Sectoral Distribution of Credit from the Agricultural Bank.

62

4-4 Concluding Remarks

64

CHAPTER VI. Public Investment and its Regional and Sub-Sectoral Distribution to the Agricultural Sector.

6-1 An Overview

68

5-2 The Ten Year Development Plan

1961/62 - 1970/71

70

5-3 The Five Year Development Plan

1970/71 - 1974/75 (extended to 1975/77)

73

5-4 The Six Year Development Plan

1975/76 - 1980/83

77

5-5 An Appraisal

81

5-6 Concluding Remarks

85

CHAPTER VII. The Allocation of Public Agricultural Credit in the Southern Region

6-1 An Overview

91

6-2 Agriculture in the South

93
| 6-1 | Sources of Agricultural Credit and its Provincial Distribution | 95 |
| 6-2 | The Role of the Regional Ministry of Agriculture and Natural Resources | 95 |
| 6-3 | The Role of the Agricultural Bank of Sudan | 98 |
| 6-4 | The Role of Regional Development Corporation | 104 |
| 6-5 | The Role of Foreign Aid in Agricultural Development | 107 |
| 6-6 | Concluding Remarks | 111 |

**CHAPTER VII: Summary, Conclusions and Recommendations**

| 7-1 | Summary | 115 |
| 7-2 | Conclusions | 121 |
| 7-3 | Recommendations | 123 |

Footnotes

Bibliography
<table>
<thead>
<tr>
<th>Table</th>
<th>Description</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.1</td>
<td>The Annual Contribution of Agricultural Sector to the Sudanese Economy 1973-1983</td>
<td>17</td>
</tr>
<tr>
<td>2.2</td>
<td>Total Loans extended by the Colonial Government to the Agricultural Sector 1973-1997</td>
<td>24</td>
</tr>
<tr>
<td>3.1</td>
<td>Total Annual Loans Disbursements from the Agricultural Bank to the Agricultural Sector 1955-1964</td>
<td>35</td>
</tr>
<tr>
<td>3.2</td>
<td>Regional Distribution of Loans from the Agricultural Bank and the Corresponding Regional Distribution of Population</td>
<td>38</td>
</tr>
<tr>
<td>3.3</td>
<td>Loan Allocations from the Bank of Sudan to various Public Agricultural Corporations 1971-1964</td>
<td>44</td>
</tr>
<tr>
<td>3.4</td>
<td>The Total Amount of Loans advanced by the Public Commercial Banks to the Agricultural Sector 1975-1981</td>
<td>46</td>
</tr>
<tr>
<td>3.5</td>
<td>The total amount of Loans advanced by the Sudanese Savings Bank to the Agricultural Sector 1976-1982</td>
<td>48</td>
</tr>
</tbody>
</table>
Table 4.1  The estimated total Cultivated area by Farming and Operating Systems 1979

Table 4.2  The Distribution of Public Credit to Agricultural Sub-Sectors 1980-1984

Table 4.3  The Regional Distribution of Credit from the Agricultural Bank to the Sub-Sectors

Table 5.1  The Allocation of Public Investment to the Agricultural Sub-Sectors for the Plan Period 1961/62 - 1970/71

Table 5.2  The Allocation of Public Investment on Agriculture in the Plan Period 1970/71 - 1974/75

Table 6.1  Provincial Distribution of Agricultural tools to Farmers in the Southern Sudan 1973

Table 6.2  The Distribution of Seeds to Farmers by the Regional Ministry of Agriculture, 1973
| Table 6.3 | The Distribution of Credit from the Agricultural Bank to the Southern Region 1982 - 1984 | 103 |
| Table 6.4 | The Regional Allocation of the Regional Development Corporation Loans in the Southern Region 1974 - 1982 | 105 |
| Table 6.5 | The estimated Central Government and Foreign Aid expenditure on Agriculture in the Southern Region 1975 - 1980 | 109 |
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ABSTRACT

Agriculture is one of the most important sectors in the Sudanese economy. It constitutes the main source of income for the vast majority of the rural population and provides basic food requirements for the urban population. Over 60 percent of the Country's population are currently engaged in agriculture and other related activities. The contribution of agricultural sector to the total government revenues is considerable since about 90 percent of foreign exchange earnings is derived from agricultural exports. Thus the whole economic activity of the Country relies heavily on agricultural production, with the overall import capacity and consequently the procurement of investment capital goods largely dependent on the foreign exchange earnings arising from agricultural exports. Furthermore, public revenues obtained from the sale of agricultural surpluses contribute mostly to the financing of various non-agricultural activities in the urban sector. Agriculture is also responsible to a great extent, for supplying most of the inputs and raw materials to the manufacturing industries in the Country.

Given the importance of agriculture in the economy of the Country, the provision of agricultural credit has played a greater role in the expansion and improvement
of the overall agricultural output. Due to the weak financial position of the farming community in the Country, the extension of public credit to support the farming activities has been a top priority. Hence, the main aim of offering farm credit is to shore up the financial position of the farmer in order to enable him acquire the essential agricultural inputs which he cannot afford from own resources. The provision of credit enhances the production capabilities of the farmer and help raise the income earning capacity of the individual farmer in particular and the whole Country's economy in general.

The aim of this study is to examine the provision of public agricultural credit and its regional distribution to various regions of the country and the consequent effect on the development of agriculture in each respective region. The study also attempts to show the extent to which the regional distribution of agricultural credit has reinforced and perpetuated the existing regional disparities in agricultural development and its concomitant unequal economic, political and social development in the Country.

The conduct of the research has made use of the information based on the Statistical records pertaining
the public financial institutions, particularly the Agricultural Bank and the Bank of Sudan. Other sources of information included direct discussions with the top and middle-ranking officials involved in the formulation and implementation of public credit and other related agricultural policies.

The study has shown that the distribution of public credit to the agricultural sector among the regions has been unequal. This unequal regional distribution of credit goes back to the Colonial days during which most of the public financial support and particularly agricultural credit went to the Central and Eastern regions of the Sudan. During the post-Colonial, the flow of public funds to the same area continued unabated. This trend of distribution of public funds has polarized the country into rich agricultural regions where public credit support has been greater, and the poor regions where there has been non or less public flow of public credit. Thus, the existing regional inequality in agricultural development is a result of a development pattern which favors geographical concentration of public credit allocation, as well as public access such as industries, power and energy, roads, educational and health facilities, transport, etc.
The study has also indicated that most of the public credit has been going to the modern agricultural sector. The modern sector accounts for a large proportion of the agricultural income. Since the modern sub-sector is concentrated in the Central and Eastern regions, the problem of regional inequality has been aggravated by the existing disparities of per capita incomes between the modern and traditional farming sub-sectors.

The unequal regional distribution of public agricultural credit has been largely responsible for the present regional inequality in agricultural development in the Sudan. This inequality has somehow naturalized regional prejudices which exacerbated into the current regional conflicts. In order to ameliorate these regional conflicts, the distribution of public credit and other national resources should be allocated proportionately. Substantial amounts from public revenues should be directed to the development of agriculture in less developed regions of the South and East. Such development should be formulated, supervised and implemented by the local cadres who come from the same regions. It is also important that equal participation of the regions in the political decision-making as well as in the distribution of national resources should be encouraged so as to allow equal access to the benefits of economic progress in the country.
CHAPTER ONE

INTRODUCTION

1.1 THE STATEMENT OF THE PROBLEM AND OBJECTIVES OF THE STUDY

The Sudan is currently faced with serious crises. The economy is in shambles, with a foreign debt of about $15.3 billion and a devastating drought and desertification which made considerable havoc to crops and pasture resulting into the displacement and the death of many thousands of people and livestock. 1 The agricultural production which is the main backbone of the Country's economy has been greatly curtailed due to failure of rain for the last four consecutive years, thereby affecting adversely the country's foreign earning capacity and setting-off the balance of payments problem.

At the political front the country is locked in a bloody civil war which is seriously sapping the country's meagre resources. This is in addition to the prevailing social discord over the introduction of tough and stringent Islamic laws, which threaten to destroy the tenuous social fabric of the multi-racial and multi-religious Sudanese Communities. The wrangling over the introduction of Sharia Islamic laws was the leading force behind the popular uprising in April 1985 which brought down the sixteen year rule of President Nimeiry's dictatorship.

Since independence, Sudan has been continuously buffeted by regional movements and conflicts which to a large
extent have been plausibly blamed on the Colonial divisive policies. Whatever explanations given by the politicians, the Sudan’s regional conflicts are basically and purely political and economic reactions to the internal distribution of political and economic power in the country. In recognition of this fact, the Southern Region was granted an autonomous rule through the 1972 Addis Ababa agreement. The rest of the regions were later granted an equivalent regional rule in 1980, taking the experience of the Southern Region’s autonomy into consideration. The aim was to assuage the needs and aspirations of the various regions of the Sudan, by giving them equal opportunity to exploit and develop their local resources effectively.

The expressed complaints from the regions, especially the least developed ones were their opposition to the political and economic hegemony of the Northern and Central Regions. Most of the political and economic power was tightly in the grip of these two regions. The distribution of national resources in the form of development expenditure, public credit, or other public resources, were readily snatched by the regions which monopolize the political and economic power.

The aim of this study is to examine the pattern in which public agricultural credit, as one instance of public expenditure was allocated to various regions. The choice of public agricultural credit as a demonstration case study of the unequal distribution hypothesis is pertinent
due to the important position of the agricultural sector in the Sudanese economy. Since the agricultural sector claims the largest share of the Country’s investment resources, the regional distribution of public agricultural Credit will considerably indicate the distribution pattern of most of the national resources to various regions of the Sudan.

The reasons behind the existing regional inequality in agricultural development in the Sudan features as the main core of the study. The intention is to confirm the belief that the least developed regions obtain less than their proportional share in the national distribution of public agricultural credit and other public financial support to the agricultural sector. This leads to the closer look at the volume and sources of the public agricultural credit, its pattern of distribution, and the share of each region in the allocation.

The factors behind the present trend of regional distribution of credit and the intersectoral allocation of credit are also discussed. Thus the investigation arrives to the fact that the present regional inequality in agricultural development in the Country is greatly attributed to the unequal allocation of public Credit. The unequal distribution of credit is mostly responsible for the existing polarization of the Country into the rich agricultural areas of the Gezira, Gedarif and Kassala in the Central and Eastern regions where irrigated and mechanized farming of cotton
to the present trend of allocation of public investment resources to the regions and the agricultural sub-sectors. The main sources of secondary data were the statistical records and other information obtained from the Agricultural Bank of Sudan, the Central Bank of Sudan, Public Commercial Banks, etc. Other sources include information extracted from the current literature on public credit operations, an assortment of reports and studies on the credit activities of various financial institutions, academic journals, and other policy statements that pertain to the Sudanese economy in general and the public credit policy in particular.

In the process of collecting the secondary data, frequent visits were made to the following agencies or institutions: the Central and Regional Ministries of Agriculture in Khartoum and Juba, especially the Department of Planning and Statistics, Economic Research Unit, the Central Statistics Department, the Bank of Sudan, etc. The Agricultural Bank of Sudan was the main source of the data used in the study, where most of the information was extracted from the Regional Credit Division, the Follow-up and Evaluation Division, and many other relevant divisions within the bank.
-3 PROBLEMS ENCOUNTERED IN DATA COLLECTION

The poor data base in the country and the lack of reliable statistical records on all social and economic aspects of the country has been a handicap in this research. This is in addition to the bureaucratic red tape and the usual procrastination from the officials. To arrange a simple meeting with one of the officials was not an easy task and it nearly took at least one or two weeks to arrange such a meeting. Furthermore, many officials were reluctant and uncooperative. This was presumably due to the nature of the problem under study. The problem of regional allocation of public credit or public investment for that matter, is a sensitive issue to most of the officials who are responsible for policy formulation and implementation in the Central Government. Given the current political environment, the discussion of the distribution of national resources, albeit the public credit, raises undesirable war political and economic connotations. With the civil/war going on in the country, the question of unequal development resulting from unequal allocation of national resources is currently one of the hottest issues under review. Hence, most of the informants were rather more cautious and tried to withhold or misinform on some vital aspects of the credit allocation.

In the Southern region, the problem encountered in the collection of data was basically the lack of recorded statistical data. This was in addition to the problem of
lost or displaced information as a result of the recent redivision of the administrative apparatus of the Southern Government. This administrative break-up led to the dislocation and the replacement of many knowledgeable top and middle-level government officials, and the consequent loss and misplacement of valuable recorded data. The current civil strife in the South raised the security problem and rendered the interregional free movement and field visits in the South impossible.

In the light of these difficulties the data collected from the South was sparse and not so comprehensive. Most of the data used in the study were extracted from the information compiled in the Regional Ministries of Agriculture and Finance in Juba, especially in the Departments of Statistics, the Departments of Loans and Credits, the Regional Development Corporation (R.D.C.), and the Agricultural Bank of Sudan, Juba Branch. Personal and direct discussions with responsible officials were not very informative due to the fact that most of them were new to their present assignments and had no much information about the past activities or policies when the Southern Administration was still one.

In conclusion, it is important to point out that the Research Methods used in this study have taken note of the difficulties and problems encountered in the process of data collection. The interpretation of the data has also taken care of the shortcomings cited above.
I. **Chapter One**: Deals with the theoretical framework of the study. It addresses the examination of the role of agricultural credit in economic development in general, and in the Sudan in particular. The chapter also traces the historical evolution of the agricultural credit system in the Sudan and its consequent impact on the agricultural development of the country. An attempt is also made to examine the objectives, programs, and policies of agricultural credit in the country.

III. **Chapter Three**: Tries to show the source and volume of public agricultural credit. It closely looks at the distribution of this credit from various public financial institutions to different regions of the Sudan.

IV. **Chapter Four**: Attempts to examine further the sub-sectoral allocation of public credit to the three agricultural sub-sectors of irrigated, mechanized rainfed and traditional farming. Also the source and volume of credit allocated to each sub-sector and the effect of this allocation, plus the role it has played in the development of agriculture in various regions of the Sudan is widely discussed.

V. **Chapter Five**: Briefly examines the past development plans
and the pattern of allocation of development projects and other investment expenditures to the various regions of the Sudan. A comparison is also made between the colonial policies and the post-colonial policies of economic development and the reasons behind the present concentration of agricultural development on the Riverain areas of the Blue and White Niles.

VI Chapter Six: deals specifically with the Southern Region which is the least developed region of the Sudan. The agricultural potential of the region and the share allocated to this sector from the national investment resources by the Central Government is also examined. The sources and volume of credit allocated to the agricultural sector in the Southern Region from public financial institutions is further discussed. A brief look at the role of foreign assistance in the development of agriculture in the region is also made in this Chapter.

VII Chapter Seven: Summarizes, concludes and give recommendations, with regard to the increase of the volume of credit and the reformation of the pattern of regional distribution of credit as well as investment resources, in favour of the least developed regions.
FOOT-NOTES

1. The Jabel region was hit by drought in 1982-1985 and Sudan was one of the countries worst hit by drought and desertification in 1981/1985.

2. The Southern Region was granted autonomous Self-Rule in the Peace agreement in Addis Ababa 1972. The remaining regions in the Northern part of the country were granted Regional Governments in 1980 taking into consideration the experience of the Southern Regional Autonomy.
CHAPTER TWO

THE ROLE OF CREDIT IN AGRICULTURAL DEVELOPMENT

2-1 The Role of Agriculture in Development

The role of agriculture in economic development has been traditionally viewed as basic and supportive. Based on the historical experience of Western Countries, economic development was seen to require a rapid structural transformation of the economy from one predominately focused on agricultural activities to a more complex, modern industrial and service society. In Europe, Japan and the United States, for example, a dynamic agriculture led and in some instances accompanied the process of industrialisation and growth. Thus the primary role of agriculture in economic development was to provide sufficient low-priced food and manpower to the ever expanding industrial economy, which is the most dynamic leading sector in any overall strategy of economic development.

Among others, Arthur Lewis’s famous two-sector model is an outstanding example of a theory of development that places heavy emphasis on rapid industrial growth with an agricultural sector, fuelling this industrial expansion with its cheap food and surplus labor. However, the contemporary economists are less enthusiastic about the desirability of placing such heavy emphasis on rapid industrialization.
Perhaps more importantly, they have come to realize that, far from being a passive supporting sector in the process of economic development and the handmaiden of industry, the agricultural sector in particular and the rural economy in general need to be viewed as the dynamic and leading elements in any overall strategy, at least for the vast majority of developing Countries.

In the light of this fact, the 1970s witnessed a remarkable transition in development thinking - one in which agricultural and rural development came to be seen as the sine qua non of national development. Without such agricultural and rural development, industrial growth would either be stunted or distorted, thereby creating such severe imbalances in the economy which would in turn lead to pronounced widespread problems of poverty, inequality and unemployment.

Thus the development of agriculture, owing to its initial importance in a country's economic structure, plays a crucial role in establishing the framework of industrialization. The agricultural sector, for instance, must provide, in large measure, the factor supplies for industry, it must provide food for an urban industrial population, and it must contribute to the market for industrial goods; if the demand for goods is to be sufficient to justify their production domestically. For the agricultural sector to release labor, to provide savings, to supply food and to contribute to the market for industrial goods it must generate a steadily rising
surplus of production in excess of subsistence needs. Since land is relatively fixed in supply, this requires raising agricultural productivity through intensive use of capital.

The Role of Credit in Agricultural Development

In view of the fact that agriculture constitutes the most important sector in the process of economic development, especially in the early stages of development, it becomes imperative that necessary resources must be directed to this sector. Substantial transformation of the agricultural sector cannot be achieved without extensive application of capital which is essential for purchasing the various kinds of agricultural inputs.

Thus the role of capital in the development of agriculture has been frequently highlighted by development economists. Professor W. Rostow defines the process of take-off into sustained growth: "as a function of a critical ratio of investment to national product". He continues to argue that a successful transition cannot be achieved without increase in investment and exploitation of backlog of innovations on the society's land.

Arthur Lewis also describes the process of economic development: "as one of transforming a country from being a five percent saver and investor to 12% saver and investor."
In view of such analysis from sustainable development theories, capital is considered to be a basic component in the process of economic development, because it enhances the contribution of the other complementary factors of land and labor. The absence of investment capital limits the chances of expansion and consequent development of agriculture and industry, especially in the early stages of development.

The efforts of many developing countries in undertaking successful investment programs to effectively utilize and develop the agricultural sector have been seriously hampered by the lack of domestic resources. Hence, if agriculture is to change from its subsistence level, then large amounts of capital must be channeled to this sector. 

Economists have pointed out that the low productivity of farm labor in developing countries is due to the lack of specific inputs, research, education, and technology that entails big sums of money which the farmer cannot meet from own private sources. He asserted that the most practical and economical approach to achieving noticeable increases in agricultural productivity lies in enhancing the efficiency of the existing agricultural production through improvements in the quality of inputs, and by application of advances in knowledge and modern technology on a broad front.

If subsistence agriculture is to be transformed in the rural areas, it is essential to accumulate capital which is
technologies and innovations in farm practices which, can help in bringing about sustained improvements in levels of output and productivity. In many parts of Africa and Latin America, however, increased output has been achieved without the need for new technology, simply by extending cultivation into unused but potentially productive lands. Most of these opportunities have by now been exploited and there is not much scope for further significant improvement.

In the last two decades two major sources of technological innovations have helped to increase farm yields in the developing countries. The first is the introduction of mechanized agriculture to replace human labor. The use of labor-saving machinery (e.g. tractors) has had a dramatic effect on the volume of output per worker, especially where land is extensively cultivated and labor is scarce. Secondly, the use of biological (hybrid seeds) and chemical (fertilizers, pesticides, insecticides etc.) innovations are land-augmenting, that is they improve the quality of the existing land by raising yields per feddan (hectare). Improved seeds, advanced techniques of irrigation and crop rotation, the increasing use of fertilizers, pesticides and herbicides and new developments in veterinary medicine and animal nutrition, all represent major scientific advances in modern agriculture in which capital plays a major supportive role.
From the preceding analysis, it has been made clear that the key to agricultural growth in an economy of a country is the availability of capital as well as the innovative farmer. In many developing countries, the pace of agricultural growth has been limited by lack of capital at the economic level as well as the individual farm level. Since capital is one of the scarcest resources in developing countries, it therefore becomes the responsibility of the public sector to provide the needed funds for the development of agricultural sector in general and the improvement of the productive capacity of the individual farmer in particular. Hence, the emphasis on the provision of agricultural credit is necessitated by the need to transform subsistence agriculture into a modern self-sustaining and highly productive sector. The small-scale farming community who comprise the majority of the vast rural poor lack the resources with which they could acquire the new technologies and innovations. Hence, their massive potential remains unexploited fully, and their food production capabilities therefore remain limited to the subsistence level.

The formidable challenge of trying to win a race between growing population and the provision of food supplies needed to match it, has projected the provision of agricultural credit as one of the means of overcoming the problem. So too, in the task of alleviating poverty in the largely rural societies. The provision of credit will enhance the food producing capabilities as well as help in transforming agriculture for the benefit of the whole economy and the
majority of the rural poor, through the acquisition of the new agricultural technology and other inputs. Hence, the government should provide formal credit accessible to every farmer, particularly the pecuny in the rural areas.

### E-3 NEED FOR AGRICULTURAL CREDIT IN THE SUDAN

In the Sudan, the agricultural sector forms the backbone of the economy. About 80 percent of the country's population is engaged in agriculture and other related activities. The contribution of agriculture to the country's gross domestic product (GDP) and foreign exchange earnings is at the average of 35 and 85 percent annually (see Table 2-1). Furthermore, most of the domestic industries depend

<table>
<thead>
<tr>
<th>Year</th>
<th>Contribution to Foreign Expenditure (%)</th>
<th>Contribution to GDP (%)</th>
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<tbody>
<tr>
<td>1970</td>
<td>82.9</td>
<td>40.2</td>
</tr>
<tr>
<td>1971</td>
<td>88.9</td>
<td>40.0</td>
</tr>
<tr>
<td>1972</td>
<td>88.5</td>
<td>38.2</td>
</tr>
<tr>
<td>1973</td>
<td>83.4</td>
<td>38.2</td>
</tr>
<tr>
<td>1974</td>
<td>77.4</td>
<td>38.5</td>
</tr>
<tr>
<td>1975</td>
<td>74.1</td>
<td>34.0</td>
</tr>
<tr>
<td>1976</td>
<td>80.3</td>
<td>35.2</td>
</tr>
<tr>
<td>1977</td>
<td>86.9</td>
<td>36.9</td>
</tr>
<tr>
<td>1978</td>
<td>87.1</td>
<td>35.3</td>
</tr>
<tr>
<td>1979</td>
<td>86.0</td>
<td>34.9</td>
</tr>
<tr>
<td>1980</td>
<td>87.7</td>
<td>34.4</td>
</tr>
</tbody>
</table>

Domestic industries depend on agricultural inputs.

Because of the important position occupied by the agricultural sector in the economy of the country, substantial amounts of investment resources have been committed to this sector.

The Sudan is believed to have great unexploited agricultural potential. Out of the estimated 200 million feddans of cultivable land, only 20 million (10 percent) are currently under cultivation. This lack of utilization of such potential is attributed to lack of capital. Thus, the need for agricultural credit in the Sudan is necessitated by the desire to realize the huge agricultural potential of the country.

In view of the need for effective resource allocation, agricultural credit opens up opportunities for the vast majority of the rural peninsular who are mainly engaged in traditional subsistence agriculture. The extension of credit to this category will help them overcome the problem of low productivity through their acquisition of the necessary technology and other agricultural inputs. In addition, the credit facility will help overcome the problem of unemployment and underemployment, and reduce the continuous inflow of migrants from the rural areas to urban centres in search of employment and other higher-income offering opportunities. Thus, agricultural credit offers an effective
means of channeling resources to the rural areas in a situation where resources are more often concentrated in the development of urban areas, thereby creating an income gap between the townspeople and the people of the countryside.

The need for agricultural credit also arises, because of equity considerations. The extension of credit to some parts of the country, especially the most underdeveloped regions of the West and South, will help reduce the present regional disparities and try to bridge the income gap between these regions and the rich agricultural regions of the centre and the Bank.

Most importantly, agricultural credit is meant to meet the financial needs of the small-scale farmer. For the smallholder, operating with virtually no capital, access to credit is crucial. No matter how knowledgeable or well motivated he may be, without such credit he cannot buy improved seeds, apply the necessary fertilizer and pesticides, rent the equipment or machinery and develop his water resources. Small farmers, generally spend less on such inputs, because they simply do not have the resources.

Due to the fact that the present institutions in the rural areas are not quite often geared to meeting the needs of the small-holder farmer, the credit facility serves to a great extent, in meeting the financial needs of the rural peasants. In countries as disparate as Bangladesh
and Sudan less than 40 percent. And only a fraction of this is available to the small farmer. Even then, it is accompanied by stringent tests of creditworthiness, complicated application procedures and lengthy waiting periods.

The existing commercial institutions are reluctant to make credit available to the small farmer because the administrative and supervisory costs of small loans are prohibitively high. Further, the subsistence farmer is operating so close to the margin of survival that he is simply not as creditworthy as his more wealthy neighbors.

Thus, farm credit is usually a necessity, though not sufficient condition for an increase in agricultural productivity and income. The institutional credit is used to replace or augment the informal or traditional credit sources. Hence, the institutional credit helps to:-

(I) alleviating the monopoly of money lenders with their exorbitant high interest rates,
(II) overcoming insufficiencies in the supply of credit which become apparent when new opportunities emerge,
(III) easing the seasonal financial problems of rural households and

(iv) most importantly, encouraging small subsistence farmers
to raise their output and become commercial farmers. Furthermore, land reforms if pursued widely, could sharply increase the credit needs of the farmers. Hence, the government has to provide a well established and supervised credit arrangement, that will meet the emerging new agricultural opportunities following the agrarian reforms.

2-4 THE EVOLUTION OF AGRICULTURAL CREDIT IN THE SUDAN

The origin of agricultural credit goes back as far as to the colonial period of the Condominium rule in the Sudan. The evolution of credit in the Sudan can be divided into four periods:

(a) The Period before 1930s

This period was characterized by the Shail (informal) system of credit as the only source of finance. This informal system was widespread in the Northern and Central Parts of the Country. Since there are no historical records, there is no trace of the origin of the Shail system of the volume and flow of this credit from the money-lenders to the peasant farmers. But some writers trace the Shail system as far as the pre-colonial period in the Sudan. During the Turkish rule heavy taxes were exacted on the poor peasants and being unable to pay these taxes, they resorted to the money-lenders who lent them the money to be repaid in form of crops during harvest.
the international market. Given this situation the
demand for funds to meet the cost of the expanding private
cotton production rose sharply. As a result of this
development, the colonial administration was obliged to
form cooperative societies and duly issued the cooperative
society Ordinance in 1948. In 1949, the Cooperative
Movement Act was promulgated which laid down basic rules
in applying for loans by Cooperative Societies or individuals.

Before the introduction of the 1949 Act, agricultural
loans were limited to few favored individuals or group
of individuals. But, during the period from 1952 to
1957, applications for government loans increased greatly
(see table 2-2) to the extent of forcing the government
to enact rules and regulations for controlling and
monitoring government loans to the agricultural sector.
Hence, 1952 saw the promulgation of the 'Consolidated
 Loans Regulations'. These regulations were issued by
the Ministry of Finance in collaboration with Provincial
and District Commissioners/Inspectors of Agriculture
and Cooperative Departments. The aim of the government
was to provide detailed principles of granting loans with
appropriate provision of facilities which encourage people
to take up loans in accordance to the laid down principles.
In spite of the lack of adequate statistical information
giving figures of total loans advanced during the colonial
period up to the time of independence, table 2-2 gives
a glimpse of the total loans advanced from 1953 to 1957.
Table 2-2: Total Loans advanced by the Colonial Government to the Agricultural Sector 1953 - 1957 (in LRs)

<table>
<thead>
<tr>
<th>Year</th>
<th>1953</th>
<th>1954</th>
<th>1955</th>
<th>1956</th>
<th>1957</th>
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<tbody>
<tr>
<td>Amount of Loans</td>
<td>400,000</td>
<td>900,000</td>
<td>750,000</td>
<td>1,000,000</td>
<td>2,000,000</td>
</tr>
</tbody>
</table>


In the table (2-2) the total volume of loans advanced by Colonial Administration to agricultural sector amounted to Lr.2.7 million from 1953 to 1957. At that period it was a substantial amount of money. The annual disbursements were also considerable with an increment of 25 percent per annum. At the time of independence that is between 1956 - 1957, the loan allocation tripled from Lr.2.7 million to Lr.8.3 million. This is an indication of greater concern shown by the post-colonial government for the agricultural sector in general. This particular interest in the agricultural sector is reflected by the fact that in 1954 a Loan Committee was set up composed of representatives from the Ministries of Finance, Interior, and Social Affairs (Cooperative Section). Their role was to supervise and implement the decisions passed by the
Committee in monitoring the collection of loans and the Control of the revolving government credit fund. This arrangement was envisaged as a response to the problem of persistent default on government loans, a situation that developed from the mistaken separation of the responsibility to issue and to collect loans. Hence, the responsibility of the Committee was to compel individuals or Cooperative Societies to repay their loans.

After independence, the agricultural production expanded greatly, and the government realized that occasional loans from government departments or private financial agencies could no longer cope with the expanded needs of the agricultural sector. The solution was therefore, envisaged in the establishment of a government-sponsored credit institution catering solely for the agricultural financial needs. Hence, a bill was passed by the Legislative Assembly in 1957, which saw the birth of the Agricultural Bank of Sudan (A.B.S). Since then the A.B.S became the main public agency for agricultural credit. Other public institutions which also extend credit to the agricultural sector include the Bank of Sudan, Public Commercial Banks, and Sudan Savings Bank.

2-9 CONCLUDING REMARKS

In this chapter it has been argued that the role of agricultural credit in the development and improvement of
the agricultural sector is very crucial. This is because the lack of capital constitutes one of the major obstacles in expanding and improving the productive capacity of the agricultural sector. Hence, agricultural credit plays a dynamic role in providing the necessary funds for the acquisition of the needed technology and other essential inputs, for the transformation and consequent development of the agricultural sector. Since private capital is usually small and at times non-existent in most developing countries, government or publicly owned institutions become the main sources of credit, especially to the underprivileged group who have no access to the private sources of capital. This has been the case in the Sudan where the huge agricultural potential remains unexploited due to lack of capital. Thus the vast majority of the rural peasantry needs credit facilities to enable them purchase the needed modern technology and inputs that would bring about increased agricultural productivity.

In the Sudan, the need for agricultural credit is accentuated by the desire to reduce regional disparities. Considerable agricultural credit needs to be extended to the poorer regions, particularly the rainfed regions of the East and South where agricultural credit extension could have had substantial impact on agricultural production.

The evolution of credit has been traced back to its
In the colonial period formal sources of credit from the public financial institutions became available to the farming community. The distribution of the public credit was not equal. Only few regions and individuals favored by the Colonial authorities benefited from this source of credit. After independence specialized agricultural credit institutions were established and the sources of public credit expanded considerably. But, the distribution of the credit was still confined to few favored regions or individuals especially the progressive and Commercial farmers.

The following Chapters will look at the performance of these institutions, especially, its regional and Sectoral distribution of credit.


4. Ibid P. 22

5. Arthur Lewis, op. cit., P. 33


10. Araf N. Al-Houth: 'Evaluation of the Agricultural
Practices of the Salin and I.I.I.
Contractions to Different Agricultural
Practices', (unpublished 1976,
February
3.1 AN OVERVIEW

At the dawn of independence, Sudan inherited from her colonizers an agrarian economy that depended mainly on the production of cotton in large irrigated schemes. These cotton schemes were financed by the Central Government, since private capital was weak and insufficent. But soon after independence, in the late 1950s, private capital started to assert itself considerably, thereby enabling private farmers to increase their percentage share of total area under cultivation to 3 percent and 61 percent of irrigated and mechanized farming sub-sectors respectively.¹

The emergence and acceleration of private farming was appreciated and encouraged by the government of the Sudan. However, this sudden upsurge in private farming brought a concomitant problem of increased financial demand for the purchase of agricultural inputs. In order to satisfy this financial demand, the government made special arrangements for the extension of credit through publicly sponsored financial institutions. Hence, the Agricultural Bank of Sudan was established in 1957 to cater for the financial needs of individual farmers in particular and the agricultural sector in general.
Agricultural Bank of Sudan as a Source of Public Credit

The Agricultural Bank of Sudan (A.B.S.) was established in 1957 as the first main source of public credit, dealing mainly with the extension of credit facilities to the small and medium farmers as well as other activities related to agricultural production. The Objectives and policies of credit extension by the A.B.S. were in conformity with the agricultural development strategies incorporated in the country's overall development planning.

(a) Objectives of the A.B.S.

The objectives of the A.B.S. in extending credit facilities, could be briefly summarized as follows:

1. To achieve self-sufficiency in the production of basic food crops, and the need to transcend this self-sufficiency stage to export production stage, with the ultimate goal of generating foreign exchange earnings for financing the development process in other sectors of the economy, as well as improving the balance of payments position in the country.

2. To increase per capita output and income, and the consequent improvement on the standard of living for the small-scale farming
Community who comprises the vast majority of the rural poor.

(iii) To achieve a substantial increase of per capita income in real terms through the development and expansion of agricultural production in the modern as well as traditional agricultural sub-sectors with the ultimate aim of giving a push to the growth of the economy using the agricultural sector as the dynamic sector.

(iv) To improve and enhance the employment opportunities in the rural areas, in order to reduce the influx of people from the rural areas to the urban centres.

(v) To bring about a balance in the distribution of national resources through equal allocation of agricultural investment among various regions of the Sudan.

(vi) To provide the necessary funds to acquire agricultural inputs for the development and improvement of agricultural productivity as well as providing storage and marketing facilities for storage and sale of surplus crops.
b) Policies of the A.D.B.

The main lending policies of the A.D.B. could be identified as:

i- to provide the required financing for the development and expansion of agricultural sector.

ii- to provide extension services and other essential services to the farmer.

iii- to purchase and provide agricultural inputs such as equipment and machinery, improved seeds, insecticides, fertilizers etc.

iv- to give first preference to the small and medium farmer as well as Cooperative Farms in the allocation of credit.

v- to extend short-term loans to meet seasonal financial requirements.

vi- to construct storage facilities in areas of production.

vii- to provide medium and long-term loans for agricultural projects whose gestation period is longer.
to extend its credit operations to all parts of the country by opening branches and offices in the areas where agricultural production is substantial.

In view of the objectives and policies cited above the A.B.S. started its operations in 1972. At the start of its operations the authorized capital was Ls.5 million. This was increased to Ls.15 million in 1976. The government planned to raise the authorized capital to Ls.100 in the 1980s.

The sources of capital for A.B.S. include, short term loans from the Central Bank of Sudan, secured through the issue of the A.B.S. assets, external loans or grants obtained from international lending institutions, such as the World Bank, the African Development Bank, International Fund for Agricultural Development, etc. Other financial support comes from foreign countries through bilateral agreements and protocols with the government of Sudan.

1-3 TOTAL ANNUAL DISTRIBUTION OF CREDIT BY THE A.B.S.

The annual distribution of total loans from the A.B.S. since its inception is shown in Table 5-1.
Table 3-1: TOTAL ANNUAL LOANS EXTENDED BY THE A.M.S.,
1959-1964 [in Sudanese Pounds]

<table>
<thead>
<tr>
<th>YEAR</th>
<th>AMOUNT</th>
<th>YEAR</th>
<th>AMOUNT</th>
<th>YEAR</th>
<th>AMOUNT</th>
<th>YEAR</th>
<th>AMOUNT</th>
<th>YEAR</th>
<th>AMOUNT</th>
</tr>
</thead>
<tbody>
<tr>
<td>1962</td>
<td>413</td>
<td>1967</td>
<td>1,131</td>
<td>1972</td>
<td>2,478</td>
<td>1977</td>
<td>8,335</td>
<td>1982</td>
<td>20,948</td>
</tr>
</tbody>
</table>

* No data was available for 1959

Source: A.M.S. Annual Reports, 1960 - 1984

As shown in table 3-1, the annual total amount of loans fluctuates from year to year. But
from the mid 1960s, the amount of loans extended by the A.M.S. started to increase considerably, reaching over one
million Sudanese Pounds in 1985. This was the time when
the A.M.S. was confronted by a large demand for the cotton schemes which were abandoned by the
Commercial banks. The private commercial banks which
were the main source of finance for the cotton schemes,
decided to discontinue their financial support to these
schemes, due to lack of government guarantees.
due to lack of government guarantees against any possible losses. This was in consideration of the tremendous drop of cotton prices in the international market and the Commercial Banks duly wanted financial guarantee from the government against such consequent losses.

In the light of these developments, the government was forced to turn to the A.R.S. as the alternative source of finance for the cotton scheme. The A.R.S. accordingly undertook the double task of subsidizing the cost of production as well as establishing an administrative machinery to supervise the day to day management of the schemes. The A.R.S. therefore, continued to grapple with the financing and supervision of the cotton schemes until after the take over of power by the military in May 1969.

The May Regime removed the financing and administration of cotton schemes from the A.R.S. and handed it over to a newly formed Corporation known as the 'Agricultural Reform Corporation'. The Corporation obtained funds directly from the Central Bank of Sudan. Following these changes the A.R.S. was finally relieved of its financial burden and it redirected its credit operations to private farming activities.

Thus the volume of credit of all dentations increased
in the 1970s, despite of the reductions of the financial responsibility from the cotton income, as well the reduction - leading agricultural production in the Central and Eastern regions during the same period. The total annual disbursements continued to increase gradually, until the beginning of the 1980s when the total annual loans jumped from Lm.7.5 million in 1980 to Lm.12.5 million in 1981.

In the 1980s there was a rethinking in the development strategies of the Country.

One of the recommendations of the International Labor Office (I.L.O.) in their comprehensive strategy for the Sahelian economy was that: "the South and the West are too poor and they need considerable budgetary support from the Central revenues. The aim should be to spend up to Lm.100 million per year in each region on development in the 1980s." 4

In the light of this advice from the I.L.O. there has been a rethinking of the development strategies and the A.S.C. accordingly changed its credit policy extension. The A.S.C. only increased its total volume of credit in order to meet the newly added responsibilities of providing more loans to the less developed regions of the West and the South without affecting the continuous flow of loans to the more developed agricultural regions of the Centre and East of the Country.
The distribution of credit in the A.B.S. from the beginning of its operations in 1959 to the end of the 1970s, was monopolized by the two regions of the Centre and East. The monopoly power still persists inspite of the I.L.O. recommendations made as a result of their comprehensive study carried out in the Sudan in the mid-1970s. The annual expenditure of an estimated amount of £100 million on the backward regions in the 1980s, as advised by I.L.O. was not forthcoming. In the light of this I.L.O. advice the shift in Credit Policy allocation was implemented at the beginning of 1980s. This is illustrated in Table 3-3.

Table 3-3: REGIONAL DISTRIBUTION OF LOANS FROM THE A.B.S. AND THE CORRESPONDING REGIONAL DISTRIBUTION OF POPULATION 1959 - 1984 (in percentages)

<table>
<thead>
<tr>
<th>REGION</th>
<th>POPULATION</th>
<th>TOTAL LOANS 2059 - 1979</th>
<th>TOTAL LOANS 1980 - 1984</th>
</tr>
</thead>
<tbody>
<tr>
<td>Central</td>
<td>29</td>
<td>47</td>
<td>36</td>
</tr>
<tr>
<td>North-East</td>
<td>16</td>
<td>40</td>
<td>33</td>
</tr>
<tr>
<td>South-West</td>
<td>55</td>
<td>13</td>
<td>29</td>
</tr>
</tbody>
</table>

*1 Population is based on the 1983 Population Census which put the total population of Sudan at 22 million.

*2 Central Region includes Khartoum Capital city and its suburbs.

Source: Agricultural Bank of the Sudan

The distribution of credit by the A.B.S. is portrayed...
in the table (3-2) with the corresponding distribution of population to the regions. The regional divisions indicated in table 3-2 follow the divisions made by the A.B.S. in their credit allocations. The A.B.S. divide the country into three regions:

(a) the Central Region which comprises of the former Blue Nile, White Nile and Kharfoum Provinces,

(b) the North-East Region which includes the former Northern, Red Sea and Kassala Provinces, and

(c) the South-West Region which includes the three former Southern Provinces and the former Provinces of Darfur and Kordofan of Western Sudan.

As shown in the preceding table (3-2) the total credit disbursed by the A.B.S. from 1959 to 1979 was estimated to be £16.64 million. Out of this the share of the Central Region was 47 percent, North-East 40 percent and the South-West Region was 13 percent respectively (see table 3-2). This illustrates the monopoly of the first two regions in that most of the total credit allocated went to the two regions of the Centre and the North-East, which between them obtained about 90 percent of the total credit allocations for the first two decades of the A.B.S. operations.

The situation has so far changed a little bit during
the period 1980 - 1984 following a rethinking of how to reduce development gap between the regions of the Centre and the East and the less developed regions of the South and the West. During this period the share of the South-West region slightly increased. The share of South-West region rose from 13 percent to 19 percent whereas the share of Central region and the North-East region dropped by 0.9 and 7.4 percent respectively (see table 3-2). From the total loans disbursements of Rs.97 million from 1980 to 1984 (see table 1-2), the distribution was; South-West region 29 %, North-East region 31 %, and the Central region 30 %. This little improvement in the total share of credit by the South-West region coincides with the recent establishment of new branches in the South and West of the Country. Comparing the regional distribution of population and the corresponding regional distribution of credit, we could clearly see that the share of the South-West region (using the divisions of the A.B.S.) is not commensurate with their total population share in the Country. Fith over half of the Country's population the South-West region obtains less than one-third of the total credit allocations. But this was only at the beginning of the 1980s, and if we go as far back as 1959, we can clearly see that this same region was getting a little less than one-quarter of the total allocations for over two decades of the A.B.S. operations. Furthermore, if we consider the per capita credit allocations
By the A.D.8, that of the Eastern and Southern regions is far below the national average.

In the light of the preceding analysis we can say that regional bias in credit distribution has helped to perpetuate and reinforce the present inequality in the field of agricultural development in various regions of the Sudan.

3-3: THE CRITERIA OF REGIONAL CREDIT ALLOCATIONS FOR THE
A.D.20

The basis of credit distribution to various regions and agricultural sub-sectors by the A.D.20 is made mainly in view of the agricultural capabilities and needs of each region. Those regions with greater absorptive capacities, get greater share than those with lesser capacity. The absorptive capacity of a region is enhanced by the availability of the basic infrastructure, such as well developed irrigation systems, roads, power and energy, skills and knowledge developed financial systems, etc. All these conditions are easily satisfied by the Central and Eastern regions. These are the two regions where the government developed and provided the infrastructure since colonial days. Hence, the agricultural development was concentrated along the Nile especially in the Central and the Eastern regions, due to their proximity to Port-Sudan, the only Senaas external outlet. After independence the government fell into the hands of people from the same regions, who occupied most of the top echelons of the administration.
and controlled not only political power, but also economic power in the country. Hence, the national resources were directed towards the development of the regions which had the monopoly of power in the central government. The management of many important institutions including the A.O.S. was in the hands of the same people from the favorite areas who knew nothing of other areas apart from the regions they came from. Thus the staff of the A.O.S. would not know of the agricultural potential or needs of the regions of the South and West of the country, because of their ignorance of these regions.

The other reasons behind the rationale of credit distribution can be attributed to some cultural and ethnic reasons. Looking at the regional distribution of credit one can see that the less favored regions of the South and West are inhabited by particular racial and ethnic groups which are different from the prevailing group. These two regions frequent failed to receive a proper share in credit allocation as well as government investment and services. Such similar examples can be found in North and South America where American Indians are discriminated against in the allocation of national resources and other racial groups in many Asian and African Countries of Indonesia, Pakistan, Iraq, Republic of South Africa and Nigeria. The history of Pakistan since its partition from India, and before its present break-up into Pakistan
and Bangladesh, is an illustration of the significance of racial – cultural differences in creating and enhancing disparity in development.5

3-6 THE DISTRIBUTION OF AGRICULTURAL CREDIT FROM THE BANK OF SUDAN

The Bank of Sudan (BOS) commenced its operations in 1960, one year after the Agricultural Bank of Sudan. The Bank of Sudan is a central bank that supervises and controls the commercial banks and other financial institutions operating in the country. The Bank of Sudan became directly involved in the financing of the agricultural sector soon after the responsibility of the management of the credit schemes was given over to the Public Corporations, by May Regime in 1969. From that time until today, the Bank of Sudan has been directly involved in extending credit to agricultural projects under the management of Public Corporations. So far the annual loans extended by the Bank of Sudan to these agricultural projects have run into billions of pounds.
Farming Corporation got an insignificantly small share of less than one percent. From the table it can be seen that most of the loans from the Bank of Sudan went to large-scale irrigated schemes. These public large-scale agricultural projects account for most of the agricultural production in the Sudan. They produce 92% of the irrigated crops, and 34% of the mechanized rainfed. They also control 100% of production of sugar, 98% cotton, 93% wheat, 96% sorghum, and 46% sesame and groundnut production. These public schemes also constitute the main source of total government revenues and are therefore given top priority in the allocation of credit by the Bank of Sudan. Hence the bank's credit operations are mainly confined to the financing of these publicly run large agricultural schemes. However, these large agricultural schemes are confined to specific regions of the Centre and East. According to official sources from the Bank of Sudan, the bank does not extend credit facilities to the regions of the South and West due to lack of large-scale government projects in these two regions. But some few government projects started in the South and West are financed by foreign and international agencies, but not by the Bank of Sudan.
3-7 THE DISTRIBUTION OF AGRICULTURAL LOANS FROM COMMERCIAL BANKS

All the Commercial banks in the Sudan were nationalised in 1970 by the Sayyid Regime. The few Commercial banks which are presently privately owned were established at the beginning of the 1960s. But the bulk of the Sudanese Commercial banks are publicly owned. The Commercial banks, however, represent other important source of finance to the agricultural sector. Since Commercial banks are mainly profit-making financial institutions their credit operations are widely varied and spread over various sectors of the economy.

Table 3-4: THE TOTAL AMOUNT OF LOANS EXTENDED BY COMMERCIAL BANKS TO THE AGRICULTURAL SECTOR 1975 - 1981

(In. Ls. Million)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Rural Areas</td>
<td>274.9</td>
<td>224.8</td>
<td>252.8</td>
<td>221.1</td>
<td>326.3</td>
<td>262.0</td>
<td>615.1</td>
</tr>
<tr>
<td>Agricultural</td>
<td>4.4</td>
<td>4.0</td>
<td>6.9</td>
<td>6.3</td>
<td>2.6</td>
<td>4.0</td>
<td>1.7</td>
</tr>
<tr>
<td>Percentage share</td>
<td>2.5</td>
<td>2.2</td>
<td>3.5</td>
<td>2.2</td>
<td>0.7</td>
<td>1.0</td>
<td>0.2</td>
</tr>
</tbody>
</table>

Source: Bank of Sudan, Annual Reports 1975 - 1981

Table 3-4 shows that the Commercial banks extended a substantial amount of loans to all the economic sectors, but the share of the agricultural sector was very insignifi-
incert. This share ranged from 6.2% to 1.5% annually.

The reason behind this low percentage share of the agricultural sector, as according to the banks' officials, due to the fact that the sector does not rank high in the priorities of their loan allocations. Thus the banks are frequently reluctant to finance directly the productive aspects of the agricultural sector. The banks, however, prefer to finance less risky activities of the agricultural sector, such as import and export of crops. There is no any indication that the agricultural loans from commercial banks are allocated on the regional basis. Their activities are confined mainly to the capital city and areas of production especially in the regions where the basic infrastructure of roads, banking system, etc., are well established.

3.4 THE DISTRIBUTION OF AGRICULTURAL LOANS FROM SAVINGS BANK (S.B.B.)

The Sudanese Savings Bank like the Commercial banks are publicly owned financial institutions. The first S.B.B. was established in Khartoum and a second one opened shortly in Khartoum in the same region. The idea behind the creation of the S.B.B. was to serve the nearby agricultural community of the Khartoum area, through the pooling and mobilization of the local savings for the consequent development of the region.
### Table 3-5: The Total Amount of Loans Advanced by the S.B.B. to the Agricultural Sector, 1976-1982

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Loans</td>
<td>785</td>
<td>770</td>
<td>1,397</td>
<td>3,069</td>
<td>19,302</td>
<td>16,342</td>
<td>20,137</td>
</tr>
<tr>
<td>Agricultural Loans</td>
<td>14</td>
<td>28</td>
<td>52</td>
<td>402</td>
<td>935</td>
<td>604</td>
<td>230</td>
</tr>
<tr>
<td>Percentage share of Agriculture</td>
<td>1.8</td>
<td>3.7</td>
<td>2.7</td>
<td>4.5</td>
<td>7.7</td>
<td>9.7</td>
<td>4.6</td>
</tr>
</tbody>
</table>


The total amount of loans advanced by the S.B.B. is quite small compared to the other public financial institutions as shown in Table 3-5. The share of the agricultural sector was comparatively higher than that of the Commercial banks. The percentage share ranged from 1.8 to 9.7% annually. The credit operations of the S.B.B., like those of the Commercial banks, were confined to the commercial activities of the agricultural sector as the expending agriculture, sale and transportation of crops. The regional allocation of credit, as can be seen from the location of its branch offices, was confined to the Geographical area of the Central region.

### 3-6 COMMENTARY

The economic structure which was inherited from the Colonial administration was an economy dependent mainly on...
large-scale irrigated agriculture. The successive governments of independent Sudan and the Sudanese continued to give priority to these large-scale agricultural projects by channelling most of the investment resources as well as agricultural credit to this sub-sector. Almost all the investment on agricultural development went to the financing of these large-scale agricultural schemes, either by developing the old colonial schemes or by establishing new ones. But both the colonial and post-colonial schemes have been concentrated in the same areas, that is along the Nile in the Central, Eastern and Northern regions. These are the areas where most of the agricultural credit went to, thereby implying a regional bias in credit and income allocation.

The next chapter will attempt to illustrate the fact that this consequent uneven agricultural development was also to a large extent, influenced by policies biased towards large-scale irrigated and mechanised agriculture.
FOOT-NOTES

1. Agricultural Bank of the Sudan: Agricultural Service
   August 1974, PP. 1-5

2. Agricultural Bank of Sudan: Note (1969) The Role of
   Agricultural and Agricultural Credit in the Sudan,
   PP. 2-7

3. A.I. Ahmad (1983): Agricultural Credit and Finance
   in the Sudan, Research Bulletin No. 81, Dept.
   of Rural Economy, Faculty of Agriculture,
   University of Khartoum, PP. 61

   A comprehensive strategy for the Sudan", Geneva,
   1976, PP. 53

5. Nurung Byoul in his book 'Asian Drama' first provided
   a serious theory of interregional disparity in develop-
   ment by taking into account sociological considerations.

   mimeo Report, Nov. 1975, PP. 12

7. Ibid.
CHAPTER FOUR

THE DISTRIBUTION OF CREDIT TO AGRICULTURAL SUB-SECTORS
IN THE REGIONS

4-1 MAJOR PRODUCTION SYSTEMS AND THEIR REGIONAL LOCATION

While it is almost impossible to draw any clear-cut and more obvious discernible form or mode of agriculture from each other, the agricultural sector in the Sudan is divided into three major farming systems, in addition to the limited areas of pure nomadic and semi-nomadic livestock herding in the North, North-West and the South of the Country.

4(a) The Irrigated Sub-Sector is concentrated mostly along the Blue and White Nile Valleys in the Central and Eastern Sudan. Irrigated Farming has been practiced in the traditional fashion in the Nile Valley at least since the beginning of recorded history. But the British Colonial administration's creation of the publicly owned and managed irrigated Gezira Cotton-growing scheme, near Medani South of Khartoum in 1929, pointed the way to what has become the most important economic activity in the Country and the biggest earner of foreign exchange. There are now over four million feddans under irrigation in the publicly managed schemes that depend on the Nile River, of which about 2.3 million feddans are under
crops (see table 4-1). Some 2.1 million feddans are managed by the Sudan Gesira Board making it one of the largest single enterprises in the whole of Africa. Another 1.4 million feddans are irrigated by pumps along the two Niles, primarily South of Khartoum; 0.4 million feddans are irrigated by gravity in the Khashm El Girba scheme in Kassala Province, and 78,000 feddans in small schemes on the Nile north of Khartoum. Given the importance of cotton to the Sudanese economy it is clear that irrigated crop production has been at the heart of the country's development process.

All the schemes except minor ones are owned and managed by the State. The Gesira scheme is the largest of this type, and Sudan Gesira Board practices and policies are a model for most other schemes. The Gesira scheme features a tripartite arrangement between the Government, the Board and the tenants. The pump schemes under the supervision and management of the Agricultural Reform Corporation, the Khashm El Girba scheme under the Control of Public Agriculture Production Corporation, all follow the Gesira model.

The Government plans to spend Le. 200 million during the 1960s to expand the area under irrigation along the two Niles. This will add an extra 1.7 million feddans to the present area under irrigation.
The financing of the operations in these schemes always comes directly from the government, especially from the Bank of Sudan. The government incurs the cost of many services such as irrigation, ploughing, spraying, part of the cost of labor, ginning and marketing of the cotton crop.

<table>
<thead>
<tr>
<th>OPERATING SYSTEMS, 1973</th>
<th>CULTIVATED AREA</th>
<th>PERCENT</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(IN MILLION OF HECTARS)</td>
<td></td>
</tr>
<tr>
<td>Irrigated</td>
<td>4.17</td>
<td>16</td>
</tr>
<tr>
<td>Mechanised Rainfed</td>
<td>5.76</td>
<td>22</td>
</tr>
<tr>
<td>Traditional Rainfed</td>
<td>16.75</td>
<td>62</td>
</tr>
<tr>
<td>Total</td>
<td>26.68</td>
<td>100</td>
</tr>
</tbody>
</table>

Operating Systems

<table>
<thead>
<tr>
<th></th>
<th>CULTIVATED AREA</th>
<th>PERCENT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating Systems</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Corporation Tenants</td>
<td>3.80</td>
<td>21</td>
</tr>
<tr>
<td>Government Estates</td>
<td>0.24</td>
<td>5</td>
</tr>
<tr>
<td>Private Independent Operators</td>
<td>0.13</td>
<td>3</td>
</tr>
<tr>
<td>Total</td>
<td>4.17</td>
<td>100</td>
</tr>
</tbody>
</table>

Mechanised Rainfed System

<table>
<thead>
<tr>
<th></th>
<th>CULTIVATED AREA</th>
<th>PERCENT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating System</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Licensed Private Farms</td>
<td>3.20</td>
<td>61</td>
</tr>
<tr>
<td>State Farms</td>
<td>0.36</td>
<td>6</td>
</tr>
<tr>
<td>Estates</td>
<td>3.20</td>
<td>33</td>
</tr>
<tr>
<td>Total</td>
<td>5.76</td>
<td>100</td>
</tr>
</tbody>
</table>

(a) Mechanized Reared Sub-sector

Mechanized reared farming is found mainly in the East and the Central Sudan and in some few isolated areas in the South and the West. Mechanized reared farming started in the Olay plains of the Central and Eastern Sudan in the 1940s and 1950s. This Sub-sector is currently the most dynamic in Sudanese agriculture, and the area under cultivation has so far expanded to cover about eight million feddans, of which five million are demarcated and three million have been cultivated without government permission. Most of the mechanized farms are practically monocrop farms, cultivating only Durra (berghun). The bulk of mechanized farming is carried out by private operators although there are some state farms, a few cooperatives and use of tractors by peasant farmers. Mechanized farming is one of the key areas over which the Central Government retains firm control. It is second in importance to the irrigated sub-sector as a source of basic revenue and foreign exchange for the state.

By 1957 the demarcated area cultivated amounted to almost 2.3 million feddans, mostly in Kassala and Blue Nile Provinces. After the formation of Mechanized Farming Corporation (M.F.C) in 1958, the demarcated area increased to approximately five million feddans, with large expansions in Southern Kordofan, White Nile, Upper Nile, Kassala and Blue Nile Provinces. The M.F.C.

was established to implement and supervise the following programs:

i- Mechanized crop production schemes, where it allocates land to private farmers who then clear the land and secure equipment through credit from the Agricultural Bank of Sudan; these cover 2.6 million feddans;

ii- Mechanized farming projects, where it carries out land clearance, supervises farming, provides credit for machinery, and provides feeder roads and water supplies; these cover 400,000 feddans;

iii- State mechanized farms fully operated by the Corporation, covering about 12,000 feddans;

In order to carry out this program the M.P.C. secured a loan from the World Bank to the tune of $16.25 million in 1968. The second World Bank's loan of $11.2 million was obtained in 1972. Apart from the implementation of the closed program, the M.P.C. was also expected to supervise the private sector where farmers raise their own capital often from the Agricultural Bank of Sudan (A.B.O.). Furthermore, the M.P.C. was responsible for the supervision and operation of the state farms which were considerably expanding during the 1970s.

The mechanized farming sub-sector as a matter of fact
Received a considerable financial assistance from the government through foreign or internal sources. The World Bank and the Agricultural Bank of Sudan have been very instrumental in the financing of this sector. Outside the World Bank Schemes, at Gedaref in Eastern Sudan and Habsta in Southern Kordofan, the A.B.S. has given farmers a comparable level of financial assistance up to 70 percent of total production costs.

Perhaps without the World Bank loans of 1966 and 1972; the mechanized farming sector might not have expanded as fast as it did in the Eastern and Central Sudan during the 1967–1977. In addition, to World Bank’s financial assistance which was responsible for the financing of about one-third of the total acreage developed by the state since 1968, the government provided tractors from Eastern Europe and elsewhere to complement the Bank’s aid. The World Bank’s share in the financing of mechanized farm schemes was 38% of the total costs. The Sudan Government’s share was 27% and the farmers’ was 15%.3

The regions which have benefited most from mechanized farming are mainly the Eastern and the Central regions comprising of the former Kassala Province, the former Blue Nile Province, Southern Kordofan and Upper Nile Province. The farmers from these two regions, have benefited greatly from the expansion and development of mechanized rainfed farming in the area. In a successful year of harvest,
the local population, unlike their counterparts in the Eastern and Central regions, did not benefit from expanded mechanized farming. This is because, the majority of farm leases in those regions went to the merchants, mostly "jallaba" hailng from the Northern Province. For example, at Habila scheme in Western Sudan one out of 200 farms financed by the Agricultural Bank of Sudan in 1978, four went to local co-operatives, one was leased to a group of Habila merchants and four to individual local farmers. The bulk of the remaining farms were leased to the jallaba, and a few civil servants or retired army officers from major towns of Omdurman, Khartoum, Zara, Um Ruuba and Central Sudan. 

This general picture has been confirmed by other studies made on mechanized farming sub-sector. Farms leased to pensioners and local farmers as individuals or in co-operatives are often taken by merchant contractors reinforcing the predominance of jallaba merchants.

The mechanized related farming system and its expansion in the Sudan has enhanced considerably the income level of the average farmer in the Central and Eastern regions,
The traditional rainfed agriculture is predominately carried out in the South and West of the country. The traditional sub-sector also includes animal husbandry. The traditional sub-sector is a combination of crop and livestock economy typical of small farmers prevailing almost in all well-populated areas. The main exceptions are the tea-bush fly - in forested wooded areas in the South, where livestock cannot be kept, and the very dry areas in the extreme North, where only nomadic livestock herders are found. As rainfall increases from North to South, the traditional farms become more diversified and smaller. In the East, outside the irrigation areas and in the West, under equal rainfall conditions, the size of farm and the cropping pattern are determined by the type of soil.

The majority of traditional farmers, particularly in the South produce little or no crop surplus for the market, on the other hand, very little ‘off-take’ of their cattle find their way into the market. The traditional household mainly represents a producing and consuming unit whose minimum needs are given by the total size of the household.
to produce all of the nation's millet, 40 percent of the sorghum, and a large share of the one-third of the nation's exports that is supplied by rainfed agriculture. Gum arabic is of substantial importance in the Semi-arid Zone.

Livestock plays an important role in the traditional economy of the Sudan. Livestock raising in Sudan is practiced almost entirely by traditional farmers and herders. It is believed that Sudan has 15 million cattle, 16 million sheep, 11 million goats, and 2 million camels. This represents a potential wealth that has been largely neglected. Present annual marketed offtake rates are estimated at 7% for cattle, 25% for sheep, 25% for goats and 8% for camels. Traditional animal husbandry was well adapted to the environment normally based on regular transhumance from wet areas such as the Bah El Arab or Audai region in the dry season along regular trek routes to wet season grazing in more semi-arid areas. At certain favored points on route, part of the Kinship group might remain for longer periods to cultivate crops.

However, over the past twenty-five years, livestock numbers have increased through improved animal health; the human population density has also rapidly increased.
especially in the Western Savannah, where the sahel drought caused immigration from the Sudan's western neighbors and further aggravated the situation by reduced cropping potential in Sudan's own sahel zone. There was thus insufficient greasing to maintain large enough herds for the growing transhumant population. As a result, some pastoralist groups are now 30% sedentary; others like the Nuer in South Darfur are still transhumant. However, even where pastoralists have settled, any profits from crops are usually invested in more cattle in the absence of alternative investment opportunities or appropriate savings institutions.

Sudan's livestock resources are thus almost overwhelmingly concentrated in the traditional sector and the future of the industry is largely based on realizing its potential. This requires improved productivity and better management of the range resource.

In summary, the traditional sector has not been able to obtain considerable resources from the public sector in the magnitude of the other two modern sub-sectors of irrigated and mechanized farming. Whereas the modern sub-sectors call for a combination of relatively greater resources in form of sophisticated management and technical know-how, the support of traditional sub-sector requires more basic skills as regards both
as well as other donor or foreign aid agencies if these two regions are to break out from the vicious circle of poverty and backwardness.

The choice of sub-sector concentration for the last three decades of independence has been in favor of the modern sub-sectors of the irrigated and mechanized farming systems. Most of the investment resources as well as credit allocations from the public financial institutions went to these two sub-sectors.

4.2 DISTRIBUTION OF CREDIT TO AGRICULTURAL SUB-SECTORS

The modern agricultural sub-sectors of irrigated and mechanized rainfed farming systems have been the main focus of public sector investment. This is clearly illustrated in Table 4-2 where most of the credit allocations from the public financial institutions went confined to the irrigated and mechanized rainfed sub-sectors.

Table 4-2: The Distribution of Public Credit to Agricultural Sub-sectors (in percentages)

<table>
<thead>
<tr>
<th>AGENCY</th>
<th>IRRIGATED</th>
<th>MECHANIZED</th>
<th>TRADITIONAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bank of Sudan</td>
<td>99.0</td>
<td>1.0</td>
<td>-</td>
</tr>
<tr>
<td>Agricultural Bank of Sudan</td>
<td>23.0</td>
<td>70.5</td>
<td>6.5</td>
</tr>
<tr>
<td>Public Commercial Banks</td>
<td>84.5</td>
<td>75.5</td>
<td>-</td>
</tr>
</tbody>
</table>

*Note: Calculations made from tables 4.1, 4.4 and 4.5 in the preceding chapter.*
In Table 4-2 about 99% of loans from the Bank of Sudan went to the irrigated sub-sector, to finance cotton production, marketing and storage, as well as maintenance and rehabilitation of the irrigation facilities. The remaining one percent went to mechanized sub-sector through the Mechanized Farming Corporation. Loans from the Public Commercial banks were distributed as follows: the irrigated sub-sector got 25% and the mechanized rainfed sub-sector got 75%. From this distribution it is clear that the traditional sub-sector has been greatly neglected as far as the public financial institutions are concerned. This has had tremendous impact on the agricultural development in the rural areas where over 80% of the Sudanese population live. The least developed areas of the Western and Southern region have been also affected by this flagrant neglect from the public sector.

4-3 DISTRIBUTION OF CREDIT FROM THE A.B.S. TO THE THREE AGRICULTURAL SUB-SECTORS

Statistical records of the total allocation of credit from the Agricultural Bank of Sudan to the three agricultural sub-sectors, were only available for the period 1982 to 1984.
Table 4-3: The Regional Distribution of Credit to the
Three Sub-Sections 1962 - 1965

<table>
<thead>
<tr>
<th>REGION</th>
<th>IRRIGATED</th>
<th>MECHANIZED</th>
<th>TRADITIONAL</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Central</td>
<td>9.0</td>
<td>5.0</td>
<td>-</td>
<td>14</td>
</tr>
<tr>
<td>North-East</td>
<td>3.0</td>
<td>25.0</td>
<td>-</td>
<td>28</td>
</tr>
<tr>
<td>South-West</td>
<td></td>
<td>17.0</td>
<td>5.0</td>
<td>22</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>12.0</td>
<td>31.0</td>
<td>5.0</td>
<td><strong>73</strong></td>
</tr>
</tbody>
</table>

* All the figures are rounded

Source: Agricultural Bank of Egypt

Looking at table 4-3 it can be seen that the total distribution of credit from the A.B.E. to the agricultural sub-sectors was Le.73 million for the three years. The sub-sectoral allocation was Le.12.0 million to irrigated, Le.31.0 million to mechanised rainfed, and Le.5.0 million to the traditional agriculture. Considering this distribution in terms of regions, it can be seen that the share of the irrigated sub-sector was divided between the Central and North-East regions, whereas the share of the mechanised rainfed agriculture was divided among the three regions of the Centre, North-East and South-West (see table 4-3). With regard to the traditional agriculture sub-sector, the share of credit allocated to this sector went mainly to the South-West region,
comprising the Southern and Western regions.

In Summary, the sub-sectoral distribution of credit from the A.E.S. was in the order of about 72.5% to the mechanized rainfed, 25% to the irrigated agriculture, and 5.5% to the traditional rainfed agriculture. In the light of this distribution, we can conclude that the A.E.S., like other public financial institutions, have been biased in their distribution of credit. The distribution has been in favor of the modern sub-sectors of the irrigated and mechanized rainfed farming systems. The traditional sub-sector, and with it the regions of the South and West have been again neglected.

4.4 CONCLUDING REMARKS

In this Chapter, it has been shown that both the Regional and the Sub-sectoral distribution of credit have been unequal. Most of the credit went to the Central and North-East regions along the Blue and White Nile. On the sub-sectoral basis, most of the loans went to the modern agricultural sub-sectors. But these modern sub-sectors are located in the Central and North-East regions. Hence, there has been a concentration of credit in these regions to the neglect of the other regions such as the South and West, where traditional agriculture predominates.
We mentioned earlier in Chapter two that the regional distribution of investment resources, including investment on agriculture had been unequal. This will be discussed further in the next Chapter. The objective is to confirm the hypothesis that the unequal distribution of agricultural credit follows the pattern of investment in agriculture. Both of these aspects of resource allocation have considerably contributed to the present uneven development in the country.
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October, 1977, PP. 42 - 46

Agricultural Development in the
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Journal of Rural Development
No. 3, (University of Leeds
1970) PP. 31-37

3. K.I. Shakes (1977): Mechanization of Agriculture in
the Plateau Plains of the Sudan
(Unpublished M.A. Thesis,
University of Edinburgh, 1972)

4. N. Bashir: "Mechanized Farming in Jabela",
Paper Presented to the Conference
on Regional Development in Southern
Sudan, Khartoum, 1980, P. 12

5. Bashir Omar, et al: A Rural Credit Institution for
Kordofan Region, A Project Report
for the Regional Ministry of Finance
and Economic Planning, Kordofan
Region, 1982, PP. 93 - 98

6. Ibid

9. Ibad.
CHAPTER FIVE

REGIONAL AND SUB-SECTORAL DISTRIBUTION OF PUBLIC INVESTMENT ON AGRICULTURE

3-1 AN OVERVIEW

In the preceding Chapters we discussed the problem of regional and sub-sectoral allocation of public agricultural credit. We also examined the pattern of distribution of the credit to various regions and agricultural sub-sectors. In these Chapters we saw that there was unequal distribution of credit to the regions as well as the agricultural sub-sectors. This unequal distribution of public agricultural credit helped in subverting and perpetuating the present unequal agricultural development in various parts of the Sudan. In this Chapter we are considering the allocation of the national investment resources in the agricultural sector and compare the pattern with that of public agricultural credit.

During the Colonial period, investment in agricultural sector was concentrated in the desire scheme and was aimed principally at stimulating the expansion of cotton production for export. Due to its proximity to the Country's only port and its outlet to the World, agricultural investment was necessarily channeled into the irrigated agricultural farming
along the Nile in the central region. Once the basic infrastructure was established in the Gezira, there was further expansion towards the extension of crops under irrigation making use of the water from the nearby Sennar and Roseires Dams.

Thus the Colonial investment in agriculture was almost confined to the development of cotton production for export, and 60 percent of cotton production was concentrated in the Gezira Scheme. Elsewhere, government intervention including post-war activities in mixed mechanized farming, was generally limited to the encouragement of local producers or entrepreneurs to produce cotton for export or food and fodder crops for military use or to supply local urban markets. Hence, the basic pattern and the model for subsequent agricultural development policy in the Sudan was based on the Gezira Scheme model.

The main elements of this model which came to dominate Sudan's agricultural development strategy through the post-independence period, were the emphasis on large-scale projects based on the extensive use of land, particularly irrigated projects. Thus the post-independence development plans were made with two objectives in mind: to increase the production of cotton and oilseeds for export, chiefly in irrigated schemes, and to increase and expand the production of grains
the needs of the booming urban population.

2-2 THE TEN YEAR DEVELOPMENT PLAN 1960/61 - 1970/71

This was the first comprehensive development plan after independence. The total investment was estimated at Ls. 665.4 million of which the public sector was to contribute Ls. 337 million and the private sector providing the balance. Out of this total investment the agricultural sector was allocated Ls. 120 million representing a total share of about 21 percent. 3

Table 5-1: THE ALLOCATION OF PUBLIC INVESTMENT TO THE AGRICULTURAL SUB-SECTORS DURING THE PLAN PERIOD 1960/61 - 1970/71 (in percentages)

<table>
<thead>
<tr>
<th>SUB-SECTOR</th>
<th>TOTAL SHARE OF SUB-SECTOR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Irrigated Farming</td>
<td>74</td>
</tr>
<tr>
<td>Mechanized Rainfed Farming</td>
<td>12</td>
</tr>
<tr>
<td>Traditional Farming, Livestock</td>
<td>10</td>
</tr>
<tr>
<td>Agricultural Bank of Sudan</td>
<td>4</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

Source: Ministry of Finance and National Economy:
The Ten Year Development Plan 1960/61 - 1970/71 P. 83
This sub-sector was mainly responsible for the production of cotton particularly in the Gezira scheme. Thus the trend followed the Colonial strategy of concentrating agricultural investment in the production of crops for export. The other sub-sectors such as the mechanized and traditional farming were allocated only smaller amounts of public agricultural investments.

During the plan period, the area under irrigated cultivation was envisaged to increase tremendously. The production of cotton, Sugar Cane, and groundnuts were to increase by 60, 400 and 80 percent respectively. On the other hand, the area under mechanized farming was to increase by 1.2 million feddans. The plan period particularly in the Eastern region. Other projects planned for implementation included the building of Kaga El Giron Dam, and the execution of the first stage of Roseires Dam on the Blue Nile. These projects were meant to bring under cultivation an additional irrigated area of 3.8 million feddans of cotton, groundnuts, sesame, wheat, etc. Hence, the ten year development plan made great emphasis on the irrigated farming sub-sector, and to a lesser extent on mechanized sub-sector.
The planners of the early 1960s and especially the drafter of the ten-year plan almost ignored the traditional sub-sector and thereby allocated it only a mere 10 percent of the investment expenditure on agricultural sector. Thus, nearly all the agricultural investment was focused on the modern farm sub-sector. This trend reflected the attitude of the planners themselves. One of the Permanent Under-Secretary of the Ministry of Finance and National Economy in the 1960s is quoted to have argued that: "Attempts to redevelop traditional sector through the provision of rapid extension services were deemed to fail because if the same time and money were applied to the modern sector, return on investment would probably be more worthwhile."

Following this biased attitude from such top responsible officials, the planners also neglected any efforts towards the extension of more credit facility to the traditional farmers in order to enable them to buy agricultural inputs, because according to them, money would be well spent if this credit facility was extended to the modern sub-sector. The planners think that “income generated in the modern sub-sector is more likely to contribute tax revenues to the Central Treasury, and also there is portion of surplus is likely to be reinvested. In the traditional sub-sector the surpluses resulting from increases in productivity are likely
to go into consumption. Thus taking into consideration this negative attitude of the planners towards the traditional sub-sector, it was no surprise that the development strategy envisaged in the ten year plan directed most of the public investment on agriculture to the modern sub-sectors especially the irrigated farming.

3-3 THE FIVE YEAR DEVELOPMENT PLAN 1970/71 - 1974/75

The Five Year Plan was adopted soon after the military government took over power in 1969. The plan was later extended in 1973 to include the period up to 1975/77. As it was in the ten year plan, the agricultural sector emerged as the most important sector in the five year plan, and was allocated 38 percent of the total public investment of the plan period. The estimated total expenditure on the agricultural sector was Le.209.1 million, out of which the actual expenditure amounted to Le.146.4 million as indicated in Table 5-4.

Table 5-2: THE ALLOCATION OF PUBLIC INVESTMENT ON AGRICULTURE IN THE PLAN PERIOD 1970/71 - 1974/75 (In Le. million)

<table>
<thead>
<tr>
<th>SUB-SECTION</th>
<th>ESTIMATED EXPEND.</th>
<th>ACTUAL EXPEND.</th>
<th>% SHARE OF EXPEND.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Crop Production</td>
<td>101.3</td>
<td>68.1</td>
<td>46.5</td>
</tr>
<tr>
<td>Irrigation</td>
<td>34.2</td>
<td>26.9</td>
<td>16.7</td>
</tr>
<tr>
<td>Agricultural Services</td>
<td>31.2</td>
<td>36.9</td>
<td>23.3</td>
</tr>
<tr>
<td>Livestock Production</td>
<td>19.5</td>
<td>22.5</td>
<td>8.8</td>
</tr>
<tr>
<td>TOTAL</td>
<td>206.2</td>
<td>146.4</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Source: Ministry of Planning: Five Year Development Plan 1970/71 - 1974/75
Table 5-2 indicates that while direct irrigation received about 30% of investment resources on agriculture, crop production which was almost entirely based on irrigation received about 47% of that investment. The agricultural services which received approximately 23% of agricultural expenditure, mainly entered for the modern sub-sector. The Five Year Plan aimed at expanding the mechanized sub-sector considerably. A summary of the projects envisaged for the various sub-sectors of agriculture in the Five Year Plan can be made as follows:

(a) Irrigation Projects

These projects were planned to increase the irrigated area under cultivation by 300,000 feddans. These included the completion of Suki scheme Part I of the First phase of Rosed Scheme, and the implementation of other 677 small private agricultural pump schemes along the Nile in the Northern Region as well as along the White and Blue Niles, and along River Atbara in the Eastern and Central parts of the Country.

(b) El Girsu Scheme: The notable achievement in this scheme was the increase in the area under the cultivation of grains from 30,000 feddans. Besides a number of blocks were laid out, combined harvesters purchase for the scheme and construction of a storage facility was made.
(i) The Gemisa Scheme:

With regard to this major scheme, the five year plan made emphasis on the intensification and diversification of crop production (see table 5-2) with the aim of raising about production from 250,000 feddans to 450,000 feddans. Cultivation of rice was to be introduced starting with 16,000 feddans. Thus the Gemisa Scheme alone claimed about 15% of the total allocation to the agricultural sector in the plan period.

(ii) Delta and Elwa Nile Schemes:

These schemes aimed at the establishment of electrification programs by constructing, consolidating and expanding the pump schemes along the two Niles as well as re-equipping and replacing of about 70 pumps and other farming machinery.

(iv) Agricultural Services:

The Five Year Plan allocated about 25 percent (table 5-2) to the agricultural services sub-sector. The aim was to provide plant protection services, more spraying equipment, airplanes, and pesticides. Extension services were to be provided in the form of expansion of training centers for tractor drivers and opening up of new Research Stations in many parts of the country.

(v) Mechanization Planning Section

During the Five Year Plan period, the area under
mechanized rainfed farming was planned to increase from 1.9 million to 2.4 million feddans. The regions which were to benefit from this development were to be mainly Central and Eastern regions and areas such as Bahr el-Ghazal in Northern Upper Nile Province and Kordofan in Kordofan Province. This sub-sector which was allocated funds under both crop production and agricultural services in the investment allocation (table 5-9) claimed a substantial share of the total expenditure on agriculture during the plan period.

(c) **TRADITIONAL SUB-SECTOR**

In the Five Year Plan the traditional sector did not get the needed attention in the allocation of investment resources. References to this sub-sector were rather vague and ambiguous. It talked of purchasing tractors to help small farmers particularly in the Nuba Mountains in the West and in Red Sea in the North of the Country. But, it is quite clear that the Five Year investment pattern was no different from the preceding ten year plan. The modern sub-sector continued to get the largest share of investment resources, with the result that the income level of the farmers in the Central and Eastern regions rose considerably. These are the two regions were modern farming is mainly concentrated.

The traditional sub-sector continued to be relegated
to less important position. In the plan the traditional sub-sector is referred to in a passing phrase saying that: "the existing traditional farming with its primitive agricultural implements shall be developed and improved with the help of equipment and machinery from the nearby mechanized farms."

The planners did not however, elaborate further how the transformation will take place, nor was there any substantial amounts of investable funds made available in the plan period. Instead the plan continued to focus on the expansion and development of export-oriented production of cash crops in the modern sub-sector. Hence, the five year Plan like the preceding ten year plan focused more resources on the modern agricultural sub-sector of irrigated and mechanized farming in virtual neglect of the other regions where the traditional sub-sector prevails.

5-4 THE SIX YEAR DEVELOPMENT PLAN 1977/78 - 1982/83

The total planned investment in agriculture during the six year plan period amounted to Le.475 million in the public sector and Le.296 million in the private sector, making a grand total of Le.771 million. This amount represents about 27 percent of the total estimated expenditure for the period planned. Like in the ten and five year plans the modern agricultural sub-sector was prominent in the six year plan.
The priorities set out in the six year plan included the following:-

(c) Irrigated Area Sector

i- Jangeli Canal - The digging of the Jangeli Canal was a top priority in this sector and was allocated over 30 percent of the estimated total expenditure earmarked for this sub-sector. The Canal was to increase the conservation of water for irrigation needs in Egypt and Northern Sudan.

ii- Upper Atbara Dam - This project aimed at constructing a dam on River Atbara to irrigate adjacent areas and help in an indirect way the New Halfa Project by stabilizing water supply for the Project.

iii- Dahad Scheme Phases I and II - These two phases were meant to bring an additional 300,000 feddans under the production of cotton, groundnuts, fruit and vegetables in the Central and Eastern regions.

iv- Northern Region Rainy Scheme - These schemes were within the category of on-going projects. The six Year plan aimed at providing an assured water supply to these schemes which
previously depended on traditional flooding practices.

vii- Electrification of the Blue and White Nile Schemes
This was an on-going project which was absorbed in the Five Year Plan. In the six year plan, there was to be a continuation of further electrification and improvement of efficiency of the pumping sets. Moreover, there was to be an expansion and improvement in the irrigation channels. This project was meant to bring an additional 400,000 feddans under irrigation along the two Niles.

viii- Improvement of Irrigation Facilities
This project aimed at removing all the deficiencies in the existing irrigation schemes through more frequent desilting of canals and remodelling them where necessary.

viii- Other Irrigation Projects
The other irrigated projects included plans to improve the utilization of flood waters in the Bush and Zokhro Deltas in the Eastern region, and seasonal rivers in the Western region. The plans also aimed at controlling river erosion and the provision of hydrological surveys in the new regions.

ix- Mechanical Harvesting sub-sector
In the six year development plan funds were provided to strengthen
mechanized state farms as well as to assist in the rehabilitation of private mechanized farming activities. The major financing of this sub-sector was planned to come from private and semi-private sources, mainly the Arab Authority for Agricultural Investment and Development (A.A.A.I.D.) based in the Sudan. In this sector it was planned to develop an area of about six million feddans to be mechanized in Southern Darfur, South Kordofan, Blue Nile and Northern Bahr El Ghazal. This arrangement was meant to add one million tons of dura, groundnuts, sesame and cotton to agricultural production.

(c) THE TRADITIONAL SUB-SECTOR

In the Six Year Plan, the government planned to bring more land under rainfed cultivation in the regions where traditional farming prevails. An amount of Le.6.7 million was allocated for the development of traditional farming in Darfur, Kordofan and Bahr El Ghazal regions. In addition, a network of research stations were planned to be set-up in the Western region to select and experiment on crop varieties and cultivation practices that will be suitable in obtaining high yields under rainfed traditional farming conditions. Furthermore, the plan provided an amount of Le.3.4 million to develop eleven projects in the Western region to check desert encroachment and also to set up afforestation projects in Blue Nile, White
Nile and Khartoum regions.

In the field of livestock production an amount of £10.50 million was allocated. This amount was to be spread over 57 projects in the public sector. These projects included some projects aimed at improving animal production through the provision of more veterinary research and extension services, in addition to planned expansion and improvement in water supply facilities in grazing and other rangeland areas.

5-3 AN: AFFRAJLJ

Looking at the agricultural priorities and projects set out in the six year plan, it could be seen that the same strategies as laid down and adopted in the ten-year and five-year plans, continued to dominate the minds of the drafters of the six-year plan. Nevertheless, the traditional sub-sector has been given some attention for the first time in the history of economic planning in the Sudan. Apart from the modest amounts allocated to the sub-sector in the six year plan, it is clearly stated in the plan under the generic heading of the modernization of the traditional sub-sector. The planners seem to have also identified the problem of traditional farming as a problem of increasing productivity. Hence, they called for: "--- giving the top priority to agricultural development both in the traditional and the modern sub-
sectors, and providing all requirements for optimum utilization of agricultural resources so as to raise productivity.

Even at this level the drafters of the six year plan failed to provide concrete measures for increasing productivity in the traditional sub-sector. According to them, modernization of this sector means the development of close ties between modern agricultural schemes and the nearby traditional farming areas, so that the latter benefits from the production system used in modern schemes. But the planners never explained how this close relationship could be forged between the modern and the traditional agricultural sectors and how they would consequently help transform and develop each other and the economy as a whole.

According to the World Bank experts, the development of Sudan's agricultural sector lies in the improvement of the efficiency and rehabilitation of the existing schemes so that they contribute positively to increased production and revenue generation. Hence, they advised the continuation of directing the greater part of the available investment resources to the Eastern and Central regions which constitute the largest part of the modern agricultural sector, in order to develop and expand on the larger scale, high yielding investment
This advice from the World Bank experts reinforces the 'unbalanced growth', which underlie the development process in the post-colonial Sudan. The advice stated explicitly that regional and income inequalities should be maintained, the former through the concentration of investment resources in the Central and Eastern regions which historically had continued to receive the greater share of investment allocations during the Colonial and post-colonial periods. Thus the income inequality had been maintained through further concentration of investment in the modern agricultural sub-sectors and especially its restriction to few individuals who own large-scale commercial schemes in this sector.

This concept of development has been advocated by the World Bank experts in line with its philosophy of 'pull-push' approach which dominated the development thinking of the 1970s. The Sudanese planners on their part held on to this tenets, until recently - After the International Labor Organization (I.L.O.) experts carried out a comprehensive study on the performance of the Sudanese economy, did alternative approaches emerged with regard to development planning and strategies in the Sudan. The I.L.O. experts in
their comprehensive study identified the basic problem of the Sudanese economy as being that: "---- most of the irrigated and mechanized rainfed agriculture (i.e., modern sector) is in the former Blue Nile and Kassala Provinces in the Central and Eastern parts of the country. This is where the transport, power, schools and industry are also concentrated, the regions in the West and South (i.e., predominately traditional) lag far behind".11

Here, the I.I.O. experts have only recognized that the situation needs a "rethinking" of Sudanese approaches to development which up to now have focused on developing modern agricultural sector. Based on their rethinking strategy, the I.I.O. experts arrived at the conclusion that the most productive way of developing the Sudanese agriculture and the Sudanese economy at large will be realized; "---- in the first place through a major effort in terms of government attention and finance in support of traditional agriculture, both by increasing immediate improvements and, in the longer term, by providing the physical and institutional infrastructure that will transform this sector. And in the second place through the expansion of modern agriculture".12

However, the experts were careful to add an important qualification indicating that both traditional and
modern sector would be supported by complementary developments elsewhere in the economy. The I.I.O. experts here advocated that the economy of the Sudan and particularly its agricultural development should walk on two legs, that is it should rely on the development of both the modern and traditional sub-sectors. The experts never hesitated to point out to the political, rather than the financial constraints that posed themselves in working out this strategy. Hence, they emphasised that a considerable effort of 'political will' is needed in order to devote sufficient resources to the traditional sub-sector of the Western and Southern regions of the country which incidentally are the most undeveloped regions in the country.13

9-6 CONCLUDING REMARKS

The main purpose of this Chapter was to draw out the main salient features of the development planning with special reference to investment on agricultural development. The main hypothesis presented in this Chapter is that the distribution of public investment resources is an imitation of the past Colonial development policies in which most of the investment resources were concentrated in the establishment and consequent expansion of large-scale agricultural schemes in the modern sector with greater emphasis on the irrigated sub-sector.
concentrated in the modern agricultural sub-sector of irrigated and mechanized farming. This pattern of investment allocation in the successive development plans resulted in the concentration of private as well as public capital in specific regions of the Central and Eastern parts of the country. This unequal allocation of investment resources was further reinforced by the advice from the World Bank, which favored a development strategy of unbalanced growth. The underlying explanation to this strategy was that the already developed regions should be further developed and strengthened so that the benefits accruing from this unequal growth should then begin to 'trickle down' to the poorer regions. Thus the economic benefits from the more developed modern sub-sector of the Central and Eastern regions will ultimately trickle down to the other poor regions of the South and West. This theory never worked out as expected and the I.L.O. comprehensive study of the Sudan economy in 1976 came up with a different conclusion and strategy. Instead of unbalanced growth, the I.L.O. experts advised a new strategy of redistribution of resources with growth.
That is, resources should be redistributed evenly to achieve a simultaneous growth by spreading investment resources proportionally to the modern as well as traditional agricultural sub-sectors. Whether this new strategy has been adopted is subject to controversy, the current rolling development plans are very much similar to the previous post-Colonial strategies. Continuous expansion and improvement on existing and on-going large-scale projects, remains the main trend of public investment programmes.

We therefore conclude here that the process of uneven development between the different regions of the Sudan and among its different social formations originated from past colonial policies and been perpetuated and reinforced during the post-colonial period. The economic policies adopted during this period were focused mainly on the development of irrigated and mechanized farming sub-sectors. This pattern of development continued to dominate the Sudanese economic planning. The Sudanese planners seem to have conceived the development of agriculture at two levels: at the micro-level which aims at replacing subsistence agriculture by large-scale mechanized schemes and at the macro-level whereby the main preoccupation of the planners aims at the development of export-oriented economy based
on the production of cash crops such as cotton. This strategy has however, contributed greatly to the concentration of public and private investment resources on the modern sector to the detriment of the traditional sector and the vast rural majority who depend on this sector as a source of livelihood.

2. This


4. Ibid P. 85


6. Ibid P. 101


12. Ibid., p. 33.

CHAPTER SIX

THE ALLOCATION OF PUBLIC AGRICULTURAL RESOURCES TO THE SOUTHERN SUDAN

5.1 AN OVERVIEW

The Southern Sudan covers over 650,000 square miles which constitutes about one quarter of Sudan's total area. The South is inhabited by over 3 million people, an equivalent of one quarter of the country's total population. The population density in the Southern Region is 5 persons per square kilometre, a little below the national average of 6 persons per square kilometre. The majority of people, over 91% of the Southern Sudan population live at subsistence level with an annual income of about 50 Ls., which is one third of the national average of 150 Ls.1

The Southern Sudan is rich in natural resources, most of which have not been exploited so far. The agricultural sector in the Southern Region represents one of the State and most important natural resources, which if exploited would contribute greatly to economic and social development of the Sudan in general and the South in particular. The prevailing climatic and soil conditions in the South do promise the possibility of producing various agricultural products for local consumption, and for export.
According to recent agricultural survey carried out in the Sudan, it was found that the total area under crops in the Southern Region was estimated to be 1,3 million feddans out of the country's estimated total of 20 million feddans. In the field of animal wealth, the South has 5.1 million heads of cattle, 1.8 million sheep and 2.7 million goats. Furthermore, the Southern Region has numerous rivers and tank lakes which are rich in fish and produced an estimated 750 tons of fish per annum. Forest resources are plentiful and most of the forest in the Sudan is concentrated in the South particularly in Equatoria and Dar Al Gashal Regions. In the same agricultural survey, the forest land was found to be extensive, with 445,000 sq km, considered productive.

In spite of the impressive agricultural potential expounded above, the Southern Region remains to be one of the poorest and least developed regions in the Sudan. The region suffered both from neglect by the Central Government and the persistent civil war that continued to haunt the region since independence. Though there was a brief lull and relative peace after signing the peace agreement in 1972, between the Southern insurgents and the Central Government, the region reverted back into war in 1983 which basically resulted from the Central Government's failure to come up with the
necessary economic aid in form of development so as to
revitalize the war-torn Southern economy.

6-2 AGRICULTURE IN THE SOUTHERN REGION

Agricultural production in the Southern Region is
still largely dependent on the efforts of small-holder
subsistence farmers. However, their productive efforts
are naturally limited to what they and members of their
families can cultivate using traditional implements
such as hoes and axes. Thus the most prevalent system
of agriculture in the Southern Region, is the system
whereby farmers' activities are carried outside the money
economy. This was the state of agriculture in the
Southern Region before and during the first civil war.

After peace and stability was restored to the region
in 1973, the Regional Government first had to grapple
with the problem of resettling the returning refugees,
spared from efforts directed at rebuilding and rehabilitating
the fabric of the economic infrastructure, which
was destroyed during the war. The second most important
priority was the development of the agricultural sector
in the region. This sector was important, because
of the increasing food requirements of the returning
refugee as well as town dwellers. In view of this
situation, the Regional Ministry of Agriculture exerted
considerable efforts in acquiring and providing
agricultural tools and seeds and distributing them to
the returning refugees and other peasant farmers so as to enable them to restart a new life. Although the results of the regional government's efforts were not impressive substantial achievements were made in the production of adequate quantities of local food crops such as cassava, durum and maize. The resumption of hostilities in 1981 quickly disrupted this encouraging development.

But before the start of the second round of the civil war, agricultural development in the South, that is from 1972 to 1982, was faced with many difficulties. One of the main obstacles facing agricultural production in the region, especially among the small-scale farmers, was the shortage of cash. Lack of cash made it difficult for the small-scale farmers to purchase, farm tools, seeds and other agricultural inputs and services. Hence, agricultural development, as well as productivity was greatly hampered by this condition. This situation was aggravated mostly by lack of established financial institutions in the South. There is only one commercial bank operating in the South, and recently the Agricultural Bank started to open offices in the region. Apart from the lack of formal credit, the informal system of credit does not even exist in the South. This is due to the fact that most of the economic activities in the South are made outside the money economy, and agricultural
activation are no exception in this regard.

Given the situation where there are no formal or informal sources of credit for the small farming community, the Regional Ministry of Agriculture took up the responsibility of procuring and providing necessary agricultural inputs to support the agricultural productivity in general, and to particularly increase the productivity of the small-holder farmer. Recently the sources of agricultural credit in the region expanded to include the Agricultural Bank of Sudan, the Regional Development Corporation, and various International Aid Agencies operating in the South.

6-3 SOURCES OF AGRICULTURAL CREDIT AND THE DISTRIBUTION IN THE SOUTHERN REGION

Generally the sources of formal agricultural credit in the Sudan comprised of the Central Bank of Sudan via Public Corporations, the Agricultural Bank of Sudan, and all the public Commercial banks in addition to private foreign and domestic capital. In the case of the Southern Region, the credit institutions are very much limited. The sources of credit in the South include the Regional Government through the Regional Ministries of Finance and Agriculture, the Agricultural Bank of Sudan and the Regional Development Corporation which also comes under the control and supervision of the Regional Ministry of Finance and Economic Planning.
6-4. The Role of Regional Ministry of Agriculture and Natural Resources

The Regional Ministry of Agriculture extended credit, mostly in kind to small-scale farmers in form of single agricultural tools and implements, seeds and provision of extension services. The Ministry, with the help of foreign donors acquired and distributed these prerequisites to the farmers.

Table 6-1 Provincial Distribution of Agricultural Tools to Farmers in the Southern Region, 1977

<table>
<thead>
<tr>
<th>PROVINCE</th>
<th>HOES</th>
<th>POKLAS</th>
<th>RANGAS</th>
<th>AXES</th>
<th>SICKLES</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equatoria</td>
<td>3,500</td>
<td>2,500</td>
<td>1,700</td>
<td>3,000</td>
<td>3,000</td>
</tr>
<tr>
<td>Debir Bi Ghamal</td>
<td>2,500</td>
<td>2,500</td>
<td>300</td>
<td>1,500</td>
<td>800</td>
</tr>
<tr>
<td>Upper Nile</td>
<td>1,500</td>
<td>1,000</td>
<td>------</td>
<td>------</td>
<td>---------</td>
</tr>
<tr>
<td>TOTAL</td>
<td>7,500</td>
<td>6,000</td>
<td>2,000</td>
<td>4,500</td>
<td>3,800</td>
</tr>
</tbody>
</table>

* Short hand notes

Source: Regional Ministry of Agriculture, Southern Region, June 1977 - July

The tools indicated in Table 6-1 were donated by the United Nations High Commission for Refugees (UNHCR) and were distributed free to returning peasants and other displaced farmers to enable them start their farming.
activities. Although the implements distributed were of the most simple and basic type, they were very useful to the peasant farmer. In Table 6-1, we can see that most of the tools went to Equatoria Province, because it had the majority of returning refugees from neighboring Uganda. This is in addition to the fact that the location of the regional capital in this province made the local population aware of the availability of such facilities compared to the other provinces.

Since the distribution of tools alone without seeds was meaningless, the Regional Ministry of Agriculture again approached the U.N.R.O.A. to supply seeds for distribution to farmers who got the tools.

Table 6-2: THE DISTRIBUTION OF SEEDS TO FARMERS BY THE REGIONAL MINISTRY OF AGRICULTURE (IN UNITS: HECTO)

<table>
<thead>
<tr>
<th>SOURCE</th>
<th>MAIZE</th>
<th>COTTON</th>
<th>COFFEE</th>
<th>SUGAR</th>
<th>SORGHUM</th>
<th>MILLET</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equatoria</td>
<td>50</td>
<td>110</td>
<td>5,000</td>
<td>50</td>
<td>70</td>
<td>100</td>
</tr>
<tr>
<td>Dr. El. Gudal</td>
<td>10</td>
<td>90</td>
<td>------</td>
<td>--</td>
<td>20</td>
<td>------</td>
</tr>
<tr>
<td>Upper Nile</td>
<td>10</td>
<td>70</td>
<td>------</td>
<td>--</td>
<td>10</td>
<td>------</td>
</tr>
<tr>
<td>TOTAL</td>
<td>70</td>
<td>270</td>
<td>5,000</td>
<td>50</td>
<td>100</td>
<td>100</td>
</tr>
</tbody>
</table>

* Coffee was given in seedlings

Source: Regional Ministry of Agriculture, Southern Region

Program Report, June 1972, Juba, p. 4
The distribution of the improved seeds as shown in table 6-2, by the Regional Ministry of Agriculture (R.M.O.A.) was not free as it was in the case of Agricultural tools. The seeds were distributed through mobile retail shops in the countryside, Chiefs, or representatives of R.M.O.A., on condition that the farmer should return to same quantities of seeds issued, and could retain the remaining part of the crop as a free gift from the government. The largest share of the seeds went to Equatoria Province again for the same reasons mentioned in the distribution of agricultural tools.

In addition to the acquisition and distribution of agricultural tools and improved seeds the R.M.O.A., kept about 50-100 feddans under cultivation for those new crop varieties as a guarantee against farmers failure to produce or return the crops issued to them.

6-3: THE ROLE OF AGRICULTURAL BANK OF SUDAN IN THE SOUTHERN REGION

The Agricultural Bank of Sudan (A.B.S.) was first established in the Sudan in 1959. Though the A.B.S. was meant to serve all parts of the country, its activities in the South have been on a limited scale. Whatever credit services that were extended to the South were restricted to financing specific projects,
or to few loan individuals. The bank officials claimed that the first loan extended to the South by A.B.S. was in 1960. The amount of loan was about Ls.45,000. The loan was given specifically to finance coffee and tea plantations in Equatoria Province. According to A.B.S. official sources, the bank's operations were disrupted by the civil war, and the loans got stopped. The loans extended to coffee and tea plantations were not repaid until 1970, when the Southern Farmers started to negotiate for fresh loans. By that time the A.B.S. asked for the repayment of Ls.45,000 before extending any credit facility to the Southern Region. It seemed the problem was resolved and the A.B.S. loans started to trickle again to the Southern Region. But the A.B.S. officials could not specify how much loans went to the South in the early 1970s nor was there any trace of statistical records about such loans. Whatever the truth is, it is important to point out that the first Southern branch of the A.B.S. was opened in Riek in 1970/79. This part of the South is a rich agricultural area which was already witnessing mechanized farming. Thus, Riek is not only the area where the A.B.S. opened its first branch, but it is also the area in the South which gets over 90% of the total loans earmarked for the Southern Region. This is because most of the farmers in the Riek area were either rich farmers or businessmen from the Northern Regions. Other branches of the A.B.S. in the South were opened only at the beginning
of the 1980s. This was a result of political pressure launched by the Southern Farmers Association in which they petitioned the head of the state in one of his visits to the South in 1980. In that petition they requested the opening of A.B.S. branches in the region, for the benefit of the Southern Farmers. On his return to Khartoum, the President issued an order to immediately open branches in the Southern Region. Hence, the A.B.S. branches were inaugurated in 1981 in Juba and Yei.

Table 6-3: THE DISTRIBUTION OF CREDIT FROM A.B.S. TO THE SOUTHERN REGION AS FROM 1982 TO 1984

<table>
<thead>
<tr>
<th>PROVINCE</th>
<th>1982</th>
<th>1983</th>
<th>1984</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Upper Nile</td>
<td>2,504</td>
<td>2,442</td>
<td>2,300</td>
<td>7,246</td>
</tr>
<tr>
<td>Equatoria</td>
<td>20</td>
<td>12</td>
<td></td>
<td>32</td>
</tr>
<tr>
<td>Zebre El Gashal</td>
<td>1,600</td>
<td>40</td>
<td>40</td>
<td>1,696</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>4,124</td>
<td>2,902</td>
<td>2,788</td>
<td>9,814</td>
</tr>
</tbody>
</table>

Source: Agricultural Bank of Sudan - Khartoum

Since the start of A.B.S. Operations in the Southern Region, the loans advanced by the A.B.S. to the Southern Region have been consistently low compared to other regions. In table 6-3, most of the loans disbursed went to the Bank branch in Upper Nile Province. It got over 50% of the total share. The remaining balance
was shared between Juba and Wau of Equatoria and Bahr El Ghazal Provinces. The reason behind this unequal allocation between the Provinces in the South, goes to the fact that farming in Bahr el Ghazal has been fully mechanized whereas farming in Juba and Wau is still predominantly traditional.

The total loan disbursments from the A.B.C. to the whole agricultural sector for the period of 1962-1964 amounted to about £s. 72 million. Out of this total the share of the Southern Region was over £s. 9 million. Considering the financial capacity of the region and its population share of about 30%, this meager amount of loans allocated to the region is incompatible with the announced objectives of the A.B.C.

The unequal treatment of the Southern Region in the total allocation of credit from the A.B.C. is explained away by the bank's officials. They claimed that the allocation of loans is based on many factors - First, the volume of credit allocated to each region is determined by the proposals and estimates presented by each branch. Secondly, mechanized agriculture is also mostly favored by the A.B.C., hence it gets the highest share of the total loans advanced. Thirdly, all the regions are considered on case by case basis taking into consideration the financial needs and the prevailing conditions in each region. Given these conditions the Southern Region got the lowest share, because of the low financial demand.
of its agricultural sector. This, according to the bank's sources is a result of low cost estimates presented by the Southern branches in addition to the subsistence nature of the agricultural production in the region. Furthermore, the modern sector is more favored over the traditional sector in the allocation of agricultural credit, and since the Southern Region is predominately traditional, it therefore follows that the region gets the lowest share in the total loans disbursements.

Whatever the arguments presented by the bank's officials in defense and justification of the small share of loans allocated to the Southern Region, the fact still remains that the South will never develop unless it gets a proportional share in the allocations of investment resources especially in fostering agricultural development.

It is important to mention at this juncture that the credit facilities extended by the A.E.S. through its branches in the South, have not been effective. Apart from the problem of small amounts of loan disbursements, the bank has been consistently faced with defaults on the repayment of loans. This is usually a result of failure of the bank to properly screen the potential loan beneficiaries and thereby establish their reliability and credit-worthiness. Hence, loan beneficiaries either divert the loans for other consumption
activities or default on the loan repayment.

Furthermore, the bank does not carry out proper studies on the productive feasibilities of certain agricultural areas or crops and thereby correctly establish proper estimates of crop inputs and output. The result is that many farmers either later realize that they could not produce enough crops from the given factors or produce more crops without any known ready market for the produce. For instance, in 1982 the farmers of Jabr El Chaim Region produced surplus groundnuts, and could not find market or storage facility for the produce. When they approached the bank to help them find a market or provide a storage facility the bank refused. Hence, the produce deteriorated and the bank failed to get its money back.

Lastly, but not least, the current security situation in the South, has rendered the credit operations ineffective. This is because of the recent displacements and abandoning of farms with the additional failure of the bank officials to make field visits to the farms and assess future financial needs. Presently most of the roads are inaccessible due to lack of security in many areas, and consequently the farmers have abandoned the production of surplus crops since there are no markets for such surpluses.
6-6 THE ROLE OF THE REGIONAL DEVELOPMENT CORPORATION

The Regional Development Corporation (R.D.O) was a public corporation responsible for financing and implementing some development projects in the Southern Region. Its role, like that of its counterpart in the Northern Region, Sudan Development Corporation (S.D.C), was to help accelerate the process of development in the war-torn Southern Region. Since there were no other viable Regional Corporations capable of providing financial needs of the economic sectors in the South, the R.D.O. was meant to fill this role. Therefore, the establishment of the R.D.O. was one way of channeling funds and other services to the farming population and other economic sectors of the region.

The R.D.O. was established in 1972 with the main aim of providing loans to farmers, cooperative societies and other interested local entrepreneurs. From 1974 to 1982, the total amount of loans advanced by the R.D.O. was about 15 million Sudanese pounds, out of which about 45 percent were to the agricultural sector. The remaining 55 percent was divided among various projects ranging from dairy farms, poultry farms, tile and brick making, and establishment of cottage industries.
Greatly influenced by local regional politics, based mostly on political and tribal affiliations. In that case most of the loan beneficiaries from the R.D.C. were relatives or close associates of the incumbent Chairman of the R.D.C. This post of Chairman, has been frequently occupied by people from Upper Nile and this helps to explain why most of the loan allocations went to that region.

The total loans offered by the R.D.C. though modest by regional requirements, their impact on agricultural development in the South was negligible. This could be attributed to various factors. First, there were no proper regulations or rules laid down for screening loan requests. The result was that less credit-worthy and unreliable persons got most of the loans since they were no rigorous conditions or securities required from them to be loan beneficiaries. Secondly, local politics had always interfered with the internal management of the Corporation. Many regional politicians considered the R.D.C. as a source of financial reward for their political supporters and relatives. Hence, most of the loans found their way into the hands of these supporters or relatives, who were not necessarily farmers. Thirdly, the breaking down of loans into smaller amounts so as to cover a bigger number of people recommended by various politicians, had weakened the effectiveness of the loan. Hence, most of the loan beneficiaries therefore, received very meager
amounts of loans which could not start a project. The amount ranged from LD 100 to LD 350 per loan. In almost all the cases, there was no continuous flow of credit once approved. No loan beneficiaries defaulted on their loan repayments which was to constitute a revolving account from which further loan instalments could be paid. Fourthly, since most of the loan beneficiaries were not originally farmers, they thought the loans given to them were free gifts from their political patrons and the loans were usually diverted to other activities which were not included in the loan contract. Based on this assumption, the loan beneficiaries refused to repay the loans and sometimes resort to their political patrons to help them verify the loan claim.

Fifthly, the resurgence of the civil strife and the further division of the Southern Administration, made it difficult for the R.D.C. officials to go after their clients to recover the loans. Hence, the loan repayments remained unclaimed, and the projects started remained unfinished, and the loan project under the R.D.C. can be conclusively pronounced a failure.

6-7 THE ROLE OF FOREIGN AID IN AGRICULTURAL DEVELOPMENT IN THE SOUTHERN SUDAN

Foreign aid has been an important source of investment resource in the Southern Sudan. After the end of the civil war in 1972 which culminated in the signature
of a peace agreement in Addis Ababa, most of the international organisations and other friendly foreign countries which contributed to the peace accord, felt obliged to extend economic and humanitarian aid to the Sudan and particularly the Southern Sudan. This aid was meant to help resettle the returning refugees as well as help in rebuilding and rehabilitating the basic infrastructure that was destroyed during the seven-year civil war. The South with its weak and undeveloped economic base had nothing to offer. The Central Government on her part was financially overstretched and could not afford to divert funds from the existing on-going projects established before and during the war in the Northern part of the Country. Hence, the seriously needed funds for the post-war economic and social development of the Southern Region had to be met mostly by foreign donors.

The response from the foreign donors was very encouraging, and the total foreign assistance amounted to about £4 million in 1979/80 and was projected to increase to over £26 million in 1980/81 (table 6-3).
Table 6-3

AN ESTIMATE OF CENTRAL GOVERNMENT AND FOREIGN AID EXPENDITURE ON AGRICULTURE
IN THE SOUTH REGION 1976-1980

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Sudan Govt.</td>
<td>5.3</td>
<td>4.1</td>
<td>4.2</td>
<td>1.9</td>
<td>2.5</td>
<td>20.3</td>
<td></td>
</tr>
<tr>
<td>Multilateral</td>
<td>3.9</td>
<td>3.4</td>
<td>4.3</td>
<td>3.9</td>
<td>13.9</td>
<td>36.4</td>
<td></td>
</tr>
<tr>
<td>Bilateral</td>
<td>3.1</td>
<td>1.2</td>
<td>1.6</td>
<td>3.5</td>
<td>2.4</td>
<td>13.2</td>
<td></td>
</tr>
<tr>
<td>Voluntary</td>
<td>1.6</td>
<td>1.2</td>
<td>1.2</td>
<td>2.4</td>
<td>2.4</td>
<td>7.4</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>13.1</td>
<td>12.3</td>
<td>10.7</td>
<td>17.8</td>
<td>29.1</td>
<td>103.1</td>
<td></td>
</tr>
</tbody>
</table>


If we compare the total allocations offered to the agricultural sector in the Southern Region as indicated in Table 6-5, we can see that the total recurrent budget allocations from the Sudan Government was Le. 20.3 million from 1975/76 to 1980/81, whereas the corresponding allocations from the foreign donors was Le. 29.1 million for the same period. The foreign aid comprised of multilateral aid which came from the World Bank International Development Agency (I.D.A.), International Fund
for Agricultural Development (I.A.D.D.), and other international aid agencies; the bilateral aid came from individual friendly countries especially from the European Economic Community (E.E.C) member countries; and finally the aid from voluntary and benevolent organizations such as the Norwegian Church Aid, Lutheran World Service, Samoan Council of Churches, etc.¹⁰

In table 6-3 the total donor assistance to agricultural development in the Southern Region was estimated to be almost Rs. 3 million in 1976/77. The Central Government allocation was over Rs. 5 million for the corresponding period. In 1980/81 the amount of foreign aid was to jump to Rs. 14 million whereas the Central Government's allocation was to drop to only about Rs. 3 million which would be more than four times less than the foreign aid component. This trend is an indication that foreign aid is very vital and it helps fill the financial gap created by the shortage of investment resources from the Central Government's treasury.

Apart from filling the financial gap, the foreign assistance help in financing very important projects in the South. For instance, a multilateral assistance of Rs.12.6 million was offered for the financing of the Southern Region Agricultural Rehabilitation Project.¹¹ This project was to be implemented in four years time from 1979 to 1983. The aim of the project was to help the
small farmer to increase the production of food crops, such as coton, maize and groundnuts in order to improve their nutrition and reduce their dependence on food imports. This will also help increase the small farmer cash incomes through the introduction and development of cotton and coffee as cash crops. Under the same project, the production of livestock was to be increased primarily through the cattle vaccination campaign. The financial for sources of the project was I.D.A., which was supposed to pay $1.9 million in local currency.

So far, the foreign aid component in the development expenditure in the South, had been substantial and unsung by any local component. The multilateral, bilateral and voluntary agencies had contributed substantial amounts to the development process in the Southern Sudan. The multilateral agencies allocated more than £20 million from 1976 to 1980. The bilateral agencies offered a total of £30 million, and the voluntary agencies about £10 million (see table 5-9).

3-3 CONCLUDING REMARKS

The Southern Region is characterized by lack of formal and informal sources of credit due to the prevailing weak financial infrastructure in the region. This is in addition to the flagrant neglect from the Central Govern-
ment in the allocation of investment resources. The lack of strong financial institutions as a source of
credit in the South has deprived the agricultural sector of the vital funds needed for the development of the Southern economy in general and the agricultural sector in particular.

The activities of certain financial institutions such as the Agricultural Bank of Sudan and the Regional Development Corporation were limited and inadequate to have any considerable impact on the agricultural development in the South. So far, the total loans offered to the South were very low indeed and incompatible with the credit needs of the region. The result was a complete failure of the Agricultural Bank of Sudan and any other credit institution to play a dynamic role in the process of socio-economic development in the South. At the regional level, the efforts of Regional Ministry of Agriculture (R M O A) were constantly being hampered by frequent shortages of cash and trained manpower.

In view of the failure of public credit institutions, and the inability of the Central Government to provide investment resources, the region inevitably turned to the foreign agencies in order to obtain the badly needed funds. The foreign assistance to the region was considerable and its yearly allocation was four to five times greater than the recurrent budget expenditure from the domestic sources. The Southern Region therefore, continued to rely more and more on the foreign assistance,
meanwhile the budgetary allocations from the Central government continued to decline gradually year after year.

Thus the formal sources of credit in the Southern Region were virtually non-existent, and where they existed, the pattern of distribution was haphazard and unreliable, depending on the whims of the local officials administering the credits. Hence, the volume of credit and its availability in the Southern Region was not commensurate with the financial needs of the local farmers, nor the agricultural potentialities of the whole region. The situation in the South calls for the establishment of strong financial institutions, followed by a coherent credit policy to be supervised and closely monitored by a locally based but efficient government machinery.


4. Ibid., P. 5


9. Ibid., P. 3


11. Ibid., P. 9
The rationale behind the need to develop agriculture lies in its basic role in the economy of any country. Apart from providing food for the ever increasing framework for future industrialization, the now developed industrial countries of Europe and North America, became industrialized after first developing their agricultural base. There are therefore, strong links between agriculture and the overall economic growth. Many countries have achieved sustained economic growth without first, or simultaneously, developing their agriculture. This is reflected today in the economies of most developing countries where the poor overall economic growth is associated with the performance of the agricultural sector.

The international development agencies today mainly concern themselves with the fight against poverty particularly in the rural areas of the developing countries - this is where the vast majority of the poor are engaged in subsistence farming. In order to transform their livelihoods, these agencies focus their attention mainly to the problems of agricultural development. Thus the war against hunger and the task of alleviating poverty in the largely rural societies, remain generally a
foundable challenge in many low-income countries.

Looking back at the historical development of the now industrialized and developed countries, we find that these countries underwent many stages of development, starting from the agricultural base to their present industrialized stage. In many developing countries today the situation is no different, many of them are undergoing the same process. If development is to take place and become self-sustaining in the developing countries, it will have to start in the rural areas in general and agricultural sector in particular.

But the development of agriculture cannot be possible without first meeting some of the important conditions such as the availability of land through land reform, and the provision of capital in the form of farm credit. Farm capital is one of the most important items which can contribute greatly to increased agricultural productivity and income. Since some farmers (especially the small farmers) have no savings of their own, and the informal sources of credit charge exorbitant interest rates, the farmer's last resort is the formal source of credit. The existence of formal source of credit helps alleviate the monopoly of moneylenders who charge exorbitant rates of interest. Formal credit also helps overcome shortages of supply of credit which quite often occur when new opportunities emerge. Furthermore, it will ease the
Seasonal financial problems of rural households and consequently encourage small subsistence farmers to raise their output and become commercial producers. Thus the availability of credit enables the small farmer to purchase improved seeds, apply the necessary fertilizer and pesticides, rent equipment or develop his water resources. Hence, the extension of agricultural credit improves the productivity and output of the farmer. Without it the subsistence agriculture in the developing countries cannot be quickly transformed.

In the Sudan it is undeniable fact that the economic progress that has been achieved was mainly due to the development of agriculture. The agricultural sector still is the main source of government revenue. Over 90 percent of foreign exchange comes directly from the sale of agricultural products. The central role of the agricultural sector in the economy of the country is also indicated by the fact that agriculture is the main source of employment, with over 80 percent of the working population engaged in agriculture and other related activities. Hence, the government has focused greater attention to the development of this sector which continues to claim the largest share of public investment resources since the Colonial Period.

Farm credit has been one of the most important mechanisms in the field of agricultural development in the Sudan.
Farm credit has been used as far back as the early nineteenth century during the Turkish rule in the Sudan. During this period, the farmers more than often resorted to the neslend and other informal sources to provide them with credit so as to pay their taxes or help tide them over during the lean years. In the colonial period, the Colonial Government offered substantial amounts of credit to the cotton producers, and other progressive farmers elsewhere along the Nile. The credit allocation during the Colonial period was discriminatory, and only given to certain regions or group of individuals favored by the Colonial authorities. Recommendations were made by District and Provincial Commissioners, and on the light of their recommendations credit was extended to certain individuals or Cooperatives. After Independence, the government recognized the great demand for credit from the farming community and established the Agricultural Bank of Sudan.

The regional and sub-sectoral allocation of the public agricultural credit in the Colonial and post-colonial period was mainly responsible for the present polarisation between rich and developed agricultural regions of the Centre and East and the poor undeveloped regions of the South and West. This situation has continued to develop for several years and has not changed ever since.
In the Colonial period the development of agriculture was confined to the production of cotton and dura (Songhum) in the areas of Gesira, Gedaref and Kassala in Central and Eastern Regions. The choice might have fallen on these areas due to their proximity to the nearest port, which was, and still is, the only outlet to the external world. Other reasons behind the choice of these regions or crops included cheap cost of production, or that the two schemes were meant to serve the colonial political and economic interests by then. Whatever reasons were behind the choice and development of these two schemes in the two areas, most of the public investment resources on agricultural development continued to be directed towards the expansion and improvement of agriculture in these two regions.

In the post-Colonial period, the policy of credit distribution was unchanged. Most of the public expenditure continued to be directed to the production of cotton and dura in the same two regions. The public credit agencies allocated most of their agricultural loans to the production of cotton and dura in the Gesira and Gedaref areas. In the case of cotton production, the credit was provided mainly by the Bank of Sudan, and in the case of dura production, the credit facility came mainly from the Agricultural Bank of Sudan. Thus the close relationship between the allocation of credit and the type of crop
to be financed, has allowed the regional distribution of public credit in favor of the cotton-growing and the fodder-crop areas where higher productivity and income in these two regions, thus the income gap started to widen between these two regions and the rest of the regions.

Considering the sub-sectoral allocation of credit between the modern and traditional sub-sectors, the same pattern of unequal allocation continued to prevail. Since cotton is mostly grown under irrigation, and such under mechanized farming, it followed that most of the public credit went to the modern sub-sectors of irrigated and mechanized farming in the Central and Eastern regions. The traditional sub-sector was the loser in this biased inter-sectoral allocation of credit. For the regions of the West and South, where modern agriculture is still undeveloped, it was quite inevitable for them to get less than their proportional share in the credit allocation. This unequal allocation of credit between crops and within the sub-sectors has helped in exacerbating the prevailing regional inequality of agricultural development in the Country.

The distribution of overall national investment resources was no better than the distribution of public credit. In
the successive development plans pursued by the country since independence, almost all the economic development strategies and policies adopted were in favor of the development of the modern agricultural sector in the Central and Eastern Sudan. Most of the agricultural schemes were located in these two regions. In terms of annual budget expenditure on agriculture the two regions of the East and Centre got the biggest share compared to the rest of the regions in the Sudan. This unequal distribution of national investment resources has slowed down agricultural development in the neglected regions and speeded up agricultural development in the favored regions. This helped to reinforce and perpetuate the existing inequality among the regions in the Sudan.

For the Southern Region the situation has been much worse. With over 25 percent of the country’s population and a vast agricultural potential, the South used to get about 5 percent of the national investment resources. In the Six Year plan of 1977/78 - 1982/83, the only plan in which the South was involved for the first time since independence the Southern Region was to be allocated only 5 percent of the total investment expenditure on agriculture. This was a clear indication of the Central Government’s neglect of the region.

7-2 CONCLUSIONS

In view of the arguments presented in the preceding
Chapter 8, it can be concluded that the unequal distribution of public credit started with the Colonial administration. The Colonial authorities discriminated against regions and types of crops, in the allocation of credit. Hence, the precedent of unequal allocation was set during the Colonial period.

In the post-Colonial period, the distribution of credit continued to build on the unequal regional and sub-national allocation of credit. The privileged regions at the top of the development ladder continued to receive the highest credit share due to their greater volume of agricultural investments while the investment opportunities were denied the less privileged regions of the North and West.

The absence of the development of the basic infrastructure and other means of production in agriculture, has greatly, hampered agricultural development in the more underdeveloped regions. In order to accelerate agricultural development in these regions it is essential to first provide and develop public assets. The less developed regions of the North and West have never had equal access to public assets, such as expected roads, power and energy, education, health, welfare services, etc. The provision of such public goods can contribute greatly to equitable distribution of the benefits of progress achieved through economic planning. But most of these
public goods are concentrated in the Central and Eastern Regions.

At the political level, active participation in the political power-sharing of the backward regions is very low and insignificant. This has deprived them of equal participation in the national decision-making, especially in the formulation and implementation of development plans that reflect the needs and preferences of their regions. Hence, most of the development projects go to the regions which wield greater influence and power in the Central Government. But, since most of the decision-makers at the top come from the more developed regions, they are apparently ignorant of the opportunities and needs of the other regions. They tend to concentrate most of the development projects in the regions which they come from, and with which they are very familiar.

Thus the present regional inequality in the Sudan can be looked at in the light of political, economic, and social perspective. The monopoly of political and economic power by some regions tended to channel national resources to those regions. On the social aspect, the less developed regions appear to be inhabited mostly by socially less acceptable ethnic groups, or communities which are relatively backward.

1.3 RECONSIDERATIONS

The income gap between the more developed regions of
The Centre and East, and the less-developed regions of the South and West continue to worry. In order to help narrow the gap, the following suggestions could be considered:

(4) More national resources should be channeled to the least-developed regions. The government should invest more on the construction of basic infrastructure in these regions and the provision of public goods and services to the people of the less privileged regions. The percentage share of the backward regions in the distribution of public credit and investment expenditure should be increased considerably in order to accelerate the socio-economic development in those regions.

(5) The subsistence agriculture in the less-developed regions should be quickly transformed and incorporated into the monetized economy. The transformation of the traditional sector in these regions should not only aim at self-sufficiency in agricultural production, but should also aim at producing surplus for sale. Special attention should be given to the development of traditional farming. The transformation of the subsistence farming requires some financial support from public credit institutions and public agricultural corporations in terms of provision of agricultural extension services, inputs, credit, etc. The improvement of the livestock
will also help raise the income level of the pastoralists.

(c) The Agricultural Bank of Sudan should establish more branches in the poorer areas. This will bring the bank services nearer to the local farmers, and enable the bank officials to perceive and assess objectively the credit needs of the local farmer. The A.B.S. branches in the more under-developed regions should be financially strengthened and given some degree of autonomy in the screening of credit-worthy farmers. The power to determine and approve the required amounts of loans should be relinquished to the local branches.

(d) The channels of distribution of credit should be improved. Loans should be channeled through local councils, Chiefs, Sheiks or Parish Priests in the locality. This approach has been used successfully in the Southern Region by many international voluntary and benevolent organizations such as the Sudan Council of Churches, the Norwegian Church Aid, etc. The use of Chiefs or Sheiks and Parish Priests was successful because of their intimate knowledge of the local population. Cases of defaults on loan repayment or misuse of loans were very rare.

In order to bring about the success of this approach of credit distribution, the management of the local
The allocation of credit and national investment resources should observe the principle of equal distribution of income. All the regions should be equally involved in the formulation, implementation and monitoring of the development projects, such that each region correctly identifies its needs and directly supervises the implementation of the development projects allocated to it.

The solution to the problem of unequal allocation of public credit and other investment resources, requires some national reforms in the existing economic, political and social institutions. All the public goods and other opportunities should be made equally accessible to all the regions without any discrimination. This will help reduce the regional tensions and conflicts.

In the Southern Region the government should ensure an adequate supply of physical inputs. The peasant farmers face acute problems of off-farm - transport, storage and marketing facilities. In order to overcome these problems the government should give priority to investments in access roads, irrigation
drainage, transportation and storage to improve physical accessibility of inputs in the area.

The Government should subsidize agricultural inputs extended to the peasant farmers, especially agricultural tools. These tools could be sold to the farmers at low prices which the farmer can afford to pay. Farmers can be allowed to repay their loans in form of crops since they cannot afford to find a ready market for storage for their produce.

(i) Most of the credit should be given to peasant farmers in form of seeds and agricultural tools. Because of the fungibility of money, the farmer can easily divert their credit to other social commitments.

(ii) Due to bad farming practices, the illiteracy of peasants and their limited access to knowledge and new methods of cultivation, it is necessary to provide an effective agricultural research and extension services.

(iii) The public financial credit institutions should establish a consistent policy of giving out loans in a continuous flow which is adequate and effective.

In conclusion, though these recommendations are not exhaustive, an attempt to implement some of these
recommendations will help reduce the existing regional disparities among the various regions of the Sudan.
This requires political will from those who presently wield the economic and political power in the country.
The sacrifices and concessions on their part might be too ghastly to contemplate, but the higher interest of national unity overrides any narrow interests that might be endangered. Hence, hard and undesirable political and economic decisions have to be made now before it is too late, because the viability of the Country as a sovereign state is at stake.
CHAPTER ONE

1. The Sudan was affected by the drought and famine which struck the Sahel regions of Africa in 1983/1985.

2. The Southern Region was granted an autonomous self-government as a result of the peace agreement signed in 1972 in Addis Ababa which brought an end to the seventeen-year-old civil strife in the Sudan. The rest of the regions were consequently granted regional rule in 1980 following the model of the Southern Regional Government.

Chapter Two


3. Ibid.


5. F. Schultz: Transforming Traditional Agriculture, New Haven, (Yale University Press, 1964) P. 13


9. The Shail Credit System as an informal source of credit has been widely discussed in 'Agriculture Credit and Finance in the Sudan', by A.H. Ahmed, Research Bulletin No. 33, Dept. of Rural Economy University of Khartoum, and in 'Effects of Money-lending on Agricultural Development in the Sudan', by D.J. Shaw, and in A study of Agricultural Development in the Central Rainlands of the Sudan, an Interim Report, Occasional Paper No. 5 E3RO, 1976, Khartoum.

Chapter Three


2. Agricultural Bank of Sudan (Mero) 1965: The State of Agriculture and Agricultural Credit in the Sudan, PP. 6-7


5. Gunnar Myrdal in his book 'Asian Drama', first provided a theory of interregional disparity in development by taking into account sociological considerations.


7. Ibid.
Chapter Four


6. Iblis.
Chapter Five


2. Ibid.


4. Ibid.

5. Ibid. P. 101


11. Ibid. P. 218

12. Ibid. P. 33

Chapter Six


4. Ibid. P. 5


9. Ibid. P. 3


11. Ibid. P. 5
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