Sudan Structural Adjustment Programme (Ssap):

Some Implications for Labour in the Formal Sector

By

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I. Background: Sudan Structural Adjustment Programme (SSAP)

By the beginning of the 1980s many developing countries, including almost all Sub-Saharan Africa, faced chronic economic crisis, which is well documented in literature. In response to the economic crisis, many developing countries had little choice but to “adjust” in a serious effort to arrest the disastrous trend. Thus, “By early 1992, 78 countries had accepted World Bank Adjustment Programmes, and many others had introduced essentially the same policy frameworks without formal agreements with the Bank”, (Mosley and Weeks, 1993, p. 1583). Between June 1986 and July 1987 twenty one of the Sub-Saharan African countries, including almost all the East African nations, were rushed or forced to adjust, with or without pressure and support from the World Bank/International Monetary Fund (IMF). Not only that, but “Even countries such as Tanzania, long a symbol of opposition to the agency, came to terms with the IMF”. (Stein, 1992).

Although the impact of SAPs on the economic performance of African economies remains controversial, it is certain that SAPs have far reaching implications for the population in general and labour in the formal sector in particular. (Mosley and Weeks, 1993, Riddle, 1992, Stein, 1992, El-Tom, 1994, World Bank, 1994).

While the specifics of SAPs may vary from one country to another, some of the policies adopted included price liberalisation, privatisation, the removal of government subsides, significant devaluation, cuts in public expenditures with deep public sector retrenchments, relaxation of foreign exchange controls, an increase of interest rates to real levels, the withdrawal of protectionism measures, the introduction of user fees, tight control of credit, and an increase in agricultural producer prices (Stein, 1992).

In Sudan, the present government launched the so-called Sudan’s Structural Adjustment Programme (SSAP) in the early 1990. As the name implies, these policies were homegrown in the sense that they were neither negotiated with nor supported by the World Bank and the IMF. But, on the whole, these policies are nothing but a carbon copy of the standard SAP agreements concluded with other African countries. In fact, these policies are harsher than what the IMF normally recommends and “much beyond the dream of the IMF”. (Sudanow, Sept. 1992, pp. 9-21). During the 1990s these policies were used by the government, though unsuccessfully, to appease the IMF and seek balance of payment support in subsequent negotiations. The US$ 1.5 billion arrears owed to the IMF seem to be the main problem. Recently, in August 2000, however, the government was successful to restore the country’s full membership in the IMF almost one decade after it was suspended.

Sudan’s SAP is part and parcel of the Three-Year Economic Salvation Programme (TYESP) (1990-93). The programme aimed at arresting the economic deterioration through reallocating resources in favour of production (particularly agriculture, to achieve food security and exportable surpluses), enhancing the role of the private sector, deregulating price controls, privatising PEs, and achieving fiscal balance. As price Liberalisation and Privatisation policies are relevant to the emphasis of this paper, following are more details on these two components.
Thus, in the wake of SSAP, price controls were eliminated at production and wholesale levels, and, the market forces of supply and demand were unleashed to determine the price levels for all sectors. Also, the prices for public utility services and other commodities, such as electricity and sugar, have been hiked sharply to reflect market forces. More employee ownership, during the 1990s, the present government pursued the privatisation policy on a more systematic basis. To facilitate and speed up a transparent privatisation process, the government created the necessary legal and institutional frameworks. In August 1990, the National Salvation Command Council, then the highest authority in the country, issued the Disposal (Privatisation) of Public Enterprise Act of 1990. In December 1992, this Act was complemented by the Public Enterprise Liquidation Regulation regin .To give the necessary political backing and impetus for the privatisation process, the Act provided for the establishment of the High Committee for the Disposal of Public Enterprises (HCDPE) under the Chairmanship of the Minister of Finance and Economy. The Act empowered the HCDPE to carry out the privatisation programme. The Act also established the Technical Committee (TC), subordinated to the HCDPE, to help the latter to discharge its functions. The HCDPE identified 124 PEs as Privatisation candidates. Since 1990, however, only 57 PEs were privatised so far. Table 1 below gives details of the number of privatised PEs and the privatisation method.

Table 1: No. of PEs privatised (as of December 1999) and method of privatization

<table>
<thead>
<tr>
<th>Privatization method</th>
<th>Manuf. sector</th>
<th>Agric. sector</th>
<th>Trans. &amp; Commun. sector</th>
<th>Energy Sector</th>
<th>Commercial &amp; miscellaneous employee ownership sector</th>
<th>Total</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Full sale</td>
<td>8</td>
<td>1</td>
<td>4</td>
<td>2</td>
<td>1</td>
<td>16</td>
<td>28</td>
</tr>
<tr>
<td>Partial sale</td>
<td>1</td>
<td>-</td>
<td>2</td>
<td>-</td>
<td>-</td>
<td>3</td>
<td>5.3</td>
</tr>
<tr>
<td>Lease</td>
<td>-</td>
<td>-</td>
<td>1</td>
<td>-</td>
<td>-</td>
<td>1</td>
<td>1.8</td>
</tr>
<tr>
<td>Liquidation</td>
<td>-</td>
<td>6</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>6</td>
<td>10.5</td>
</tr>
<tr>
<td>Restructuring</td>
<td>-</td>
<td>4</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>4</td>
<td>7</td>
</tr>
<tr>
<td>Public offering Of shares</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>2</td>
<td>3.5</td>
</tr>
<tr>
<td>Transfer (give away) of state govt. &amp; Gos</td>
<td>5</td>
<td>5</td>
<td>4</td>
<td>2</td>
<td>9</td>
<td>25</td>
<td>34.9</td>
</tr>
<tr>
<td>Total</td>
<td>14</td>
<td>16</td>
<td>11</td>
<td>4</td>
<td>12</td>
<td>57</td>
<td>-</td>
</tr>
<tr>
<td>%</td>
<td>24.6</td>
<td>28</td>
<td>19.3</td>
<td>7</td>
<td>21.1</td>
<td>-</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Al-Aam Daily newspaper, issue No. 6756, May 20, 2000, Khartoum, Sudan.

2. Implication of Price Liberalization for Labour: Rising Cost of Living

Generally speaking, it is widely believed that SAPs in Africa have brought about great hardship on workers with few tangible economic successes to compensate (Free Labour World,
1992). Following abolition of price controls, prices of goods and services in the country skyrocketed. To add to the problem, the commercialisation public utility services had substantially increased the charges of services such as electricity, education and health, which used to be rendered by the public sector at a subsidised rate. In general, Sudan had experienced an unprecedented hyperinflationary trend in the last eight years during which inflation rate was a three-digit one. Up until mid 1990s inflation was fuelled by the excessive money supply to finance the state budget deficit and continuous devaluation of the Sudanese pound against the US$ which has been fully liberalised (floated). Table 2 below shows the inflation rates for the State of Khartoum for 1990-1996, which indicates inflation rates in the country at large.

Table 2: Inflation rates in the State of Khartoum

<table>
<thead>
<tr>
<th>Year</th>
<th>Per income</th>
<th>level (%)</th>
<th>Consolidated inflation rate (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>High</td>
<td>Medium</td>
<td>Low</td>
</tr>
<tr>
<td>1990</td>
<td>66.8</td>
<td>67.4</td>
<td>70.9</td>
</tr>
<tr>
<td>1991</td>
<td>120.2</td>
<td>123.7</td>
<td>121.8</td>
</tr>
<tr>
<td>1992</td>
<td>125.4</td>
<td>117.6</td>
<td>113.4</td>
</tr>
<tr>
<td>1993</td>
<td>100.8</td>
<td>101.3</td>
<td>101.4</td>
</tr>
<tr>
<td>1994</td>
<td>116.7</td>
<td>115.4</td>
<td>116.9</td>
</tr>
<tr>
<td>1995</td>
<td>70.5</td>
<td>68.4</td>
<td>68.4</td>
</tr>
<tr>
<td>1996</td>
<td>123.3</td>
<td>132.7</td>
<td>135.3</td>
</tr>
</tbody>
</table>

Source: Department of Statistics, Ministry of Finance and Economy, Khartoum, Sudan.

This galloping inflation has a direct and immediate impact on labour in the formal sector. It inflicted severe hardships on workers whose salaries no longer make ends meet. Just four years following the introduction of SSAP, the standards of living of workers had fallen dramatically. In 1994 it was estimated that the prevailing minimum wage was only enough to cover 25% of the monthly cost of living (El-Soudani International, 1994). To date the Chairman of Sudan Workers Trade Union Federation (SWTUF) - the umbrella organisation of trade unions in Sudan-maintains the same contention. Although the National Council for Wages, in which the SWTUF is represented, reviews salaries every six months, salary increases do not match the rising inflation. At times salary increases in the public sector, though backdated, are too little too late. This is because it takes many government institutions long time to effect payments. Even worse, some workers like teachers have not been paid their salaries for more than six months in some remote states. Although salaries in the private sector are normally higher than the public sector, workers’ real income is continuously eroded by the rising inflation.

Recently, official statistics indicated that inflation is coming down to a two-digit figure. In 1999, for instance, inflation was estimated at 16.7% (Ray Aam, August, 1999). However, the way the government calculates inflation is both controversial and disputed. It is widely believed that the figure is manipulated to show lower inflation rates. All the same, workers of the formal sector, like the rest of the population, continued to be impoverished. A recent study by the government-run Steering Committee of the Strategic Comprehensive Programme for Poverty Reduction in Sudan

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(Sept. 2000) concludes that “more than half of the population in Sudan live under the poverty line and five million employee ownership are destitute”.

To mitigate these hardships on workers, SWTUF had taken some initiatives (Musa, 1997). The SWTUF, being unable to oppose SSAP, has called on the government to review the negative impact of price liberalisation and to subsidise workers on electricity and other basic commodities. This initiative, however, has not been successful, partly because of the government’s inability to raise the necessary finance (El-Soudani El-Hadieth, 1996), but mainly because of the government’s policies on elimination of subsidies. Another response was the establishment of more workers’ economic institutions meant to benefit workers. These included the Workers’ Central Co-operative and the Workers’ Economic Corporation. This initiative has not been a success either. This is because of the high inflation in the country and lack of production facilities by the SWTUF.

On the whole, therefore, the continuing gap between salaries and cost of living is widening on monthly basis. Consequently, workers are forced to supplement salaries one-way or another. Some workers look for a second job mostly in the informal sector, which proliferated, significantly in the last decade. Others rely on contributions made by relatives working in the Gulf. For those who could get neither, they have no alternative but to forgo some basic needs.

3. Implication of Privatisation for Labor: Mass Retrenchment

Generally speaking, structural adjustment programmes in Africa have resulted in massive redundancies in various countries. In Ghana, for instance, which had started SAPs early 1980s and which the World Bank claims to be a success story, “the current history of labour relations and industrial partnership is set definitively against a backdrop of the swinging retrenchment of workers in the civil and public sectors (Asante et al., 1993). Figures suggested are as high as 90,000 between 1985 and 1990. Spectacular numbers continued to be laid off from single enterprises. For example, 10,400 workers were laid off form Cocobod, 1,332 at Ghana Railways and 1400 from state-owned fishing enterprises (Asante et al. 1993). All in all, retrenchment has reduced the total membership of trade union centre -the Ghana Trade Union Congress- from 700,000 in 1983 to a little over 500,000 by the end of 1993 (Ghana Paper, 1994). In Tanzania, approximately 60,000 workers have been retrenched between 1986 and 1992 (Shahidi and Msola, 1994).

In Sudan, workers of the privatised PEs had a similar fate. This is inevitable because article 4(f) of the 1990 Act empowered the HCDPE to “exercise any legal power to terminate the service of the employees of the Privatisation candidates without any prejudice to their end of service benefits (ESB).” Subsequently, in all privatisation operations, the first step of the privatisation process is to lay off all workers of a privatisation candidate before it is offered for sale. Then the HCDPE gives displaced workers their post service benefits. In most cases, this is equivalent to six months’ salary and transportation cost to displaced workers’ home village or town. Although there is no available statistics at the national level on the total number of layoffs as a result of privatisation, 5900 workers are believed to have been displaced following the liquidation of public agricultural corporations (AOAD, 2000). More employee ownership, tens of thousands of workers are also said to have been retrenched in the manufacturing sector. Coming under increasing pressure from trade unions, the government has recently allocated LS 2 billion Sudanese Pounds.
(approximately US$ 800,000.00) to untrained workers who are displaced by the privatisation programme (Ray Aam, August 26, 2000). It is not clear how this amount will be utilized. More employee ownership, a joint training programme with the United Nations Industrial Development Organisation (UNIDO) was scheduled to start two years ago but did not take off for lack of funds.

It is worth mentioning here that there is no empirical research on the social consequences of privatisation in terms of total number of displaced workers, lost income, and possibilities of reemployment for displaced workers. The majority of studies on privatisation have concentrated on the impact of Privatisation on the efficiency of the privatised PEs. The objective of these studies is to support or refute the efficiency claim. This emphasis is understandable in view of the pressing need to sell Privatisation as good economics. The other side of the story, namely, the social consequences for retrenched labour, is the least investigated aspect.

4. Implication of Privatisation for Labour: Eroding Industrial Democracy

Generally speaking, the trade union movement had played a vital role in many African countries during the struggle for independence. Following independence, therefore, trade unions had expected major changes in the labour and industrial relations to benefit workers. To reward trade unions, many African countries have created participatory structures at the enterprise level to five workers more say in the decision-making process. In Tanzania, for instance, the Presidential Directive of 1970 had created Works’ Councils in the Parastatal Organizations (Public Enterprises) (Musa, 1994). In Ghana, the government also introduced a similar participatory structure, known as Joint Consultative Council (JCC) in state-owned enterprises (SOEs) to assume similar functions (Musa, 1999).

In Sudan, workers’ participation in enterprise decision-making was encouraged in 1976 when the government issued the Public Corporations Act, which organised public enterprises into various sectoral public corporations. For the first time, the act provided for the representation of workers in PEs’ board of directors. Although the Act stopped short of spelling out the number of worker directors and the method of selection, almost all public enterprises had worker representatives on board of directors. Although they are mostly elected by workers, at times it is management, which appoints them. The law was not extended to the private enterprise sector. More employee ownership, the law itself was revoked in the early 1980s as part of the restructuring of the public enterprise sector (Musa, 2000). Nonetheless, this tradition of having worker directors on the board of directors was continued in most of public enterprises on voluntary basis.

The implementation of the current privatisation programme, however, struck a serious blow to workers’ representation on the board of directors of PEs. The problem here is that once the public enterprise is privatised, workers’ representatives can no longer sit on the board. This is because the Company’s Act 1925 (the latest in Sudan), provides that only shareholders can sit on the board of directors of private companies.

Privatisation in Africa, therefore, is bound to have dire consequences for industrial democracy. This is mainly because workers’ participation in decision making is confined to the
public sector in almost all African countries. This being the case, disappearance of PEs means disappearance of workers’ participation. The future of industrial democracy in Africa, therefore, as Kester (1994) argues is very bleak because “Structural adjustment makes for an overhaul of ownership structures in Africa. Where workers’ participation is not legalized, it is defenceless. Where it is legalized, or formalized, this mostly only refers to the public sector, which is shrinking or reformed into joint ventures. Workers’ participation in Africa is today in a process of erosion”.

5. Implication of Privatisation for Employee Ownership: Unkept Promises

Being unable to stop it, the trade union movement in Africa had struggled to take advantage of Privatisation and develop a new form of workers’ financial participation: employee ownership. In Ghana, for instance, the trade union movement attempted to secure workers the right to buy shares in the privatised SOEs. In response to this initiative, the government had offered workers shares in some SOEs. In few cases, however, workers have managed to acquire some shares in privatised SOEs such as the Ashanti Goldfields Company (Musa, 1999). In Tanzania, trade unions have even gone a step further to legalise the workers’ right to participate in the ownership of the privatised PEs (Shahidi and Msola, 1994). Accordingly, Article No. 2 of the 1992 Act on privatisation of parastatals has introduced another type of participation in Tanzania, that is, acquisition of shares. In few Parastatals, such as the Portland Cement Factory, workers have bought some shares. Poverty and lack of facility schemes are the main obstacles for employee ownership in privatisation in many African countries.

In Sudan, the Disposal of Public Enterprises Act 1990 made provision for employee ownership in the ambitious privatisation programme that entailed 124 PEs. The Act made it clear that workers could buy some of the shares of the public enterprise in which they work once it is offered for privatisation. This was reinforced by a presidential decree, which allows workers to buy up to 30% of the share capital of the privatisable PE. More employee ownership, the SWTUF has publicly lobbied for and supported this move (SWTUF, 1996). Although the Act and the Presidential Directive did not specify how to finance this worker buy-outs.

So far empirical evidence tends to confirm that employee ownership in privatisation in Sudan had very limited success (Musa, 2000). At the national level, the SWTUF had unsuccessfully bid to buy the Catering Department, which was given away (free of charge) to the National Fund for Students’ Support. However, there is only one case where workers managed to take advantage of privatisation. This took place in Sudan Railways Corporation (SRC), one of the biggest PEs in the country. Here management of SRC decided to contract out catering services (food and beverages) to the private sector.

The management then invited the private sector to bid. The workers’ trade union of the SRC was successful and won the bid. Both sides then concluded a management contract. This agreement provides that the workers’ trade union fully takes charge of the catering services on all routes. Accordingly, the workers will not pay lease fees but has to avail the necessary working capital and manage the catering facilities and services. At the end of the financial year both parties equally share the net profit. Recently, the trade union also concluded an agreement to lease one of the SRC’s trains and take charge of providing passenger services in one of the longest and lucrative routes in Northern Sudan (Khartoum-Halfa Express). The trade union is now about to
start the services of what it calls the challenge train. This limited progress of employee ownership in privatisation raises the important question of why.

Officially, the government is in favour of employee limited buyouts. This is evidenced by the provisions of the Public Enterprise Disposal Act 1990 which provides for employee buyouts as one of the Privatisation methods which the HCDPE can use. More employee ownership, the Presidential Directive pledges sale of 30% of share capital of privatizable PEs to employees. Officials of the HCDPE also maintain positive attitudes to employee ownership although some of them think that 30% is too much. When asked why they are in favour of EMPLOYEE OWNERSHIP in privatisation, officials of the HCDPE emphasized two reasons. Firstly, they see it as an alternative method to speed up the stalled privatisation process. Secondly, as trade unions have vigorously opposed privatisation in the 1980s for fear of compulsory redundancies, the move is designed to quell workers’ possible protests against the ambitious privatisation programme of the government in the 1990s.

In practical terms, however, it seems that the government’s positive attitudes are no more than a show business. Three reasons can justify this argument. First of all, in almost all the privatisation operations carried out so far, individual employees of privatisation candidates have never been offered the chance to buy 30% of share capital. Normally, employees are made redundant and given their end of service benefits before the PE was offered for sale. It is widely believed that this is important to attract potential investors who are not prepared to inherit disguised unemployment and face labour disputes following privatisation. Second, the government did not create any special facility schemes to promote employee ownership. Thirdly, since the government desperately needs Privatisation revenues to balance its budget, the government prefers to sell profit-making PEs to private investors who can pay cash.

In addition to poverty and lack of facility schemes, therefore, employee ownership in privatisation had been a failure in Sudan mainly because of lack of government’s political will and commitment thereto.

6. Conclusion

It is fair to conclude, therefore, that SSAP in Sudan, as in other African countries, had negative implications for labour in the formal sector. This is because SSAP had significantly risen the cost of living, had resulted in massive retrenchments, had eroded industrial democracy and had failed to promote employee ownership. It is no wonder, therefore, that the World Federation of Trade Unions, in a message sent to the annual meetings of the Board of Governors of the International Monetary Fund and the World Bank in Prague started by stating that “The so-called structural adjustment and liberalisation policies of the IMF and the World Bank have contributed the most to push an ever-growing number of working employee ownership below the poverty line in all regions of the world. “(Saudi Standard Time, September 2000).
BIBLIOGRAPHY


