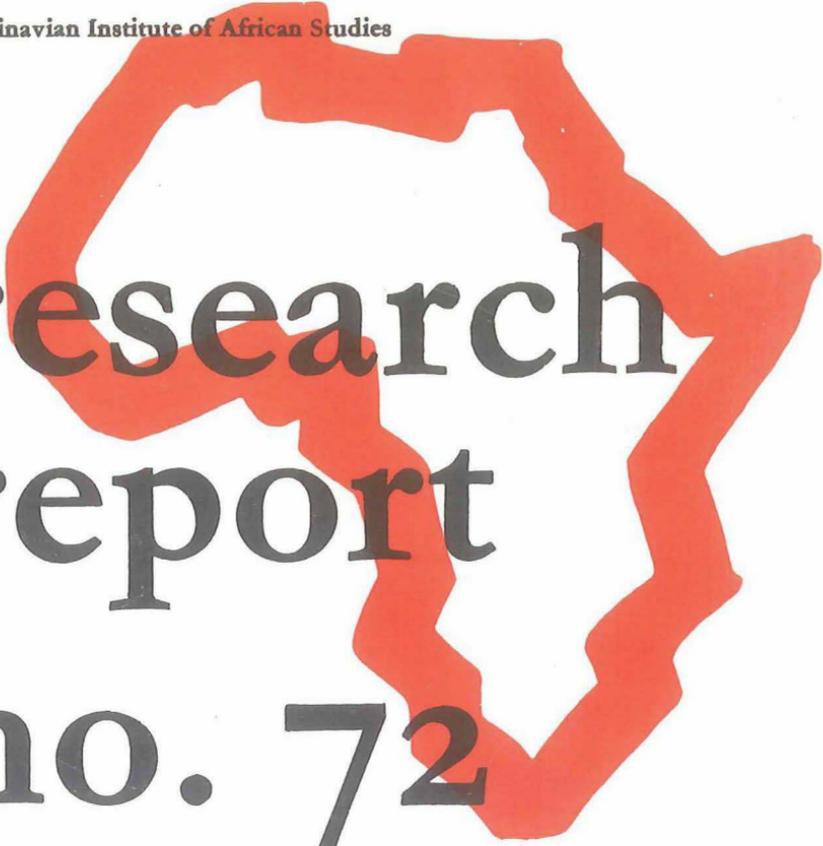


Scandinavian Institute of African Studies



**research
report
no. 72**

*El-Wathig Kameir
& Ibrahim Kursany*

**Corruption as the "Fifth" Factor
of Production in the Sudan**

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CORRUPTION AS A "FIFTH" FACTOR OF PRODUCTION
IN THE SUDAN

Research Report No. 72

El-Wathig Kameir

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IN THE SUDAN

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PREFACE

This research report by Dr Ibrahim Kursany deals with the problem of corruption. The study of corruption is a difficult and value-loaded topic. It is one of those issues that everybody seems to know about and have opinions on. There are, however, few attempts to acquire a more comprehensive understanding of the problem beyond statistical descriptions of magnitudes and economic effects.

Dr Ibrahim Kursany finalised this manuscript during the summer 1984. At that time he held one of the new scholarships for Guest Researchers at the Scandinavian Institute of African Studies, Uppsala.

Anders Hjort
Director
Scandinavian Institute of African Studies

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CHAPTER 1

INTRODUCTION

Our interests in the subject of corruption arose not just from the fact that corruption made it possible for ordinary bureaucrats and civil servants to make themselves into millionaires, but equally from the fact that it has led to the impoverishment and degradation of millions of ordinary Sudanese.

What is amazing is that the number of millionaires, in both urban and rural areas alike, is incredibly high and increasing in a country which is considered by the United Nations to be one of the least developed in the world. What is worrying is that only two decades ago there were but few millionaires, and who were known almost to all Sudanese as rich men descended from famous well-to-do families.

When we decided to embark on such a project we thought it was going to be very unlikely, if not impossible, to conclude it. This was because there "seems to be a widespread feeling that the facts cannot be discovered, or that if they can, they cannot be proved, or that if they can be proved, the proof cannot be published".¹

Although corruption is one of the most striking features and a characteristic of the socio-economic structures of most societies, as well as posing very difficult and challenging questions in relation to key policy issues, it is not an easy area of scientific investigation. This is so because "one obvious problem is obtaining good data: participants in illicit schemes are unlikely to welcome research on their activities. Another problem: it is hard to get some students of development to take corruption seriously as a policy issue".²

Corruption in a Sudanese context can hardly be avoided. It touches upon the life of every citizen. It has become a major source of income generation, which is why we call it a "fifth" factor of production. Although we do not share with the neoclassical economists their beliefs about production theory, we think corruption could be added to "their" four factors of production at the distribution level. In addition to wages, rent, profits and interests, corruption could be considered as a fifth factor in determining the distribution of the national product and perhaps is the most important among them in a Sudanese context.

CHAPTER 2

ON THE THEORY OF CORRUPTION

We are not intending to embark on a rigorously theoretical treatment of the subject.³ We are more interested in its socio-economic effects because we think that corruption is a product of a certain historical socio-economic system and policy as illustrated by the process of underdevelopment in the case of the Sudan. This is why we think that the main principles of political economy are quite sufficient for serving our purpose without resorting to a separate and specific theory of corruption. The main object of analysis in this paper is the relation between political power and the accumulation of personal gains, financial or otherwise.

Our main premise is that corruption can be viewed as a principal mode of financial accumulation for a particular social class or classes rather than simply an instance of individual criminal behaviour. As such, we are maintaining that, in the context of underdeveloped capitalist societies, it is rapidly assuming a unique character. This character manifests itself in the fact that corruption becomes a means for the distribution of the national income. Not just that, but this distribution took specific form in the context of those societies. This particular form has allowed money capital to become increasingly concentrated in the hands of a newly emerging social class, namely that of the parasitic comprador capitalist class. We consider this capitalist class as parasitic because it depends, primarily, on corruption rather than investment as the prime means of its income generation, and that non-productive activities rather than the productive sectors of the economy constitute the final destination of that income. And as compradors, they are, primarily, agents of foreign monopoly capital and emulate the values and life style of the capitalists of the metropolitan societies.

Before we pursue such analysis, however, we think it is useful at this point to make a note on the general status of analysis of crime and justice (and of corruption more specifically) in underdeveloped societies.

Various critiques of orthodox criminology have concentrated on the inadequate and more often the ideological conceptualizations of the areas of crime and justice in relation to underdeveloped societies.⁴ Specifically, such analyses have neglected the fact (based as they are on modernization models of development) that underdevelopment is a distinct process within the international capitalist system, and thus involves unique forms of crime and justice which deserve different forms of analysis.⁵ Such forms of analysis should begin with colonialism and its consequences upon the

emerging class structure⁶ and further focuses on class relations and the role of the state in the neo-colonial societies.

According to Summer, some crucial questions omitted by orthodox criminology include the following: "If everyone commits a crime, what's left of the concept of the criminal personality? If what accounts as crime is much dependent upon the political power to criminalise and the financial power to bribe the police, what is left of the concepts of crime and criminal behaviour? What relevance for scientific work would official criminal statistics have? How could one take a sample of prisoners as a sample of criminals?"⁷

The above questions are all of immense importance for which orthodox criminology offers no satisfactory answer. Thus, in this way it is serving an ideological purpose, especially since its contents and analysis of crime closely coincides with that which is represented by official crime statistics. We therefore have to go beyond this field in order to give the phenomenon of corruption within underdeveloped societies, specifically the Sudanese experience, an appropriate treatment.

Corruption is generally defined as "the use of power for profit, preferment, or prestige, or for the benefit of a group or a class, in a way that constitutes a breach of law or of standards of high moral conduct".⁸

Western treatment of the subject has always concentrated on the "immoral" or "non-humane" aspects of corruption relying on dictionary definitions of the phenomenon as "the illicit gain of money and employment", or as "the use of public resources to further private interests".⁹ Here corruption is seen as an individual act of breaking laws and rules which govern economic activities or, to put it differently, as the contradictions between individual criminal behaviour and the legislative bodies within capitalist societies. From here stems the emphasis on the immoral character of white collar crimes on the ground that they constitute a break from conventional and socially established codes of behaviour.

Although the existence and pervasiveness of corruption in underdeveloped societies has been widely recognized, it has primarily received similar conventional types of analyses.¹⁰ Goldthorpe, for instance, sees corruption as being related to what is labelled as the "soft state", i.e., a state which applies its formal rules only capriciously and allows private gains to be scored out of enforcement or non-enforcement of rules. Beside money, Goldthorpe states kinship sentiment and seeking the favour of superiors as another inducement for corruption.¹¹

Another factor making for corruption, according to Goldthorpe, is the plural character of underdeveloped societies. In such societies a decisive part of economic enterprise is carried out by alien minorities (the Chinese in

South-east Asia is one example) who resort to corruption as a method of improving their positions.¹²

Hoogvelt, on the other hand, sees corruption as a process of trade in societal rewards, between different elites. As such, it is a classic process whereby power is traded for wealth, wealth for prestige, prestige for wealth and wealth again for power. The need for such trade, according to Hoogvelt, arises from the fact that two social systems are overlapping in underdeveloped countries. One is a "fused" social system (i.e., indigenous) and the other a "diffracted" social system (i.e., European). According to Hoogvelt, corruption can help maintain this socially dualistic order by offering an alternative to violence, although this sometimes is seen as a "dysfunctional" aspect of corruption. At the same time, however, Hoogvelt asserts that "petty corruption presents no threat to the democratic process", since it allows the general public some areas for negotiation of unpleasant laws which mitigate the stresses of the social system in underdeveloped countries.¹³

Analyses such as the above are clearly inadequate and can be criticized on many grounds. Specifically, the following point can be made: (1) They tend to be ahistorical, separating the phenomenon of corruption from the penetration of the colonial capitalist system and the effects this has had on the nature of both class structure and the neo-colonial state. (2) They rely on functionalist explanations seeing corruption as a means of equalizing the distribution of wealth in society. Hence, according to Hoogvelt, they allow the negotiation of restrictive or "unpleasant laws", and similarly, according to Goldthorpe, they improve the position of minorities. (3) They tend to treat corruption on the superstructural level, neglecting, as we will show later, that corruption in underdeveloped societies is part of the production and distribution base. As such, it constitutes a powerful mode of money capital accumulation.

In contrast, we maintain that the development of corruption, in the particular way we consider it in this paper, is a reflection of the specific historical development of the material base of Sudanese society. If corruption is considered as part of the material base of society, then it affects in a very direct and pervasive manner the process of money capital accumulation. What we wish to emphasize in the second place is that once being derived from the material base, corruption tends to appear as an independent variable at the level of superstructure, which, in turn, affects processes at the socio-economic base.

If we follow such an analysis, it becomes inappropriate to assume that a unilateral relation exists between "moral" and "ethical" behaviour, on the one hand, and political/legal institutions on the other. The continued existence and promulgation of viewing corruption as an individual criminal act, enables the state to accuse large segments of the middle

and working classes of corrupt practices. Such individuals, and due to their miserable living conditions, are forced to resort to corrupt means of subsidizing their dwindling incomes which are no match for rising costs of living. However, a differentiation should be made between the individual criminal acts which take place across classes, and corruption as a social disease, which is vertically related to the code of behaviour and practice of a particular Sudanese social class, namely the parasitic section of the Sudanese capitalist class, as we will show later.

Such a conventional view neglects two crucial dimensions of the problem:

Firstly, that the continued existence of corruption as a mode of money capital accumulation necessitates the prior existence of secure means on the part of the state, to protect the material interests of the new parasitic class as mentioned earlier. These measures can be reflected in state policies of repression (and use of force) and various legislatures enacted to protect these material interests (e.g. The Public Tranquility Act issued by the Sudanese State in December 1982). A point that needs to be mentioned here is that these various measures (including policing, security, army operations, etc.), require a lot of money which is taken directly from the economic surplus that would otherwise have been geared towards socio-economic development.

Secondly, conventional views of corruption also neglect its most important consequences. These include the fact that state expenditure is directed towards the non-productive areas such as the police, the armed forces and other organs of repression. This sort of expenditure which strengthens the repressive apparatus of the state results in the gradual dissolution and withering away of the democratic institutions, artificially existing as they might be. In the circumstances, corruption rather than investment becomes the major source of financial gain. The continuation of corruption is largely dependent upon the absence of democracy and the participation of the working people in the decision-making progress. Lack of productive investment, as a major source of income, leads to the rapid dissemination of corruption and corruptive practices in society, as it fast comes to develop its own laws and specific mechanisms for its reproduction.

CHAPTER 3

CORRUPTION IN THE SUDAN

The main theme which we are going to develop in this section is the relationship between corruption and the emerging class structure of the Sudanese society. The analysis, which was criticized earlier, selects for attention the moral aspects of corruption, instead of its socio-economic effects. This is mainly due to its concentration on the quality of rewards given to individuals for "honesty and hard work" regardless of their particular class position in society.

This type of analysis, therefore, can be said to consider the subjective factors as the major force behind the appearance and further development of corruption. For this reason it takes the individual, in almost complete isolation from his class position, as its unit of analysis. In contrast to such a position we maintain that a viable analysis of corruption can only be attained if we consider the class status of the individual as the prime factor behind his/her corrupt practices, with the subjective factors playing a subsidiary but important role. Then we have to specify the role which has been played by corruption in the formation of the present class structure of the Sudanese society.

This analysis will not be of great value without referring to the class nature of the Sudanese state.¹⁴ The main feature of the neo-colonial state in the Sudan, since its political independence in 1956, is the bourgeois nature of its class basis. It was dominated by the alliance of the big bourgeoisie and the semi-feudal elements up to 1969. Then by progressive officers, who assumed power in May 1969, and declared a socialist-oriented program to serve the interests of the Sudanese working people, up to July 1971.

This comes as a sharp contrast to what occurred in Western Europe where comparable political developments were preceded by the crystalization of an industrial bourgeoisie. The dominance of this class occurred after its success over a protracted conflict with the feudal class which had a radically different economic base, lying in landed property.

In contrast, the parasitic capitalist class, which depends for its economic survival on economic malpractices and corruption, lacks such a homogeneous base. It is variously composed of ex-high ranking officers, ex-top civil servants, lawyers, physicians, managers and even academics such as university lecturers. Since this class is mostly interested in squeezing the most out of what is available of the economic surplus, it opts for the very quickly rewarding projects. These types of projects are mainly found in trade, especially the foreign trade sector, and acquir-

ing real estate.

This section of the Sudanese capitalist class descends, mainly, from the formally educated part of the Sudanese society. It is important to point to the very nature of the formal educational system which instills and develops certain aspirations in its products. Aspirations which are, to say the least, not realistic in relation to the available resources of their society.

During the past decade the state has pursued certain economic policies which had served the interests of a small section of the Sudanese society, that of the comprador classes and foreign monopoly capital. This comes against the interests of the majority of the mass of the people. The consequences of these policies have been twofold: First, they have resulted in a net deterioration in the living standards of the petty-bourgeoisie, especially the educated élite. Thus, a wide discrepancy developed between their aspirations as instilled by the educational system and their objective positions in the state apparatus. This has led these petty-bourgeois elements to search for solutions to their primarily financial problems on individual basis. These have included migration to the oil-rich Arab states or the international organizations. Those who have remained in the country found it very difficult to survive without finding other sources of income to supplement their salaries. Those other sources of income mostly involve part-time work and the holding of more than one job at a time. However, a few opted for corrupt methods to supplement their incomes. Notable among these methods is the utilization of the public office for private ends, e.g., acceptance of bribery and embezzlement of public funds. The effects of such individual strategies are many, the most important being a marked weakening in the political strength of the petty-bourgeois class as a whole.

Secondly, another consequence of the state's economic policy has been the high involvement of foreign capital in the different sectors of the Sudanese economy. This is particularly vivid in the intensification of the activities of multinational companies such as Lonro, Chevron, CCI, Total and the Gulf Sheikhs.

Given the above two points, the parasitic section of the Sudanese capitalist class has tried to seek the shortest and most secure means of acquiring estate property apart from venturing into commercial projects, potentially as agents to foreign monopoly capital. In the present historical and political circumstances, the state has become the principal entrée through which aspiring segments of the petty-bourgeoisie have been able to transform themselves into property-owning individuals.

Now we will examine three types of corruption stemming primarily from a hold on a public office, thus adhering to our declared objective of looking into the relation between

the state, or political power and the personal accumulation of financial gains. The three types are 1. Embezzlement of public funds, 2. Acquiring capitalist schemes in the agricultural sector and 3. Acquiring shares in commercial companies.¹⁵

3.1 Embezzlement of Public Funds¹⁶

Embezzlement of public funds takes different forms in the Sudan. The most common being the acquisition of liquid assets from the banks and other government units, the sale of state assets, the sale of estate land and smuggling.

The number of cases reported on these four areas are increasing. For example, between 1975 and 1982 more than 800 cases were reported. The figure does not include the small cases of less than a thousand Sudanese pounds and these are by no means small in number.¹⁷

The state started to take action against corruption. Legal proceedings started in 1975 in some eight hundred cases. Up to 1982 only fifty-one cases were successfully concluded. We think that the long delay in concluding these cases could not be attributed to the inefficiency of the legal system in the country. In fact, we do not immune the legal system itself from these corrupt practices. Our belief is that most of the legal proceedings in corrupt cases were deliberately delayed or brought to a halt because they might reflect on the involvement of a high ranking official.¹⁸ The amount of money being involved in these cases is huge. It ranges from thousands to millions in both domestic as well as foreign currencies. Some cases illustrating the first type are given below.

3.1.1 Acquisition of Liquid Assets

In this field the embezzlement is mainly from banks, public corporations and ministries. The examples given in Table 1 will suffice to illustrate the point. Table 1 shows that embezzlement of public funds takes place in different institutions, including those which are supposed to have the best discipline, e.g., the police, and those which are supposed to administer the utilization of public funds, e.g., the Bank of Sudan, which is the Central Bank. The embezzlement is not confined to Sudanese money alone but it has contributed to the depletion of an already negative level of foreign exchange reserves.¹⁹ The amount of money taken from some Ministries and Departments is far greater than that taken from some banks. Examples are the Police Co-operative Corporation (£S 225,000), Sudan Youth Organization (£S 116,197) and Ministry of Animal Wealth (£S 110,000).²⁰

Corruption has spread to state institutions outside the country. The case of the embezzlement of 166,000 Saudi Rials from the Sudanese embassy in Jeddah is a good example.²¹

Table 1. Acquisition of Liquid Assets

case No.	Unit Involved	Total sum
1	Bank of Sudan (Central Bank)	US\$12,500
2	EL Neilin Bank (Migrant's Section)	£S 56,990
3	EL Neilin Bank (Zubeir Basha St.s Branch)	" 36,272
4	Bank of Khartoum	" 8,930
5	Ministry of Public Works	" 24,472
6	Ministry of Animal Wealth	" 110,000
7	Ministry of Animal Wealth	" 19,843
8	Ministry of Animal Wealth	" 17,293
9	Police stores	" 15,000
10	Police's Co-operative Corporation	" 225,000
11	Gezira Trade and Services Corporation	" 52,000
12	Gezira Trade and Services Corporation	" 56,250
13	Electricity and Water Corporation	" 10,000
14	Khartoum Transport Corporation	" 70,000
15	Central Distribution Organization	" 36,500
16	Department of Co-operation	" 25,000
17	Sudan Youth Organization	" 122,000
18	Khartoum Tannery	" 116,197
19	Omdurman Tannery	" 8,950
20	Sudanese Embassy in Jeddah	Saudi Rial 166,000
	Total of £S only	1,010,697

Source: Asharq Al-Awsat op.cit

3.1.2 The Sale of State Assets

The second type of embezzling public money is in the form of selling state assets, mainly consumer items, the profits of which would have otherwise accrued to the public treasury. Table 2 includes the items pertaining to this second type. Most of the reported cases in the sale of state assets are those of petrol and gasoline. The sale of these particular items is easily explainable. Khartoum has faced, and is still facing, an acute energy shortage. People used to queue overnight twice a week in order to get three gallons of petrol each time, being the official quota for each car. This sort of situation attracts blackmarketeering. Some people, especially the well-off, usually pay double the official price in order to avoid this long and frustrating night queuing. At this sort of price, selling of state petrol and gasoline in the black market comes as no surprise.

3.1.3 The Sale of State Land in Residential Areas

Another form of acquiring public money is the sale of state land in residential areas. The Sudanese capital faces a chronic housing problem nowadays. As we have mentioned earlier, investment in real estates constitutes one of the most secure areas for the Sudanese parasitic capitalist class. This is so because they hope that in the event of a change of government against their interests, buildings will last long enough to survive a future change of government which might restore it to them.

The buildings constructed were not of the type which will help in solving the housing problems for the ordinary Sudanese. They were multistorey buildings which were built purposely in order to be rented to foreign embassies, companies and individuals.²² The result is that a two-bedroom house which used to be rented for £S 25 a month in 1970 will fetch 2 000% more now, an incredible £S 500 a month. This has also resulted in a sharp increase in the price of residential land. For example, a 400 m² piece in a first class area will have an official price of £S 6,000. The same piece will fetch between £S 25,000 - 30,000 in the black market. This is why it is very tempting to sell state owned residential lands, as Table 3 illustrates. This sort of corruption requires access to the official stamps and officially headed papers. The unknown estimated money value of the land which has been sold in residential areas has deprived us from calculating the lost revenue to the public treasury. It could possibly run into millions of pounds, as the El Ashara case indicates.

Table 2. Quantity or Value of State Assets Being Sold

Ministry or Department	Value/Quantity of items sold
1. Survey Dept	72,000 gallons of petrol
2. Civil Aviation Dept	£S 396,00 of gasoline and petrol
3. Ministry of Public Works	7,000 gallons of petrol
4. Omdurman Hospital	Huge amounts of medicines, the value of which is not known

Source: Asharq Al-Awsat . . . op.cit.

Table 2. Estimated Value of State-owned Residential Land Being Sold

Residential Area	Estimated Value of sold land
1. El Ashara	£S 4,000,000
2. Id El Sarha	n.a.
3. El Gamair	n.a.
4. Abu Seid	n.a.
5. Fiteihab	n.a.

Source: Asharq Al-Awsat . . . op.cit.

3.1.4 Fraudulent transport permits

The last item of corruption which we would like to consider under this category is smuggling. We consider smuggling as a form of corruption because the smuggled items need to be transported from their distribution centre, mainly Khartoum, to the provinces bordering other countries. The movement of goods between the different regions and provinces of the country requires a special written permit (Tasdiq) from the authorities of the "exporting" region or province - the supply or police authorities. This is where we find most of the corrupt practises. Most of the issued permits were fraud and therefore they are illegal. But the officials concerned issue them in reward for huge payments. After obtaining these permits, lorries full of scarce goods can have a relatively "free" movement to their final destination. They avoid, quite safely, the many checking points to which they should

report in the event of not having those permits, with a high risk of the goods being confiscated.

The other form of smuggling which entails corruption is in imported goods. It is done in two ways. Firstly, to issue import licences for prohibited items. Secondly, to deflate the prices of the imported items so as to avoid paying higher custom duties. The issuance of both certificates involves huge payments to the officials concerned, especially those at the Ministry of Supply and Trade.²⁴

The most important items which are being smuggled include flour, livestock and sorghum. Some of these items cost millions of pounds for their importation from abroad. The items which have been imported illegally include cars, clothes and matches. For example, during 1981 the authorities concerned discovered a smuggling operation which involved £S 4 mn; being £S 2.5mn in the form of cloth, £S 1mn in the form of matches and £S 0.5mn in the form of cars.²⁵ The items being smuggled out of the country were sold at a very high price, because they are even more scarce in the receiving countries and, therefore, they make a fortune for their owners.

Smuggling has had serious negative effects on the Sudanese economy because it has become so large in its operations. In 1981 smuggling constituted 15% of the volume of the country's foreign trade and amounted to £S 250mn in money terms. This is not a negligible sum, given the country's meagre economic resources.

3.2 Acquiring Capitalist Schemes in the Agricultural Sector

The second category of corruption which we want to analyse is the privatization of the State farms and the method being employed for their distribution to the private sector.

State farms were created and developed in the three areas incorporating the large-scale private capitalist schemes, namely Gadaref, Damazin and Habila.²⁶ Their prime objective is to do research and disseminate results to the private sector. The most important areas of research are improving the quality of cultivated seeds, designing the most efficient crop rotation and the most effective way of using chemicals for improving productivity.

The size of each State farm is 30,000 feddans²⁷, divided into 30 units of 1000 feddans. The two major crops being cultivated are dura (sorghum) and sesame.

In its efforts to give unqualified support for private capital, the state has called for the dismantling of the public sector and the sale of its assets to private capital.²⁸

The state farms are highly efficient and productive because they follow strict scientific crop rotations and apply chemical fertilizers. Their privatization constitutes a major break with the declared policy of the state which

assigns the public sector with the leading role in the development process.²⁹

As we have mentioned earlier, the privatization of the state farms entailed two corrupt practices; one is the method being employed in their distribution and the other is the social composition of their new owners.

3.2.1 The Method of Distributing State Farms

The normal method employed by the Mechanized Farming Corporation (MFC), being the state corporation responsible for the monitoring and supervision of all large-scale capitalist schemes in the rainfed areas of the Sudan, including those of the private sector, is as follows. An independent committee comprising the Commissioner of the Province, or his representative, the Regional Director of the MFC, the representative of the Agricultural Bank of Sudan, the representative of the Land Use Department, the representative of the District Council and two individuals elected from among the regional councillors, is responsible for the demarcation and distribution of the capitalist schemes. The criteria, which were devised by the MFC for acquiring a scheme, are that, inter alia, the individual must be (a) a Sudanese national, (b) having notable farming experience, (c) having enough time for the running of the scheme and (d) having enough capital to purchase a tractor.³⁰

The method applied for the privatization of the state farm at Habila runs contrary to the established criteria of the MFC. Habila state farm, our case study in this section, is situated in the heart of the Nuba Mountains Region of Southern Kordofan province of Western Sudan. It was assigned the role, as the other state farms, of carrying out research and disseminating its results to the private sector.

Instead of following the criteria for the distribution of the agricultural schemes, the MFC authorities opted for another approach in their response to the government's call for the privatization of the state farms. The Habila State farm was privatized with complete secrecy at the headquarters of the MFC in Khartoum without involving the regional authorities of Southern Kordofan province. The result of this corrupt practice is that the new owners of these schemes satisfied none of the criteria except that they are Sudanese nationals. In addition, and this is the most significant indicator, they occupy key public posts in the state sector, as the following section reveals.

3.2.2 The Social Composition of the New Scheme Owners

Table 4 below pertains to the social composition of the new owners of the schemes previously belonging to the state farm at Habila.

As it is clear from Table 4, the managing director and

Table 4. Social Composition of the New Scheme Owners

Scheme No.	Occupation of New Owner	No. of letter of ownership authorization	Letter's date
78	Uncle of MFC's Managing Director	38/J/2	14.4.1983
79	Father of MFC's Managing Director	38/J/2	14.4.1983
80	Son of MFC's Deputy Managing Director	38/J/2	14.4.1983
81	Uncle of MFC's Deputy Managing Director	38/J/2	14.5.1983
64	Deputy Speaker of Kordofan's Regional Assembly	38/J/2	17.4.1983
37	Regional Minister of Agriculture Kordofan Region	38/J/2	19.5.1983
36	Regional Minister of Finance Kordofan Region	38/J/2	19.5.1983
22	Ex. Commissioner, Kordofan Province	38/J/2	19.5.1983
23	Retired Army Officer	38/J/2	19.5.1983

Source: MFC Headquarters, Khartoum

his deputy have managed to provide four schemes for the members of their own families. An uncle and father in the case of the former, and a son and uncle in the case of the latter. The list of the other beneficiaries includes the Kordofan Region's Minister of Agriculture, who is theoretically responsible for the distribution of the agricultural schemes in his region, and the regional Minister of Finance, who is, also theoretically, responsible for credit provision to these schemes. Both of them managed to obtain agricultural schemes from the state farm of Habila by virtue of their political positions and against the devised criteria of the MFC. The other two who have held senior positions within the state apparatus and managed to get such schemes are the ex-Commissioner of Kordofan province, the Deputy Speaker of Kordofan's Regional Assembly and a senior retired army officer.

The new scheme owners have neither enough time nor agricultural experience nor enough capital to be entitled for the schemes. In fact, some of them may not see "their"

schemes at all. This is made possible through the "Tawakil" phenomenon.³¹ Through the "Tawakil" the original "owner" of the scheme can manage to get as much as 50% of the total profit without spending a single penny. All he needs to do is to issue this "Tawakil" to his financier and wait for the cash rewards at the end of the season.

This is how and why four of the privatized schemes, Nos. 5, 78, 79, 80 and 81 (see the map), have been given to a single financier for their investment. This process necessitates the removal of an ex-owner of scheme No. 78, an agriculturist by profession and an ex-official of MFC who had been investing in it for many years. The scheme was given, instead, to the uncle of the managing director of the MFC, compensation being given to the ex-owner in the shape of scheme No. 9, which he claims to be less fertile.

The most serious effect of this practice, beside its corruption, is that it helps to build up a chain of a small number of financiers who will control most of the agricultural produce. This will help, in turn, to strengthen the monopoly trend within the agricultural sector. In the absence of strict and effective state supervision this will lead to a continuous increase in prices for both investment and consumer goods. The ultimate result of this process is a further indebtedness of the small peasants and agricultural workers and the possible decay of the agricultural sector itself in the long run.



Map of Habila State Farm

8	9	10	11	12
22	23	24	25	26
36	37	38	39	40
50	51	52	53	54
64	65	66	67	68
78	79	80	81	82

Source: MFC regional Headquarters at Dallang

3.3 Investment in the Mercantile Sphere

The last item which we will tackle in this section is related to the mercantile sphere, especially trading companies. Since the government declared its open door policy back in 1973, the size of the trade sector has increased tremendously at the expense of the productive sectors of the economy, especially agriculture.

One of the most striking features of the contemporary Sudanese economy is its domination by the so-called Islamic institutions, especially banks and trading companies. It started by the creation of the Faisal Islamic Bank in the mid-seventies which was followed by about five other Islamic banks.³²

The financial gains and profits of these banking activities could be attributed to the unconditional support which was provided to them by the state. This is manifested particularly in their exemption from taxation and the right of transferring all their profits abroad. We believe that if the same facilities had been granted to the Sudanese national banks, they would have achieved the same level of "success", and perhaps more, if taking their experience into account.³³

Banks, as all other institutions in the trade sector, do not create value. That is to say they do not add new values to the final products of any economy but they play a very significant role at the level of income distribution. They play a crucial role in the recycling of the already existing economic surplus in the interests of a certain social class or classes in society.

We believe that the creation of these Islamic institutions manifests the power struggle within the international monopoly capital and its domestic allies, especially the Saudi capital.³⁴

These Islamic institutions crystallise, in the case of the Sudan, the marriage between political power and financial capital. This will become clear when we examine our case study in this section, the Islamic Development Company, Sudan, Ltd (IDC).³⁵

3.3.1 A Brief History of IDC

The Islamic Development Company was established on 25.5.1983 as a limited shareholding company in accordance with companies' law of 1925 but started its operations officially on 20.10.1983. Its establishing cost was £S 2 mn, including the registration fees. Its authorized capital is US\$ 1 bn. The value of the share is one American dollar. 60% of the shares are for the non-Sudanese Muslim population all over the world with the rest, 40% for the Sudanese people. The minimum working capital for the company should not be less than US\$ 10 mn. When the company was established forty million of its shares were paid by its founding members. The found-

ers had paid 25% of the value of their shares immediately and the rest was to be paid as follows: 25% at the end of October 1983 and 50% by the middle of December 1983. The minimum number of shares per holding was 100,000 and the maximum was 500,000 for the founding members and 20-100,000 for others. All payments were to be made in American dollars.

3.3.2 The Objectives of IDC

The object of the company is to invest in many and diverse economic activities. Specifically, they include agriculture, industry, services, building contracts, housing, mineral exploration and establishment of Islamic banks. These areas include production as well as marketing activities.

In practice the company could not commence its activities in all these fields simultaneously, and started with one specific sector. Like its predecessors, it concentrated most of its investment in the trade sector and within that sector into its foreign part, i.e., import and export trade. This was done because it was the easiest and quickest way of earning high rates of profit in present-day Sudan. Investment in the productive sectors of the economy is usually included in the objectives of these sorts of companies as a routine to justify obtaining the licence and the necessary supportive facilities which are included in the 1980 Investment Act. These include, among other things, exemption from taxes and custom duties, free plot of land, power at reduced rate and the transference of both capital and profits abroad.

The following two sections will show the relation between political power and financial gains through these institutions.

3.3.3 Composition of IDC's Board of Directors

The necessary condition to qualify as a member of the Board of Directors is a holding of one hundred thousand shares, i.e., you have to be one of its founder members. The board is composed of ten members. Four of them are Sudanese and the rest are aliens, mostly Saudi citizens. The Board's Chairman is a Saudi Prince who is the son of the late King Faisal. The composition of the Sudanese members of the Board is as follows: One of them is the son of the spiritual Leader of the National Unionist Party which serves the interests of the commercial section of the Sudanese capitalist class. The other three are leading members of the Islamic Charter Front, the Sudanese name for the Muslim Brothers Movement.³⁶ One of them was a member of parliament during the mid-sixties and is at present the office director of the Saudi prince who is the president of the Board of Directors of IDC and the Faisal Islamic Banks all over the world. Another is a leading businessman and the brother of the legal adviser to

IDC, a rewarding job within its hierarchy. The third is a leading businessman and a member of the People's Assembly, the Sudanese Parliament, since the late seventies.

Since their break-away from the oppositional National Front, which was committed to the overthrow of President Numeiry's regime, in 1977,³⁷ the Muslim Brothers and some sections of the National Unionist Party as well as the Umma Party have dominated the Sudanese political scene.

They have held key political posts both within the Sudanese Socialist Union (SSU), the only legal political party in the country, and within the state apparatus. This is especially true of the Muslim Brothers. Their leader is a polit-bureau member of the SSU, the highest political organ within the system. His ministerial posts include that of Justice as well as legal advisor to the president on foreign affairs which he now holds. He is, ex-officio, member of the People's Assembly.

The strategy of the Muslim Brothers is not just to dominate the political as well as the executive bodies of the state but their ultimate goal is to strengthen their economic activities. The state should play the midwife role in this process. Most of their activities were concentrated within the mercantile sphere. They used the state machinery in order to establish these Islamic institutions. It started with the establishment of the Faisal Islamic Bank and the creation of IDC will not be its final task because this does not mean the end of contradictions between and power struggle within foreign monopoly capital and its Sudanese allies.

This process also indicates the dependent nature of the Sudanese merchant capital. It can be correctly characterized as an offspring of the Saudi merchant capital. This can also explain the political domination of Saudi-Arabia over the Sudan which has culminated in the declaration of the Sharia'a law in the country in September 1983.

This process has the blessing and full backing of the highest levels of the political as well as the executive bodies of the state, as appears from the following section.

3.3.4 The Composition of the Founder Members of IDC

The number of the founder members is 154. This includes individuals as well as companies. Of these, 49 of them or 31.8% are Sudanese. The Saudis amounted to 76, or 49.4% of the founder members. The Sudanese and the Saudis together constitute 81.2% of the founder members of IDC. The others being mostly Kuwaitis, Yemenis and Egyptians. The figures reflect the domination of the Saudi and the Sudanese capital over the company.

Now we will analyse the composition of some of the founder members of IDC, i.e., those who hold high political and/or executive positions in the state apparatus. Table 5 below illustrates this composition. The table includes the

Table 5. Composition of Some of the Founder Members of IDC

Member's Number	Occupation	Value of shares in US\$
1	President of the Democratic Republic of the Sudan	100,000
2	Vice President of the Democratic Republic of the Sudan	100,000
7	Minister of Finance and Economic Planning	100,000
16	Director, Military Economic Corporation	100,000
126	Businessman	100,000
150	Businessman	100,000

Source: IDC, Shareholders' booklet

cases of those whose political affiliations are known to the authors, i.e., the leading figures. It does not include the cases of the members of the Board of Directors because they were analysed in the previous section. The Member's number is given as it is printed in the IDC's shareholders' booklet.

Case no.1 needs no further comments. It is enough that he is the President of the Republic, the highest executive power, as well as the President of the SSU, the highest political power in the country. Case no.2 is the Vice President of the Republic and President of the State Security Organization. The former being the second highest position and the latter one of the most powerful and influential positions. On the assumed salary of £S 25 thousand per annum (the President's declared salary is £S 30 thousand per annum) and the official exchange rate of £S1.80 for the US\$, the Vice President needs around seven years of work in order to earn the value of the shares he holds in IDC. But he has occupied his present post only for three years! Therefore, there is a difference of four years' income.

Case no.7 is the Minister of Finance and Economic Planning and a politbureau member of the SSU. On an assumed annual salary of £S 20 thousand, with the same exchange rate, he needs nine years of work in order to realize the value of his shares. He has occupied this post for about five years. Therefore, there is a difference of four years' income.

Case no.16 is the Director, Military Economic Corporation. It incorporates seven sub-corporations which invest in different economic fields ranging from transport to industry.

On an assumed annual salary of £S 15 thousand, with the same exchange rate, it will take him twelve years to get the value of his shares. He has occupied his present post for only four years. Therefore, there is a difference of eight years' income.

Case no.126 was an economic graduate in 1973. He was a leading figure in the Muslim Brothers movement during his student life. If we give him the maximum salary a graduate in his discipline could achieve since his graduation, i.e., £S 6 thousand per annum, with the same exchange rate, it will take him thirty years to raise the value of his shares. He graduated only eleven years ago.

The last case which we would like to examine is no.150. He has been and still is one of the leading figures in the Muslim Brothers movement. He started his professional career as a headmaster of a private lower secondary school, held the chairmanship of the Board of Directors of Al-Ayam Daily newspaper, one of the only two state-owned newspapers, for about a year after the so-called National Reconciliation in 1977. Now he is the head of the Committees of the People's Assembly. If we give him the highest salary scale of his original career as a headmaster of £S 1,800 per annum, with the same exchange rate, he will need a hundred years to save the value of the shares he is holding in IDC.

Since the IDC is owned partially by the President of the Republic, his Deputy and the Minister of Finance and Economic Planning, this will give it all the economic and political power it needs to swallow most of the other companies which are operating in the same field, hence creating a state of monopoly with all its negative aspects in an economy such as that of the Sudan.

The other characteristic of the present socio-economic structure of the Sudan is the involvement of the political leaders in high offices, such as that of the presidency, in business activities. This is not the convention or the practice in many of the Western countries for which the present regime is so proud of being the principal ally in the Horn of Africa and advocate of their political as well as economic systems. In fact, the convention in the Western countries is to persuade the businessman who wants to indulge in politics, to refrain from business while he is holding public office and not the reverse as in the case of the Sudan.

The case of the IDC supports our thesis, posed at the beginning of the article, of a positive correlation between political power and personal financial gains.

3.4 Corruption in Southern Sudan

Before concluding this article we would like to give a brief account of corruption in the Southern part of the country. This is so not because it is different from the rest of the

country but because it has got its specificities.

Prior to its division into three regions in June 1983 the Southern Region was an autonomous entity with its own regional People's Assembly and its own cabinet (Higher Executive Council). This status was achieved after the signing of the Addis Ababa Accord in March 1972 which ended the seventeen years of war between the Central government and the Southern rebels.

Another characteristic of the Southern Region is that it is historically the most underdeveloped in the country. This was mainly due to the colonial economic and political policies and the same conservative economic policies which were adopted by the successive "national", as opposed to colonial, governments.

This situation, which has left the southern people illiterate, undernourished, without shelter, with very poor level of transport and medical services, has created an affluent class of educated people. They are few but powerful and influential. They were educated at Khartoum, East African as well as Western universities. These are the people who held the political power after 1972 and who have been responsible for the running of the Southern Region since then.

Against this background the elite in the South wanted to enrich themselves as quickly as possible so as to be on a level with their colleagues in the North. This is why they have resorted to corruption as the quickest way of acquiring money.

The two most important cases³⁸ of corruption in the South are related to embezzlement of public funds. One is the case of food being delivered to schools and prisons at a much higher price than the real one. The difference in price costs the public treasury £S 13 mn, which has gone into the pockets of government officials and contractors.

The second is related to the job evaluation scheme which was applied to all government employees during the second half of the seventies. This scheme has resulted in increments to the wages and salaries of all public sector employees. The increments had been paid twice for the public sector employees in the Southern Region, but only on paper. Not a single employee received this increment. Instead, it went into the pockets of the government officials who are responsible for its implementation. Our source does not cite its value but we believe that it runs into millions of Sudanese pounds.

4. An Epilogue

The essential point to be emphasized is the fact that the parasitic section of the Sudanese capitalist class, in its drive for more financial gains, successively avoids investment in the productive sectors of the economy. Instead, it

resorts to corruption for the realization of its objective. The State apparatus is continuously being used as the gear-box behind that operation. Hence the concentration of the two most influential powers in the hands of a section of a single social class, that of the state and wealth.

This is understandable because, in many ways, the state constitutes the axis for commercial activities, it controls access to credit facilities, commercial licences, decides on export restrictions, prices, etc. On top of this, it is the state which issues the laws which regulate the movement and level of both wealth and income for the various social classes. These include statutes determining income tax, business profit tax, indirect taxes, legislation concerning the minimum wage standards, rent laws, land laws and laws related to the trade unions.

In summary, then, under the present politico-economic structure of the Sudanese society, corruption (surrounding the state as an axis of financial gains) has become a mode of income generation for the parasitic section of the Sudanese capitalist class. In the absence of a productive economic base, it seeks to acquire the lion's share of what little is left out of the economic surplus by international monopoly capital. Here lies the contradiction and therefore, the conflict between the interests of the parasitic class and those of other classes, including the interests of the national section of the capitalist class.

This leads to the important point raised at the beginning of this presentation, namely the resort to violence and political repression which is necessary for the ensuing conflict between the parasitic section of the Sudanese capitalist class, its allies and the rest of the Sudanese society.

The failure of this parasitic class to successfully assume the role played by foreign monopoly capital and to direct their capital towards the productive sectors of the economy results in the direct intervention of the state in order to issue legislation which protects its interests. In this context, the proximity to political power replaces productive investment as the major source of income.

The maintenance and increased efficiency of the repressive state machinery requires increased spending on such institutions as the police, the army, security organs and prisons, which will add more to the crisis of the post-colonial state in the Sudan but will ensure the reproduction of the parasitic class.

The extent and degree of the spread of corruption in the Sudan could be judged from the actions of the President of the country. The main justification being given by the President for the declaration of martial law in the country on the 29th of April this year (1983) is "the implementation of the law and wage war against corruption and political, economic and social sabotage".³⁹ The formation of twelve

emergency courts, in Khartoum alone, to deal with corruption has followed the declaration of the state of emergency.

We think such policy is a good example of the belief that corruption is just an individual criminal act. Those who are most likely to suffer from such measures are the poor sections of society who are in no way involved with the state apparatus. This is because, we believe the running of these courts is most likely to be influenced by the extent of corruption in the country.⁴⁰

The last point which we would like to stress is that courts, efficient as they might be, will never succeed in eradicating corruption unless there is a radical change in the socio-economic strategy and socio-economic structure of society which, we believe, forms the real basis for corruption.

FOOTNOTES & REFERENCES

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5. C.Summer, op.cit., p.5
6. Ibid., p.26
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8. Julius Gould and William L. Kolb (eds.), A Dictionary of the Social Sciences, New York, Free Press, 1964. p.142
9. Summer, op.cit.
10. See J.E.Goldthorpe, The Sociology of the Third World: Disparity and Involvement, Cambridge, Cambridge University Press, 1975 and A.M.Hoogvelt, The Sociology of Developing Societies, London, The Macmillan Press Ltd., 1978.
11. J.E.Goldthorpe, op.cit., p.265
12. Ibid., p.266
13. A.M.Hoogvelt, op.cit., p.137
14. For a more rigorous analysis of the class nature of the Sudanese state see I.Kursany, "The Effects of Capitalism Upon the Past and Future Development of Precapitalist Agriculture in the Sudan: With Special Reference to the Nubu Mountains Region". Unpublished Ph.D.Thesis, Leeds University, U.K., 1981, Specially Chapter Two.

15. No names are given in these cases - although the cases are real.
16. All information in this section is taken from the annual report of the Auditor General of the Democratic Republic of the Sudan for the financial year 1981/82 which has been reported into Asharq Al-Awsat, The international daily newspaper of the Arabs published in London, in its issue No. 1518, Vol. 5 of Monday 24.1.1983, p.3.
17. Ibid.
18. In the public debate which was sponsored by Khartoum University Teachers' Union in support of striking Sudanese judges which was held at the Staff Club in July 1983, a Magistrate from the Kassala province declared that he was asked by the Attorney General (Minister of Justice) to stop the proceedings in a case of corruption. The reason given, ironically, was the protection of the public interests, a reason which is usually interpreted by Sudanese magistrates as involvement of senior ranking officials.
19. Sudan foreign debt varies between 6 to 11.2 bn US\$ according to different sources but certainly is no less than US\$7.5 bn as reported in Financial Times of Tuesday May 22nd 1984, p.5.
20. This is not always true. For example the Peoples' Co-operative Bank has been closed down recently. The main reason for its closure, according to informed sources, is that it granted loans worth more than its deposits to a single Sudanese businessman, i.e., millions of Sudanese pounds.
21. The extent of embezzlement in Sudanese embassies abroad could be illustrated by the closure of more than twenty of them during 1983.
22. It is worth noting that the names given to places where these buildings are concentrated are not Sudanese either, like Riyadh and Taif (both of them being Saudi cities).
23. All of the information in this section is taken from Asharq Al-Awsat...op.cit.
24. These sorts of practices had compelled the President to appoint a new minister from the State Security Organization on the 2nd of May 1984 with the prime objective of eradication corruption at this ministry.
25. Asharq Al-Awsat...op.cit.
26. For a more detailed and comprehensive historical account of private large scale capitalist schemes in Sudanese agriculture see I.Kursany, "The Dynamics and Limits of Private Capitalist Development in Sudanese Agriculture", Development and Peace, Vol. 5 (1) 1984.

27. 1 feddan = 0.42 hectare
28. The denationalization of the Blue Nile and the White Nile Agricultural Corporations, the proposed sale of Sudan Airways and the privatization of the Public Works Corporation, to mention just a few cases, can illustrate the point.
29. The issue of which sector should lead the development process is a theme of a forthcoming paper by the authors of this article.
30. For a critique of this criteria see I.Kursany, "The Dynamics..." op.cit.
31. A Tawkil (pl. Tawakil) is a legal authorization which is issued by a court to enable a person to make full use of someone else's asset(s). Legally speaking it might be equivalent to ownership rights. Through this phenomenon few people have managed to hold more than one scheme at Habila, which is forbidden by the MFC regulations. The Tawkil gives them the right to finance the scheme and share the profits with its original owner. These financiers are mostly merchants who are residents in the same area and who are monopolizing the retail business.
32. These include Sudanese Islamic Bank, Tadamon Islamic Bank, Development Co-operative Islamic Bank, Baraka Islamic Bank and Islamic Bank for Western Sudan.
33. The full account of the experience of the Islamic banking in the Sudan lies beyond the scope of this study.
34. The creation of the Baraka Islamic Bank came as a result of a power struggle within the Saudi Royal Family. The Kingdom does not allow the practice of Islamic banking services! Hence they wanted to reduce its worldwide growth and influence by creating similar institutions outside their territories. The old Islamic banks were dominated by Faisal Islamic Banks which are owned by the son of the late King Faisal. A leading Saudi Sheikh, who was a founding member of the Faisal Islamic Bank in the Sudan has, backed by the Saudi Royal Family and the Sudanese Government, formed the Barka Islamic Bank. He owns 80% of its shares.
35. All the information pertaining to this company is based on its Booklet on Shareholders, published by the National House for Printing and Publication, n.d., which is obtainable from the General Commercial Registrar, Attorney General's Office Khartoum.
36. A useful briefing about the Sudanese political parties is given by M.B.Hamid in his, "The Politics of Reconciliation".

37. For more details about the history of this period see M.B.Hamid, "Confrontation and Reconciliation within an African context: the case of Sudan", Third World Quarterly, vol. 5 (2), April 1983.
38. Both were reported in Asharq Al-Awsat...op.cit.
39. BBC, Summary of World Broadcasts, ME 176821B11, 29.6.1983, emphasis added.
40. The President has dismissed his Minister of Interior who has been the deputy of the head of the State Security Organization, only after two weeks following his appointment on the 3rd of May this year. The official reason which was given is that he tried to influence the legal proceedings of one of the emergency courts.

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