Mini-Review
Volume 12:2, 2021

Business and Economics Journal

ISSN: 2151-6219

Open Access

Assessment the Structural Adjustment Policies in Sudan *via* (VECM) Model through the period 1989-2019

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Abstract

The paper aimed to assessment the structural adjustment policies in Sudan. The paper problem was formulated in following main question: What were the most important objectives of structural adjustment policies and programs? The paper was based on the following main assumption: Structural adjustment policies and programs in Sudan have not achieved the desired goals. The paper used the descriptive and analytical approaches. The study reached that GDP, Per Capita (PC) and External Debt (ED) had inverse impact on Economic Growth (EG), while inflation rate and Real Effective Exchange Rate (REER) they had a direct impact on (GR). The paper recommended that the necessity of evaluating the structural adjustment policies to know the reasons for their failure, and then adopting alternative policies that.

Keywords: Assessment • Structural polices • Economic growth • External debt

Introduction

Since 1980, many developing countries faced a chronic economic crisis, and they had no choice but to "Adapt" to get out of this crisis. By 1992, 78 countries implemented structural adjustment programs with the same policy frameworks without formal agreements with the World Bank [1]. Although the effect of structural adjustment programs on African economies remains performance, Structural adjustment programs certainly have far-reaching implications for the population power in governmental sector in particular [2], African Training and Research Center in Administration for Development. The Sudanese economy is inherently agricultural, and since 1956 the agricultural sector has formed from a traditional and modern sector. Inadequate economic policies that aimed at bringing about economic development led to internal and external imbalances that greatly affected the course of the economy and led to its decline. The first attempt to adjust the defect was to reduce the local currency exchange rate of (43%) in September 1978 as recommended by the International Monetary Fund. Then the Sixty plan (1977/1982) was developed and replaced by renewable development programs developed by World Bank experts that require focusing on cash and mineral crops production at the expense of, eliminating subsidies to reduce government spending, liberalizing trade and privatizing Arab public institutions (2017).The paper seeks to Assessment the Structural Adjustment Policies in Sudan. The main purpose of the paper to assessment the Structural Adjustment Policies. It could be look at the literature of paper variables. The paper is based on descriptive and analytical approaches by using Eviews Package. Finally, the paper discusses the results and makes recommendations.

Previous studies

El Mak & A. Hag Elamin make an evaluation effect of agricultural price incentives in main adjustment Programs implemented by the Sudanese government throw the period 1978-1993. The study examines two main hypotheses: Did these programs provide any tangible incentives to agriculture? And are improved price incentives an efficient and sufficient condition for increasing aggregate agricultural output? The results indicate that both programmes failed to improve either the level or the stability of real farm prices. Poor macroeconomic policies appear to be the main cause. Non-price factors appear to play a greater role in determining aggregate agricultural output. The analysis implies that without the provision of adequate credit, public investments and improvement in infrastructure, the aggregate response of agriculture to price incentives would be minimal [3].

Bannaga analyzed the impact of structural adjustment policies in Sudan economy despite the fact that the country is one of the first African countries to adopt them. It then proceeds by using econometric techniques starting by examining the stability of the long-run growth in Sudan for the period (1960–2000) followed by co-integration and ECM model. The study reached that the economic growth rate has changed significantly despite the introduction of the adjustment policies in 1980. Moreover, investment is the most significant variable affecting growth in the long run, and non-policy factors such as weather have a significant impact on the economic growth in the short run only [4].

Ibrahim examined the impact of the SAPs on the agricultural finance in Sudan and identified the role of the Agricultural Bank in financing the agriculture sector as the sole primary finance for the agricultural projects in Sudan [5]. Many negative results were appeared in terms of GDP declining which had affected the investment programs. The global environment for the producers of primary agricultural products was not relevant to the Structural Adjustment [6].

Calliope Spanou addressed the extent to which conditional macroeconomic adjustment programs can be used as a means of strengthening structural and economic and policy reforms. The study is built on conditionality leads to policy change. The study found that the conditionality of the policy defines the areas of reform, while specifying the

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Received: February 10, 2021; **Accepted:** February 24, 2021; **Published:** March 03, 2021

means and time frame that must be implemented to make the correction. Conditions affect local governance and transform the policymaking system into compliance and implementation mechanism. The police's reform potential depends on its local interaction with the political system and the policy process. Public policy can help to better understand dynamics in highlighting the strengths and limitations of conditionality. The study recommended setting a future research agenda for policy conditionality in order to make the correction in the economy [7].

Oberdabernig search on impact of Structural Adjustment Programs (SAPs) of the International Monetary Fund (IMF) on poverty and income distribution. This study tries to estimate the impacts of SAPs on a variety of poverty indicators controlling for nonrandom selection. We make use of the matching method to test for differences in poverty indicators and GINI coefficients for countries participating in IMF agreements and countries which do not. Performing Heckman regressions we study the effects in more detail. We control for economic factors and include regional sub models to test for robustness. Propensity score matching does not show significant effects of SAPs on poverty indicators. Using Heckman regressions we find evidence that participation in IMF programs is connected to higher poverty rates and a more unequal income distribution [8].

Theoretical Background

SAPs and their associated stabilization policies are among the most important policy frameworks of the last century that have greatly influenced both strategies and programs for agriculture, food and nutrition security in Africa and therefore overall economic development. As already mentioned, the SAP approach was the response of the WB and the IMF to the African economic crisis of the 1970s. The SAPs were introduced across Africa in the 1980s and continued to operate throughout the 1990s. During this period, the WB and the IMF closely worked together, with the IMF heavily involved in setting the macroeconomic development and policy agenda, while the WB provided structural adjustment lending. Structural adjustment programs generally require countries to adopt policies such as: Reductions in government spending, Monetary tightening (high interest rates and/or reduced access to credit), Elimination of government subsidies for food and other items of popular consumption, Privatization of enterprises previously owned or operated by the government and Reductions in barriers to trade, as well as to foreign investment and ownership. These policies and the IMF's role in implementing them have been criticized by developing country governments and development organizations as having worsened the situation of poor and lower-income people, as well as contributing to the degradation of the natural environment Robert & Neil (1999).The main elements of the SAPs were their classical/neoliberal features. They emphasized anti-inflationary macroeconomic stabilization policies and pushed for private sector and free market development, controlling budget deficits, privatizing public sector companies and services, dissolving parastatals, eliminating subsidies and cutting public support for social services. A typical SAP called for devaluation and trade liberalization to improve the country's balance of payments and control its foreign indebtedness; debt rescheduling and stricter debt management were regularly part of the prescribed policy. Given this background, the SAPs and the neo-liberal policies, often called the "Washington Consensus", have continuously generated considerable debate within African countries and development circles. Supporters argued that the reforms were essential and that they should be implemented sooner rather than later. Critics charged that the Washington Consensus paid insufficient attention to the social aspects of development and the institutional weaknesses of developing countries.

Discussion

The Structural adjustment policies in Sudan had a negative economic impact through increased rates of inflation and unemployment, reduced savings, investment and exports, deterioration of the value of the local currency, increased internal and external deficits, increased imports of consumer goods, a continuous rise in consumer and general prices, decreased production and productivity, and agriculture. The factors and causes of structural imbalances in Sudan were tested through descriptive and econometric tools during the period 1989-2019. The paper concluded that the effect of the real effective exchange rate on the real growth rate is negative compared to the growth in labor productivity. The effect of foreign debts has an adverse effect on economic growth, because these debts were not scheduled to facilitate their repayment, and at the same time the debts were directed to the unproductive sectors.

The paper recommends alternative policies to be pursued at the national, regional and international levels such as:

a) Expanding the production of goods and services for the purpose of covering domestic consumption and export.

b) Facilitating credit conditions for productive sectors and helping them import all basic production inputs by obtaining foreign exchange.

c) Applying a special exchange rate to the profits of Sudanese expatriates abroad in order to encourage them to transfer their money to Sudan.

d) They need to take advantage of natural resources for the development of the agricultural and industrial sectors.

e) The necessity to reduce spending on defense and on non-productive sectors, and to focus spending on strategic development projects.

f) Enhancing production capacity in order to realize the idea that Sudan is the global food basket and to develop national industries from exporting materials to exporting commodities

h) Work to establish new institutions in the countryside for small farmers, facilitate credit for food production, and apply supervision and supervision from voluntary and non-voluntary organizations.

Conclusion

The effect of the per capita (PC) was positive on economic growth during the study period, while the effect of inflation rate was negative on economic growth, which requires the state must work to optimizing the economic resources and following an effective monetary policy to reduce inflation and unemployment rates and ultimately stimulate economic growth in finally.

Conflict of Interest

Nil

Funding and Sponsorship

Nil

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How to cite this article: Attahir Musa, Almahdi Musa, Mohammed Mansour Omer Abdelrahman “Assessment the Structural Adjustment Policies in Sudan via (VECM) Model through the period 1989-2019.” *Bus Econ J* 12 (2021): 354.