

University of Khartoum

Approved
A. Jan

Project title: Growth, Equity and Structural Reforms in Post Secession Sudan: the implications of labour market for inclusive growth and poverty reduction

Final Technical Report

Submitted to the IDRC

University of Khartoum, Faculty of Economic and Social Studies, Department of Economics, P.O. Box 321.

Project leader: Kabbashi Medani Suliman: (Kmsuliman1@yahoo.co.uk, Kmsuliman@uofk.edu)
University of Khartoum

Project duration: 18 months plus 6 months of no cost extension

April 25, 2017

Contents

Project title: Project title: Growth, Equity and Structural Reforms in Post Secession Sudan: the implications of labour market for inclusive growth and poverty reduction	Page 3
Project information	3
Executive summary	4
The research problem	4
Objectives	5
The methodology	6
Progress towards the milestones	6
Project output	7
Overall assessments	10

1. Project Information

Country: Sudan

Name of the institution

University of Khartoum, Faculty of Economic and Social Studies, Department of Economics, P.O. Box 321.

Address of Research Institution

University of Khartoum, Faculty of Economic and Social Studies, Department of Economics, Khartoum, P.O. Box 321, Sudan.

Members of Research Team

Kabbashi Suliman; Ibrahim Elbadawi. Ali A. Ali; and Nouredin Maglad and Fadia Khalil

Contact Information of Research Team members

Kabbashi Suliman: University of Khartoum, Faculty of Economic and Social Studies, Department of Economics, Khartoum, P.O. Box 321, Sudan. Email: kmsuliman1@yahoo.co.uk, Kmsuliman@uofk.edu)

Ibrahim Elbadawi: the Economic Research Forum; Cairo, Egypt. Email: iaelbadawi@erf.org.eg

Ali A. Ali: Independent freelance development economics consultant, Cairo, Egypt. Email: mahali1944@gmail.com

Nouredin Maglad: University of Khartoum, Faculty of Economic and Social Studies, Department of Economics, Khartoum, P.O. Box 321, Sudan. Email: maglad@hotmail.com.

Fadia Khalil: University of Khartoum, Faculty of Economic and Social Studies, Department of Economics, Khartoum, P.O. Box 321, Sudan. Email: fadia_khassan@yahoo.com.

2. Executive Summary

The project was composed of two tracks: training and research. The main objective of the first track is to contribute to capacity building at the department of economics, university of Khartoum, including at other institutions (mainly the producers of the surveys used in second track and the users of the research's output). To that end, three training workshops on micro-data management and microeconomic analyses were successfully conducted. The overall objective of the research track is to examine the extent to which the successive economic reform policies implemented over the last quarter of a century in Sudan, since 1990, have contributed to a Lewisian-type of growth process effected through transfer of labour from low to high productivity activities benefiting from Sudan's abundant labour and natural resources. Per the predictions of Lewis's (1954) theory, both poverty and inequality should decline during this process of structural transformation due to the productivity and income growth. Five researchers from the Faculty of Economic and Social Studies including Sudanese economists abroad were assigned to investigate key aspects of Sudan's labour market relating, respectively, to labour's role in growth and structural transformation, the determinants of labour participation, youth's participation in schooling, work or doing neither, the political economy of informal employment, and the link between, policy reforms, economic growth, employment, poverty and inequality reduction. The output is contained in the attached draft report. Overall, the contributors to the report seek to provide evidence-based policies that can promote sustained growth, which also improves the access of the poor, including women and young people, to expanding economic opportunities.

3 The research problem

Over the past half century, since independence in 1965, Sudan's real growth rate per person is very low and volatile. High per capita growth could only be sustained for two disjointed periods in 1975-79 and 2000-2010, where it is driven, respectively, by inflows of FDI and oil. These periods are also the most peaceful since independence in 1956. However, the structural transformation due to the oil has induced considerable spatial, sectoral and product concentration that continue even after the secession of South Sudan and together pose further challenges for economic stability, real growth, job-creation and poverty reduction. The major research problem addressed here is what are the factors that could have crippled full realization of labour in Sudan in the face of attempted economic reforms and what policy can do? The understanding of these factors has received scant research attention. Thus, there is limited empirical basis for formulating policies aiming to promote inclusive growth, which improves access of poor to expanding economic opportunities and reduces inequality. The research report aims at filling this gap by providing answers to the following specific questions are; i), how the labour market has been linked to the process of growth and structural transformation in Sudan? And how poverty has been affected; ii), how labour participation and job-sector choices are determined; iii), what are the determinants of participation in education, work or doing neither for the youth? And what policy can do?; iv), how informal employment evolved in Sudan and what are the political economy considerations behind its

growth?; and v), what are the linkages between economic growth, employment, poverty and inequality reduction? And, how economic reforms and social protection policies impacted the labour market, poverty and equity?. Each of these questions, is addressed in a separate research paper. The report's, overall, objective is to provide evidence-based policies that can promote sustained growth, which also improves the access of the poor, including women and young people, to expanding economic opportunities, (which is the IDRC's 2012 definition for inclusive growth).

4 Objectives

4.1. Overall objective

The overall objective of the project is to contribute to capacity building at the department of economics, university of Khartoum, including at other institutions (mainly the producers and the users of the research's output). It also seeks to contribute to the hitherto thin literature on linkages between growth, employment, poverty in the context of reform policies in Sudan and provide evidence-based policies that can promote inclusive growth.

4.2. Specific research objectives

The more research specific objectives are:

1. Analyse the contribution of labour to the process of growth and structural transformation in Sudan and investigate how poverty has been affected.
2. Examine the determinants of labour participation and job-sector choices.
3. Evaluate the determinants of participation in education, work or doing neither for the youth and indicate what policy can do.
4. Assess the evolution of informal employment in Sudan and the political economy considerations behind its growth.
5. Investigate linkages between economic growth, employment, poverty and inequality reduction and examine how economic reforms and social protection policies impacted the labour market, poverty and equity in Sudan

5. The methodology

Overall the method of analysis adopted in the report drew on mainstream as well as the development theories including on a novel nationwide households' surveys, that provide snapshot views over 1990-2011, to examine the questions stated in the research problem section. These datasets are complemented with macroeconomic aggregates drawn from Sudan's Central Bureau of Statistics, the Ministry of Finance and National Economy and the World Bank data bases to provide snapshots of labour market trends and outcomes over 1990-2016. The method of analysis in each contribution in the report is duly outlined,

6. Progress towards the milestones

Due to the unexpected closure of the University Khartoum, the host, the actual spending on activities stated in 07/12/2014 and expected to close in 15/3/2016. An extension is requested and granted by the IDRC to close the project activities by 30/3/2017.

The teaming schedule

January 18-22, 2015: The first training workshop on introduction to Stata was conducted. It covered nine sessions, which are standard, aiming to introduce Stata environment, basic syntax using the in-depth Stata's examples. The training was attended by twenty one participants; and the female-male ratio was (10/11). Dr. Ula Nur of the London School of Hygiene and Tropical Medicine and also Stata Consultant has delivered the training.

May 3-7 2015; The second workshop was conducted. The training covered nine sessions, building on the previous workshop, with the objective of helping the participants to increase their skills in using Stata with basic discrete choice models. The workshop was attended by twenty participants; most of whom have attended the previous workshop. The female-male ratio of the participants was (9/11). Alem Abraha Gebre-Aregawi, (Mr.) ex-Asst. Economic Affairs Officer, UN Economic Commission for Africa, has delivered the training.

May 20-21, 2015: The third workshop was completed. The training covered six standard ADePT's Labour sessions and aims to improve the participants' understanding of the environment of the Automated Development Economics (DEC) Poverty Tables, (ADePT); and to enhance their capability in the analysis of the role of labor market in transmitting the benefits of growth to the poor. The SNBHS 2009 was used in the training. The workshop was attended by twenty participants; most of whom have attended the previous two workshops. The female-male ratio of the participants was (10/10). Andre-Marie Taptue, (Dr.), of the Department of Economics, Laval University, Québec, Canada and Nadia Belhaj Hassine Belghith, (Dr.) of the World Bank, USA have delivered the training.

December 7, 2014 -March 30 2017: The research work is completed. The output is compiled in a final report format

April 10, 2017: The in-country dissemination conference for the draft final research report was launched

7. Project output

a. The training:

Three out of four workshops are successfully. The workshop on policy brief writing was cancelled. The workshop is planned to take place after the completion of the research papers. The data-intensity of the research work has caused some delays, which was the main reason for the cancellation of the workshop. The reserved budget from this activity was used to cover the deficits in other activities as coordinated with the IDRC's grant administrator.

b. The research

Five research papers and a lead one are produced and prepared in a report format. These papers are denoted as chapters in the report. After chapter one, which outlines of the background, the issues, the summary and limitations, rest of chapters can be highlighted as follows:

Chapter 2. Ibrahim Ahmed Elbadawi and Kabbashi Medani Suliman. 2017. The Role of the Labour Market in Sudan's Development Path. P. 12-39.

This chapter examines the role of labour market in Sudan's development path (growth and structural change) and explores how poverty has been affected in this process. A comparative static analysis is conducted to identify the factors sought to be associated with growth and structural change over sub-periods representing the agriculture-led growth, the oil-driven-growth, and the recovery program after the collapses of oil exports due to secession of South Sudan. The data is observed over 1990-2011. The evidences show that the contribution of the structural change over the whole review period to the real gross value added (GVA) per capita has been negative with the bulk of growth supported by agriculture and the government services. Also, it is found that while, the contribution of the within sector productivity to the real GVA per capita growth has been negative during both the agriculture-led development and the recovery program after the oil boom, the structural change moved in opposite direction, but is not sustained in the long-run due to the weak fundamental growth-enhancing effects. In addition, the productivity-intensive growth is found to be poverty reducing across all sectors of the economy, but employment-intensive growth is poverty increasing in the largest sectors especially agriculture. The policy implications of these findings are also outlined.

Chapter 3. Kabbashi Medani Suliman and Ibrahim Ahmed Elbadawi. 2017. Determinants of Labour Force Participation and Sector Choice Decisions in Sudan. P. 40-71.

This chapter assesses the determinants of labour participation and sector choice decisions in Sudan within a structural, utility-maximization framework, based on the standard theory of labour supply. The method of analysis corrects for possible selectivity biases. The data is drawn from the households' surveys conducted in 1990, 1996, 2009 and 2011. The results confirm the importance of expected wages and exogenous income, including the individual and household specific

attributes, in the participation and sector choice decision. The findings also lend support to the staging hypothesis (market segmentation) postulated in Lewis (1954 and 1979). Notwithstanding the participants' response to the labour market incentives, the wages pull-push factors seem to have played limited role in the process of structural change and inclusive growth. In line with the findings, a policy that readdresses the structural weakness of the economy, including the labour market distortions, and enhances females' labour participation is advocated.

Chapter 4. NourEldin A. Maglad and Fadia K. Hassan. 2017. Labour Force Participation, Unemployment and Education of Young People in Sudan. P72-90.

This chapter aims at investigating the relationship between education and employment probabilities of young people in Sudan. It examines the factors affecting the young people's choices whether to study or join the labour market for work. Among these factors it is assumed that unemployment would have prominent influence on the decision whether to stay in school or become economically active, and its impact is thus estimated. To overcome the selection bias in estimating the participation equation, a bivariate probit model with selectivity, on which the probability of participation in labour market is conditional on the individual choosing to participate, rather than continue education, is estimated. The hypothesis that decisions to work or study are not separable is supported by a statistically significant correlation of the error terms of the participation and selection equation for the whole sample, and separately for women but not men. It is argued that for men an important economic factor affecting their decision, namely, incidence of emigration, and which was difficult to quantify for the sample analyzed, may have been missing from the estimated equation. Mainly, with exception of those with vocational and technical industrial training, who represent a few of the participants, the employment probability is lower for all levels of education. Low quality of education and lack of skills may be one reason for such outcome. Furthermore, the estimates suggest that unemployment is conducive to investment in education and this is justified in terms of a large "price" effect of it, in terms of lower opportunity cost of continuing in schools, which encourages investment in education, and that outweighs the "income" effect of the lower expected future earnings of joining labour market, which discourages continuation of schooling. Another factor reinforcing this teninactvency is that individuals may be wary of the employment opportunities and the possibilities of successfully being employed through emigration to neighboring countries. Incidence of high unemployment and desires to improve one's chances of getting a job when entering the labour market produces the phenomenon of "parking" at institutions of high education to get a university or higher degrees.

Chapter 5. Ali Abdel Gadir Ali, Ibrahim A. Elbadawi and Kabbashi M. Suliman. 2017. The Political Economy of Informal Employment in Sudan. P. 91-110.

This chapter draws on the critical juncture and the institutional complementarities type of approaches to, respectively, historicize the rise of informal employment in Sudan and to describe the interaction between persistent informality, low-skills, small politicized unions and unprotected unemployment that led to vicious circle of low-skill bad-job trap characterized by strong incentives

for sustaining the status quo. The analysis also provides explanation for the volatility of the cleavage structure that discouraged the formation of collective identities based on working-class and largely fed into violent regionalized and ethnicized conflicts. The results underscore the need for holistic understanding and strategy for reforming the informal sector in Sudan.

Chapter 6. Ali Abdel Gadir Ali. Economic Reforms, Labour Market and Social Protection: Implications for Inclusive Growth and Poverty Reduction in Sudan. P. 111-129

This chapter by Ali A. Ali drew on quantitative and qualitative arguments to investigate the linkages between economic growth, employment, and poverty and inequality reduction and shows how economic reforms and social protection policies impacted the labour market, poverty and equity. The following results are established, first, over the period since 1990 up to 2016 the government remained committed to economic reforms of the IMF-World Bank variety, and since 1997 these reforms were under IMF's SMPs. As usual these reforms emphasized conventional macroeconomic stabilization objectives which claim that achieving them would result in generating a sustainable growth process, irrespective of the nature of growth. Over the period 2000- 2010, the country did achieve respectable growth results thanks to the exploitation of oil, and despite the reform programs. Second, the economic reform policies implemented in the country did not pay any attention to producing jobs and the unemployment rate is relatively high and continues to grow despite the relatively high per capita growth rates registered during the oil-driven growth process. Third, the economic reform policies did not have any social protection content to speak off. As a result, after 26 years of repeated implementation of reform policies, the country does not have a comprehensive national social or welfare policy. Last, but not least, the growth process achieved in the country over the period 1990-2009 was not inclusive judging by the spread, and depth, of poverty and can only be judged to have been inclusive by the severity of poverty. These conclusions should not be surprising given the two major structural features of the country: being under conditions of civil conflict; and, the driver of the growth process that took place over the period being oil. The major implication of these observations for a developing country like Sudan have been noted as early as 1983: if "the government of a poor developing country is *keen* to raise the level of health and the expectation of life, then it would be *pretty daft* to try to achieve this through raising its income per head, rather than going directly for these objectives through *public policy* and social change. It is arguable that in developing countries the challenge of effecting development is fundamentally political requiring governments to be *keen* in raising the standards of living of the population, and sufficiently responsible and accountable so that they use *public policy* to achieve desired objectives. Technical approaches, based on formulas derived from simplistic models that do not consider real world conditions, treating in the process all countries in a similar fashion, are not likely to work, however long they are pursued.

8. Overall assessments

This project, overall, is successful in terms of meeting its objectives relating to the training and research outputs. The training of trainers' workshops focusing on specific course designs to be outsourced globally are the most effective way of technical transfers especially in fragile countries like Sudan. Also, it is expected that the final report, which I and the team members, hope to process in an acceptable format to IDRC's Open Access Library contribute to the general literature on the labour market in the process of growth, equity structural reform policies in the context of the low-income countries. We also suggest archiving the harmonized data based the surveys that is used in the research work with the Ministry of Human Resources and Labour. The unexpected closure of the University Khartoum, the host, at the inception of the project has caused some delays We have requested an extension from the IDRC to compensate for delay in view of our need to the university support staff and due to data-intensity of the project, and the request is approved.