



# DURHAM MIDDLE EAST PAPERS

PATTERNS OF GROWTH AND INEQUALITY IN  
SUDAN, 1977-2017

Edward Thomas

**Durham Middle East Paper No. 94**

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**PATTERNS OF GROWTH AND INEQUALITY  
IN SUDAN, 1977-2017**

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# DURHAM MIDDLE EAST PAPERS

INSTITUTE FOR MIDDLE EASTERN AND ISLAMIC STUDIES

## PATTERNS OF GROWTH AND INEQUALITY IN SUDAN, 1977-2017

Edward Thomas

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This paper is part of a wider research project on social and economic change in Sudan which is led by Magdi El Gizouli and me. The research project is supported by the British Academy and the History Department of the School of Oriental and African Studies in London.

## INTRODUCTION

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Most people date Sudan's Islamist turn to 1983, when the decaying government of Jaafar Nimeiri began a controversial experiment with Islamic shari'a law, or to the Islamists' National Salvation Revolution, led by Omar al-Bashir in 1989. But for Hasan al-Turabi, the leader of Sudan's Islamist movement for most of its twentieth century existence, Sudan's Islamist turn, and its first modern experiment in Islamic legislation, began a few years earlier, in August 1977. In a speech in the Mecca Club, he explained what had happened to an appreciative Saudi audience:

**“THE FAISAL ISLAMIC BANK OF SUDAN, SET UP BY THE 1977 LAW, MARKED A DECISIVE TWIST IN SUDAN’S ENTANGLED HISTORIES OF ECONOMICS AND RELIGION...”**

successful role models [to implement] them ... people thought it was farfetched that wealth could be aggregated and allocated to investment, except in a western way. After a year or two, the fruits of this experiment were visible to people ... shari'a practically demonstrated its truth, and fears and doubts subsided. Because of this real example, people were confident that other areas of civil life and constitutional life could work the same.”<sup>1</sup>

“Not many people know that the first Islamic legislation promulgated in Sudan was the [one] which set up an Islamic bank which bore the name of a man who was a herald of Islam and a herald of Islamic solidarity, the late King Faisal [of Saudi Arabia], may God bless his memory. This bank was based on a law laid down by the Sudanese parliament which gave the bank immunities from tax laws ... It was begun by people who believe in the Unseen. They were sure that the laws of God [prohibiting] interest, were inescapable, but they had no

The Faisal Islamic Bank of Sudan, set up by the 1977 law, marked a decisive twist in Sudan's entangled histories of economics and religion. From the late 1970s Sudan's Islamic banks formed the economic basis of the Islamist movement. The movement used the economic power that these banks bestowed to consolidate an alliance between Islamists, financiers and security men, which emerged in the 1970s and took power in the National Salvation Revolution of 1989. The banks helped this alliance to build a new constituency of urban merchants who had hitherto had little access to capital, and to establish a commanding position in finance, managing remittances for Sudanese migrant workers in the Arabian peninsula, and the import-export trade in consumer goods – just as a new global economy based on labour migration, finance capital and international trade was coming into fashion. Turabi's movement used the language of shari'a to align the interests of new social forces with new global economic trends. The invisible hand backed the Islamists.

This paper uses the changes that began with the Faisal Islamic Bank of Sudan to reflect on the ways that growth and inequality have been repatterned in Sudan over the last forty years. The alliance of Islamists, financiers and security men which the bank helped to create was exceptionally durable because it succeeded in harnessing global forces to Islamic values and using them to transform Sudan from an agricultural economy to one based on growing oil rents and growing services. These transitions were not painless – changing patterns of growth led to changing patterns of inequality. I will try to draw together some of these themes – Islamism, economic transformation, growth and inequality – without drifting off into abstraction, or vexing the reader with too much detail.

### ***Three contentious terms: Islamism, shari'a, and neoliberalism***

Before starting, I would like to discuss three contentious terms which are relevant for this paper, and which were invented or came to new prominence in the period under discussion. The first term is *Islamism*, which was a

**“THESE TRANSITIONS WERE NOT PAINLESS – CHANGING PATTERNS OF GROWTH LED TO CHANGING PATTERNS OF INEQUALITY...”**



twentieth-century project to extend the scope of Islamic principles, laws and values in the social and economic life of Muslim societies. Turabi, who often preferred the phrase ‘the Islamist Awakening,’ (*al-sahwa al-islāmiya*) presents Islamism as part of a historical cycle wherein Muslim apathy is periodically shocked into awareness by crisis; and presents the contemporary Islamist project as a response to Muslim experiences of colonialism.<sup>2</sup>

The Islamist response to colonialism developed slowly. Many Islamist movements – including Sudan’s – were too marginal to play a major role in the path to independence, which was in the most part led by beneficiaries of the colonial order. They may have used Islamic symbols as a source of legitimacy but their political objectives were oriented towards the nation state, which aimed at a socialist or capitalist route to development, not some still-undefined ‘Islamic economy’ or ‘Islamic society.’ But the global financial crisis of the 1970s and 1980s revealed the limitations of a state built on borrowed models of development, and the need for development plans to reflect their cultural setting.<sup>3</sup> This was the moment when a political project based on Islamic values began to look attractive.

Islamist movements emerged in many different nation states, and often lacked the tools to generate a coherent alternative to the crisis

and stagnation they encountered. But Islamism provided a political repertoire which different groups with divergent aims could exploit. In places like Turkey, Iran and Egypt, Islamism provided a critique of secularism and status quos. In Lebanon and Palestine, it provided a framework for resistance to foreign occupation. In the Arabian Gulf, it provided palace propaganda. In Sudan, the Islamist alliance with financial and commercial interests and security men built a constituency on the aspirations of urban shopkeepers, Darfurian students, female professionals, cadet branches of big families living disappointed provincial lives: people who lived on the fringes of Sudan’s bureaucratic, military and commercial elites, and who had the presence of mind to back a new order when the old elites were stumbling.

*Shari’a* is a key term in Islamist politics, and it is the second contentious term addressed here. It is sometimes defined as the rules governing the lives of Muslims, derived principally from two canonical sources: the Qur’an and the *hadith* (a vast and contested literature describing the Prophet’s *sunna*, which is all that he said, did and tacitly approved). Over the course of the first Muslim empires, legal experts used these sources to create a flexible legal system addressing everything from commercial law, administrative law, criminal law and the laws of war. *Shari’a* rules on etiquette, hygiene,

personal status and liturgy deeply permeated Muslim cultures. At the fringes of Muslim empires, in places like Sudan, *shari’a* discourse was caught up in systems of warfare and commerce, and in the process *shari’a* served as a vector of modernity.

Before and during Sudan’s colonial encounter, *shari’a* commercial law and *shari’a* inheritance law had provided the momentum for revolutionary changes to social relations and property rights. But ultimately, colonialism marked the end of *shari’a*’s sway over society – in Sudan and in most other Muslim societies. The colonial state dismantled *shari’a* institutions and relegated *shari’a* rules to the fringes of law and politics. In the process, Islamists began to use the term *shari’a* in a new, allusive way, disconnected from the precision of the imperial lawyers and theologians of the classical age of Islam, to refer to an ideal Muslim society.<sup>4</sup> During the crises of the 1970s and 1980s, many Islamists saw in *shari’a* the promise of an alternative order.

For the authoritarians with day-to-day responsibility for managing these crises, *shari’a* criminal penalties offered a radical form of social discipline at a polarized moment – and indeed, many Sudanese and others identify *shari’a* with its harshest criminal penalties, which in the early 1980s were meted out to its poorest citizens. But *shari’a* addresses a wider range of economic concerns, such as social justice, commerce and finance. In the 1950s and 1960s, many Islamists flirted with the idea of ‘Islamic socialism.’ They framed debates about the redistribution of wealth and social justice around the *shari’a* obligation of *zakāt* – a Qur’an-mandated alms tax on grain, livestock, gold, or other specified categories of wealth. The crisis of the 1970s prompted a reconsideration of the possibilities of *shari’a* commercial law in reframing systems for the production of wealth. An emerging discipline of ‘Islamic economics’ sought to use the *shari’a* prohibition on *ribā*, or interest, as the starting point for the development of Islamic banks, which replaced interest-bearing loans with different contracts for sharing risks, profits and losses between investors and entrepreneurs.<sup>5</sup> In Sudan, Islamic banks decisively reshaped financial flows and social forces at a critical juncture, and they played a key role in changing patterns of growth and inequality.

The third contentious term is ‘neoliberalism,’ which this paper uses to describe some of the major processes by which the crisis of the 1970s worked its way across the world over subsequent decades. A US currency crisis and an oil shock created a combination of price inflation, stagnant growth and labour unrest, all of which led to declines in profits and productivity growth. In response to these interlinked crises, production processes were globalized and trade and financial flows were transformed, and governments lost economic

authority. These changes eventually were organized around an ensemble of policies that three economists from the International Monetary Fund (IMF) recently described as:

“the neoliberal agenda [which] rests on two main planks. The first is increased competition—achieved through deregulation and the opening up of domestic markets, including financial markets, to foreign competition. The second is a smaller role for the state, achieved through privatization and limits on the ability of governments to run fiscal deficits and accumulate debt.”<sup>6</sup>

In their paper, the IMF economists argue that neoliberal policies transferred financial resources and technological knowhow across borders, creating growth and reducing the numbers of people in poverty. But they acknowledge that some neoliberal policies have increased inequality, and that they have not necessarily increased growth. The authors acknowledge that the word neoliberalism is more likely to be used by critics than by architects of these policies – it became a flame-word for activists in the 1990s, who disputed IMF claims that neoliberalism enhances growth or reduces poverty.<sup>7</sup> One sustained critique came from post-structuralism, which presented neoliberalism as an attempt to reorganize society around ideals of enterprise and performance – and to convince people that performance ‘rankings’ reflect real rather than

ideological differences.<sup>8</sup> Another critique came from Marxism, which presented neoliberalism as an authoritarian alliance between the state and corporate power. This alliance – to continue with the language of this critique – was key to the neoliberal attempt to restore pre-crisis rates of profit, using strategies such as the privatization of social assets and the relocation of manufacturing production from the industrialized economies to low-wage economies in East Asia.<sup>9</sup>

‘Neoliberalism’ is a problematic term, not so much because it offends sensibilities of neoliberals who see its competitive order as the State of Nature, but because the historical forces that it describes played out so differently in different parts of the world. In Durham or Detroit, neoliberal policies defeated organized labour, and turned factory workers and miners into white van men, or cappuccino waitresses (the system reworked gender differences). In Guangzhou, the new system pushed farmers into factories. In London and New York, the system packaged debt into housing bubbles, which were inflated by a vast corps of real estate agents and the ‘confidence fairies’ of the bond markets.<sup>10</sup> Using a single term to draw together this prodigious variety of experiences and processes risks a sacrifice of analytical clarity.

Nonetheless, ‘neoliberalism’ is a tempting term to use for any periodization of changing patterns of

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growth and inequality that emerged from the end of the developmental state in Africa.<sup>11</sup> In the 1970s, the Sudanese state implemented national development strategies which aimed at orienting Sudanese society towards a version of economic development that was broadly aimed at creating a more inclusive country. This ‘developmental state’ fell apart in the 1980s, when it was replaced by a state led by the Islamists, which used the techniques of austerity and privatization instead of the ideology of development to manage Sudanese society. Price controls on basic commodities were abandoned, and new security forces managed the resulting urban protests. Publicly owned productive assets and services were sold politically well-connected groups.<sup>12</sup>

In Sudan, privatization meant more than rent: as the state shifted its shape and social conflicts intensified, it started wars and then privatized military services, and militias aligned to governments, rebellions, and commercial interests reshaped war and economic life. Post-colonial progress on life expectancy was reversed.<sup>13</sup> Universal entitlements to social services were abandoned in the name of debt-reduction, and instead, austerity economists linked entitlement to the now-ubiquitous term ‘vulnerability.’ Debts, droughts and wars pushed



rural people into displacement, and as the state withdrew social supports, people were pushed towards new collectivities that might help insure themselves against crises, often improvised out of existing kinship structures or ethno-linguistic groups – leading to a new kind of tribalism.<sup>14</sup> Internationally finance colonized lands for commercial agriculture. Land colonization was configured around war zones, displacing pastoralists and pushing young male pastoralists towards militias.<sup>15</sup> The remnants of subsistence systems of agriculture were replaced by hungrier and more chaotic livelihoods strategies that linked rural people to towns and enclaves of development.<sup>16</sup>

This paper does not set out to address controversies about neoliberalism. Instead, it seeks to set them in a particular historical context: Sudan, 1977–2017. It sets out some of the complex and unexpected links between Sudan’s neoliberal transformation and the Islamist National Salvation Revolution, and its experiments with shari’a law. These linked historical changes modernized and polarized Sudan and re-patterned growth and inequality.

### ***THE ECONOMIC HISTORY OF SHARĪ‘A IN SUDAN TO 1977***

Shari’a operated as a modernizing and polarizing force in Sudanese history ever since it became part of the political scene, around the sixteenth century, during the Funj sultanate. The sultanate used Islamic symbolism as part of its claims to legitimacy, and Sudanese president Omar al-Bashir recently described the sultanate as Sudan’s first Islamic state.<sup>17</sup> Funj nobles were given estates, and the surplus produced from noble estates was traded internationally. Sultans tried to monopolize trade, but had to cede some power to merchants. Many of the merchants came from the Muslim cities of the Hijaz and the Mediterranean. Some had religious training, and they introduced shari’a commercial law to regulate contracts and their relationship with the state. Sultans rewarded their economic success with land grants and exemptions from the feudal dues. The estates of these merchants became sanctuaries for dissidents and dispossessed groups, and the tax-exempt merchants taxed their followers – not feudal dues, but zakāt and other taxes found in shari’a law. Zakāt helped the merchant-divines to accumulate wealth, and shari’a commercial law favoured them against the royal monopoly. It harnessed the forces of commercialization to benefit the merchant-divines, and pushed the feudal system towards disintegration.<sup>18</sup>

In 1820, the Ottoman-Egyptian conquerors swept away the disintegrating Funj sultanate and set up the Turkiya, as their colonial state was known. The revolutionary force of shari’a law maintained its momentum. But this time, instead of empowering merchant-divines against a ‘feudal’ state, shari’a law worked to consolidate a colonial state, by reworking systems of land and

labour. The colonial regime set up an official shari’a system, with a mufti and shari’a judges and courts.<sup>19</sup> These courts extended the influence of shari’a inheritance law, transforming landed property; and the state and social actors used a version of the shari’a law of war to legitimize the reorganization of production around slavery.

Shari’a inheritance law was an adaptation of the patrilineal marriage and inheritance laws of the cities of the ancient near east. From the earliest days of Islam these laws kept inheritance primarily within the immediate family, not diffused through wider kinship structures.<sup>20</sup> Shari’a inheritance law revolutionized Arabian tribal society at the eve of the first Muslim empire.<sup>21</sup> During the Turkiya, shari’a inheritance laws individuated property and broke the power of kin-based agricultural systems along the rich Nile banks. Heavy Turkish taxes then pushed farmers to mortgage and eventually sell off their lands, creating new markets in land in the process. Many of the farmers displaced by the commodification of the Nile’s fertile banks joined the ivory and slave trade that was spreading across the south – and many of the people they enslaved were used for agricultural labour on the recently-commodified lands that the farmers-turned-slavers had left.

Many state and social actors drew on the shari’a laws of war to justify the slave system. The shari’a laws

of war permit the enslavement of captives taken in a *jihād* (a war to expand or defend Islam).<sup>22</sup> Even Christian slave-raiders flew banners with exhortations to jihād from their fortified camps.<sup>23</sup> This use of shari’a was self-serving: contemporary observers argued that the slave raids did not meet the definition of jihād.<sup>24</sup> But as in the days of the Funj, shari’a played a flexible role in helping global forces transform Sudan. From the 1840s, the Ottoman free trade agreements with European powers opened the Sudanese slave trade to what would now be called foreign direct investment, and it boomed.<sup>25</sup> Shari’a laws of war provided an explanatory framework for the cruel changes being wrought in the south.

The Turkiya regime used an official Ottoman version of shari’a law to organize the new patterns of accumulation and inequality of a colonial state. In the course of the nineteenth century, however, the Ottoman empire began to modify its legal system. It developed secular commercial laws, shaped by western legal traditions, and restricted shari’a law to special domains, such as personal status. In Egypt – Sudan’s colonial metropole – shari’a commercial law had been in retreat since the establishment of commercial courts under the French occupation of 1798. By the middle of the nineteenth century, the commercial law used in Egyptian courts was largely based the French commercial code.<sup>26</sup> In Turkiya Sudan, shari’a

## “THE TURKIYA, AND THE GLOBAL FORCES MUSTERED BEHIND IT, INVENTED THE SUDAN OF THE TWENTIETH CENTURY...”

inheritance law and a self-serving version of the laws on enslavement were used to revolutionary effect, but shari‘a commercial law did not govern contracts. The privatized slave raids were financed by loans, at exorbitant rates of interest, provided by Khartoum’s cosmopolitan venture capitalists.<sup>27</sup>

The Turkiya, and the global forces mustered behind it, invented the Sudan of the twentieth century. At its centre lay a zone organized around a contested version of shari‘a law that forced people off the land to suit the interests of the state. At its periphery, it created a slaving zone from which recruits for slave armies and slave agriculture could be drawn. In Sudan, shari‘a commercial law was in retreat but the shari‘a law of inheritance and warfare was still at the forefront of change.

The gradual relegation of shari‘a from economic life did not diminish its political resonance. Shari‘a still scripted resistance: the Mahdist revolution, which challenged and defeated the Turkiya in the 1880s, centred its propaganda on the illegitimacy of the Turkiya poll tax on Muslims.<sup>28</sup> The revolutionaries raised their support from the peripheries that had been created out of Turkiya wars, raising their revolt in Sudan’s zones of predation and conquering the central zone of accumulation – zones which the Turkiya version of shari‘a had

helped to create. When they finally came to power, they attempted to Islamize the economy. They reversed the trend towards integration in international markets, putting political conditions on merchants, and sometimes forbidding trade with Egypt.<sup>29</sup> They based their tax systems on shari‘a rules for zakāt and booty, and made zakāt into a state-managed system for finance social services. Their zakāt system was unable to cope with the famines of 1889-91, and they could not extract enough taxes to finance the costs of their administration and their military.<sup>30</sup>

Turkiya and Mahdist versions of shari‘a helped create the conflicted behemoth that was twentieth century Sudan, and at the same time delineated its social and economic fault-lines, and set many of the patterns of growth and inequality that are being reproduced today. In the twentieth century, the Anglo-Egyptian Condominium, Sudan’s British-dominated second colonial regime, entrenched these fault-lines between the centre and the periphery, and maintained the spatial patterns of growth and inequality that had been set during the first colonial regime. At the centre, where land and labour relations had been transformed during the Turkiya, the condominium built a system of big estates that were part of a globally networked, export-oriented cotton and grain agricultural economy.<sup>31</sup>

At the centre, the colonial government created a proletariat to serve the needs of the global economy. But a system of pass-laws and closed districts limited entry into that proletariat for the peoples of the periphery. Across most Sudanese territory – Darfur, the southern provinces, the Nuba Mountains, the southern Blue Nile, and parts of eastern and northern Sudan – colonial law restricted the movement of people and goods, and colonial budgets restricted the development of services and infrastructure. Some closed districts, like Darfur, functioned where necessary as a labour reserve for the agricultural estates. But people in the southern provinces were largely excluded from the new labour markets around the big estates. For a range of economic and political reasons, the condominium government deepened the nineteenth century fault-line between the north and south. In 1958, average incomes in the south were a third of those at the centre.<sup>32</sup>

The condominium relegated shari‘a to the margins of political and economic development, and accommodated in their economic system the Mahdist and other Muslim leaders who had developed huge constituencies over the nineteenth century. The condominium gave them huge estates: Abd al-Rahman al-Mahdi, the Mahdi’s posthumous son, was a principal beneficiary of huge land grants. But the production and distribution of wealth was secularized, financed by international banks and lending at interest to economic entities.

The zakāt system became a private matter once again, managed by religious patriarchs. Abd al-Rahman al-Mahdi had a network of agents who collected zakāt from his followers across Sudan, which was administered by his Commercial Company, set up to manage his estates.<sup>33</sup>

In the two decades after Sudan's independence in 1956, shari'a mostly remained at the margins. Independent Sudan was led by the bureaucratic and commercial beneficiaries of the colonial order, who organized electoral politics around the religious constituencies that had been built up and maintained by religious dynasts such as Abd al-Rahman al-Mahdi. The struggle between the leadership and other social actors over the country's path to development intensified – the left called for structural change, marginalized groups in the west called for more even development, and southern leaders were drawn into a war for self-determination. Sudan was, to use Peter Woodward's phrase, an 'unstable state,' and experiments with new ideological and institutional forms were risky.<sup>34</sup>

## “WITHIN A COUPLE OF YEARS, HOWEVER, THE GOVERNMENT SWITCHED COLD WAR SIDES AND FOUND A SOURCE OF EASIER MONEY...”

These risks were soon revealed. In 1969, Jaafar Nimeri led a new, secular government to power, promising fundamental change. The government signed a peace agreement in 1972 that ended the civil war in the south and sought to reorient development away from the centre to Sudan's periphery, with its war and poverty, its rich soils, water resources and huge populations. The government's plans aimed at expanding irrigated and mechanized agriculture, by reorganizing land tenure and providing agricultural credit for large enterprises – but the plans generally neglected the traditional sector, which employed an estimated 75 percent of the population.<sup>35</sup> The new government also sought to expand infrastructure development and to replace the light administrative structure of the colonial state with a bureaucratic apparatus for the provision of services.<sup>36</sup>

In 1970, with Soviet support, the new government nationalized Sudan's financial systems to mobilize domestic resources to finance its new development plans. Until then, Sudan's banks had all been foreign-owned, and wedded to quick-returns lending that allocated capital at Sudan's centre. Within a couple of years, however, the government switched Cold War sides and found a source of easier money – the huge financial surpluses garnered by Arab oil-exporting countries after the 1973 oil price shock. Arab states needed to invest that money, and huge quantities of their petrodollars were recycled through international banks into national development plans like Sudan's. Growth rates soared: between 1973 and 1977, GDP growth rates averaged 10.1 percent annually (still the highest rates on record).<sup>37</sup> But a financial storm approached.

### *THE RISE OF NEOLIBERALISM*

In the eighteenth and nineteenth centuries, shari'a had been a contested, shifting, flexible, modernizing idiom for capital in Sudan, attuned to global economic change, and mediating the changes required by the encroachment of global forces of finance and trade. But for most of the twentieth century shari'a laws regulating the production and redistribution of wealth were relegated to the margins. However, the flow of petrodollars from the Gulf reoriented Sudan's path to development, and the future of Islamist politics in Sudan. Sudanese

politicians once again began to use shari'a to interpret and implement changes that were driven by external economic forces.

There were two main changes. First, some of the petrodollars helped to develop a new Islamic model for Sudan's future development, based on zakāt and on a new Islamic financial system. The new Islamic economy created from these petrodollars became a constituency for the Islamist movement, built around a service economy that by the beginning of the twenty-first century eclipsed the agricultural economy. Second, a much larger volume of petrodollars was loaned out at interest to finance Sudan's national development projects. These projects were largely unsuccessful, and the cash became a debt mountain, which eventually restructured the entire national economy. The Islamists used the authoritarian potential of shari'a discourse to force through the restructuring of the economy. These two changes repatterned growth and inequality in Sudan.

To begin with the new Islamic economic system: the exponents of the emerging field of Islamic economics could solve the problems of the production and distribution of wealth within an Islamic social order. Zakāt would redistribute wealth from economic winners to economic losers. And shari'a commercial law could provide modern-day financial contracts based on a sharing-

out of risks, profits and losses, in a way that could make Islamic investors, entrepreneurs and workers outperform the capitalist alternatives on offer.

Turabi's speech in Mecca, quoted in the introduction to this paper, argued that the 1977 Islamic banking law marked the start of the Islamist turn in Sudan. Nimeiri took power with the help of a short-lived alliance with the left, and consolidated power with his alliance in the south, buttressed by debt-financed national development plans. But by 1977, a combination of maladministration and instability in ecologically vulnerable areas of northern Sudan pushed him to reshuffle his internal alliances: Turabi became Nimeiri's most enthusiastic new ally and (in 1979) his minister of justice.

Six years later, in 1983, the Nimeiri government brought in a version of shari'a law. The 1983 laws addressed banking and commerce (and a 1984 law attempted to replace most taxes with zakāt).<sup>38</sup> The Faisal Islamic Bank of Sudan Act of 1977 had permitted interest-free banking, and given the new bank privileges which helped it to garner foreign investment. The 1983 laws, in contrast, prohibited all interest-based banking. This made life impossible for Sudan's commercial banks and empowered the new Islamic banks – which proliferated as a result of the success of the Faisal Islamic Bank.

The Islamic banks offered access to capital through a range of interest-free financial instruments to people who never had access to capital before. Minibus drivers bought their own vehicles. Shopkeepers imported goods. Grain merchants allegedly bought grain supplies on credit and hoarded them as famine boosted their prices.<sup>39</sup> Financiers made enormous profits, and new urban service industries eclipsed agriculture.<sup>40</sup> All these new winners supported the Islamists.

But these Islamist advances took place against a backdrop of deep distress. Unable to fund national development programmes and beleaguered by droughts and famines, the government racked up debts and reshuffled its alliances, repudiating the 1972 peace deal for the south and pushing the country towards war. Gulf countries had recycled their petrodollars into Sudan's national development plans, hoping that Sudan's fertile peripheries would provide food security for the Gulf and for Sudan. When oil prices rose, Sudan borrowed more money. As the 1970s financial crisis played out across the world, interest rates soared and international debt overwhelmed Sudan.<sup>41</sup>

The 1983 laws were partly intended as a means of disciplining the desperate new arrivals from the war and drought zones of Darfur and the South, who were the main targets of theatrical amputations and floggings

which new Instant Justice courts dispensed. The laws were dreamed up in a panicked presidential palace, as the country was subsumed under a debt mountain.

In the early 1980s, Sudan began a long, cruel and total economic restructuring prompted by its international creditors. The abolition of interest-based banking was a domestic affair: Sudan still had to pay off its debts at interest. The Saudi government, one of Sudan's principal creditors, insisted on full compliance with the IMF, which was now managing Saudi loans.<sup>42</sup> The Islamist movement learned some complicated lessons: interest-bearing loans crushed Sudan with debt, harsh new laws phrased in the language of legal Islam helped to give the government some of the authoritarian heft it needed to push through its programme of economic restructuring, and Islamic banks concentrated power and wealth in the hands of a new political constituency.

For the Islamists, shari'a worked. Shari'a-compliant banking allowed the Islamist movement to mobilize an economic base. It also aligned Sudan with global forces of change that were disrupting patterns of growth and inequality across the world. Islam like all religions has authoritarian potential, and the authoritarian potential of shari'a discourse could be deployed to justify the need for the economic changes which favoured many in the Islamist movement. This discourse could explain and justify the new patterns of growth in Sudan – based around urban commerce and services – and the new patterns of inequality, in the chaotic famine and drought zones of the southern and western periphery, and the squatter zones of the towns where the peoples of the periphery underwent a traumatic urbanization.

### *Austerity and changing patterns of growth*

The Islamists seized power in 1989, after a 1985 popular uprising which got rid of Nimeiri and a parliamentary interlude when Sudan's debt crisis deepened. The National Salvation Revolution, as the Islamists called the new regime, moved quickly to introduce new shari'a elements into the penal code and the banking laws (Nimeiri's version of shari'a had been suspended during the parliamentary regime, which never mustered the authority to repeal his laws).

The new government was not popular. It believed the solution for the debts, droughts and wars that beset Sudan's diverse societies was a unified Islamist identity, and it declared jihad against Muslims and non-Muslims who disagreed. Its security forces dragged people out of Khartoum salons and into their torture centres. It sided with Saddam Hussein's Iraq, against its Saudi and Kuwaiti creditors. It brought Osama bin Laden to Khartoum. But it was committed to a total restructuring of the Sudanese economy to pay



# “SUDAN WAS ONE OF VERY FEW AFRICAN COUNTRIES WHICH ADOPTED NEOLIBERAL POLICIES OF ITS OWN ACCORD...”

back the debts that Nimeiri had run up in desperation. The Sudanese ambassador to Washington explained Sudan's commitments to the IMF board in 1992, just as the organization was threatening its expulsion:

“The Government of Sudan has adopted a radical and far-reaching program of economic reforms aimed at freeing up the economy, bringing down inflation, and creating a climate conducive to the revitalization of the private sector. This has included the dismantling of all controls on prices, investment and trade; the elimination of virtually all budgetary subsidies – implicit and explicit; the lifting of most restrictions on external transactions; the adoption of a unified floating exchange rate; and the launching of a wide-ranging program of privatization.”<sup>43</sup>

Sudan was one of very few African countries which adopted neoliberal policies of its own accord. Its experience of debt-financed modernization followed by economic collapse and austerity was far from unique. But most African countries were pressured into taking these measures by the threat of cutting off access to international finance.

The neoliberal order deepened inequality and made it more dislocating. Poor people migrated from the chaotic periphery to

the moneyed centre. Its austerity programmes were constructed around the fault-lines dividing the centre and the periphery. During the debt-financed development of the 1970s, the government had invested in agricultural schemes across the periphery, and it also built up local government and local services there. These services and investments were largely financed by transfers from the central government to regional ones. The transfers did not survive the austerity measures of the 1990s. In 1994, the government divided Sudan's nine regions into 26 states. The new federal system deepened the financial responsibility of the new states for social services. But the new states were given almost no financial resources to meet these obligations. Through the 1990s, that experience entrenched the country's regional inequalities in health and education.

At Sudan's centre, welfare indicators went into retreat.<sup>44</sup> In drought-affected Darfur, the government polarized different social groups by rearranging administrative and ethnic boundaries, and young men drifted towards the new militias built around the ruling party or around polarized ethnic constituencies.<sup>45</sup> In the south, austerity meant famine and constant displacement.<sup>46</sup>

As well as changing patterns of inequality, neoliberal policies changed patterns of growth. Changing patterns of growth allowed the coalition of Islamists, businessmen and security

men to manage the storms of its first turbulent decade in power. Economic adjustment was for them an opportunity: Sudan underwent two waves of privatization in the 1990s, and (as in many other economies) the benefits of privatization went mostly to politically well-connected groups.<sup>47</sup> These groups had vested interests in the Islamic banks too, which provided easy money in return for political support.

In the 1980s and early 1990s, Sudan's Islamic banks were primarily oriented towards building an Islamist political constituency. But their system was open to self-criticism and capable of self-correction and improvisation. In the late 1990s, the government realized that its banking system needed reforms in order to attract foreign direct investment and develop new industries such as oil, and it invited the IMF's advice.<sup>48</sup> The government needed investment to construct thousands of kilometres of oil pipeline linking southern oilfields with its Red Sea ports. It also needed to finance its military operations in the south, where its war aims were oriented towards control of oilfields. It was remarkably successful in diversifying income sources.<sup>49</sup> Its painful transformation of the economy played a role in the dramatic increase in foreign direct investment that occurred as development and warfare intensified around its southern oilfields, in the late 1990s (Figure 1).

Data from World Bank. Last updated Apr 27, 2017.

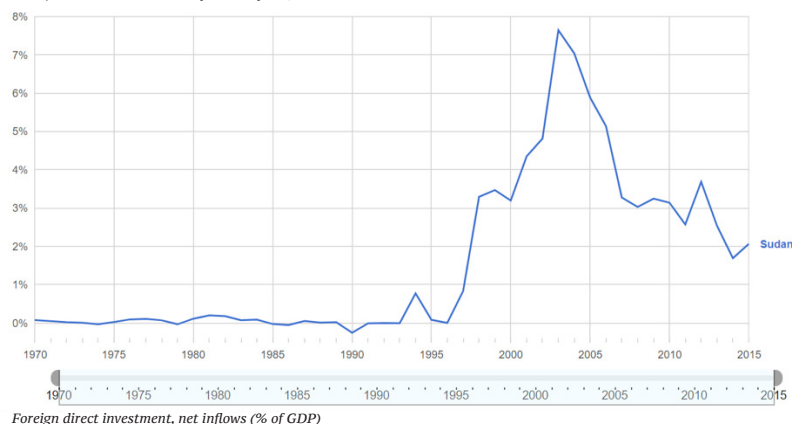


Figure 1: A dramatic increase in foreign direct investment<sup>50</sup>

Some of the writers cited here suggest that the economic changes of the 1990s were a story of patronage politics or corruption. Privatizations and financial reforms allowed the Islamists to create a political constituency out of the winners of a period of severe economic distress.<sup>51</sup> But the competitive neoliberal order is supposed to create winners, and neoliberal policies routinely rearrange the boundaries between the economic and political domains – the spaces where corruption happens. Blaming Islamic banks for corrupt practices, or the government for patronage politics, misses some important points about the way that neoliberalism works.

Focusing on the links between Islamic banking and corruption also overlooks other changes that were taking place. The austerity economics of the 1980s and 1990s

ended Sudan's breadbasket strategy – the 1970s attempt to resolve the contradictions of its peripheries with a new, productive economy backed by state-directed social services. In the 1980s, Islamic banks were part of a process that directed investment away from agriculture and towards trade: up to 1991, advances to agriculture made up 1 percent of total advances.<sup>52</sup> In the 1990s, the central bank pushed the Islamic banks towards investment in agriculture, but the banks saw these loans as risky and low-return.<sup>53</sup> Sudanese agriculture is conventionally divided into three sectors: mechanized, irrigated and traditional, and most of the investment went towards mechanized farming, which was the sector most deeply engaged in reorganizing land and labour in the rainlands of the north-south border – processes which intensified the war in those areas.<sup>54</sup> Islamic banks were

not able to devise Islamic financial instruments that could allocate capital efficiently to agriculture in Sudan, and most of their non-performing loans were agricultural.<sup>55</sup>

The economic restructuring of the 1990s contributed to the strong growth of the first decade of the twenty-first century. Patterns of growth shifted: a predominantly agricultural economy became a predominantly service economy, buoyed by oil. As before, shari'a was at the forefront of economic change, but it did not drive it. The main impetus for this change was economic restructuring prompted by huge debts. The Islamic banks helped this process by charting a path away from agricultural economy for a narrow, well connected group. Austerity was a vote against agricultural development, which required resolution of land and labour issues that were beyond the capabilities of the government. It was a vote in favour of an export-led, security state, which brought Sudan triumphant growth rates in the twenty-first century. Austerity, and the growth that succeeded it, raised questions about the distribution of wealth, which Islamic economics tried to answer. Islamic approaches to redistribution were mostly unsuccessful, and this led to the adoption of other approaches during the growth spurt of the first decade of the twenty-first century. Before looking at the twenty-first century history of growth and redistribution, this paper briefly reviews the Islamic attempts to redistribute wealth through the zakāt system.

### *The zakāt system and changing patterns of inequality*

The new Islamic banks identified and invested in the winners of the new system that emerged out of the global financial crisis. The losers were the ordinary Sudanese citizens who had to deal with debt and austerity. The 1990 Zakāt Act outsourced their welfare to the semi-independent Zakāt Chamber. Thousands of unelected local zakāt committees, some of them linked to the Popular Committees (part of the government's surveillance regime) organized the collection and distribution of zakāt.<sup>56</sup>

The Zakāt Chamber allowed the government to devolve responsibility for social welfare to an institution that used resonantly Islamic language for welfare and vulnerability. It helped the Islamist movement to delegitimize traditional Islamic movements (such as the Mahdist movement) that were once the government's ideological competitors – not least by diverting zakāt resources away from them. Zakāt could also be spent 'for bringing hearts together for Islam' (to target assistance at converts to Islam), a divisive approach to welfare and redistribution in a multi-faith country polarized around religion. In the displacement camps around Khartoum, displaced women from the predominantly non-Muslim south queued for food in Muslim headscarves.

But the Zakāt Chamber, alongside the Islamist NGOs which appeared at the time, also provided an Islamist version of international trends in social welfare, which were being transformed by neoliberalism. A key element of this transformation was to reframe entitlement to social services around notions of vulnerability, and away from the ideal of universal provision. This transformation is multi-dimensional: the process of means-testing, or separating the vulnerable from the not-vulnerable-enough, requires deeper state penetration of daily life. Devolving assistance to a semi-official body with resources limited by its own revenue-generation efforts rids the state of accountability for social welfare. These processes are happening across the world – in Sudan, they were facilitated and explained through the language of the Qur’an. In other societies, categories of vulnerability were demarcated by social scientists and bureaucrats, but in Sudan the spreadsheets in the annual reports of the Zakāt Chamber are based on a list in the Qur’an.

*Zakāt expenditures are only for the poor and for the needy and for those employed to collect [zakāt] and for bringing hearts together [for Islam] and for freeing captives [or slaves] and for those in debt and for the cause of Allah and for the [stranded] traveller - an obligation [imposed] by Allah.<sup>57</sup>*

Neoliberal social welfare policies categorize vulnerability in order

to limit welfare spending and to limit state responsibility for welfare spending. The Zakāt Chamber succeeded in these aims. Zakāt is levied on accumulated wealth, mostly at a rate of 2.5 percent (in Sudanese law, some wealth categories such as livestock are taxed at higher rates). But initially only salaried employees paid zakāt. In 1990, zakāt resources were 27.8 million Sudanese dinars – about US\$ 12.5 million. A decade later, zakāt resources had increased to 13.5 billion Sudanese dinars, about US\$ 51 million. Atta El Battahani’s surveys in 1992 and 1993 on the social impacts of economic liberalization found that the Zakāt Chamber gave monthly cash transfers to about 5,000 families across the country.<sup>58</sup> Rather than providing alternative Islamist approaches to the question of wealth distribution, the zakāt system helped the state to retreat from social welfare in the cash-strapped 1990s. In the following decade, an economic boom and a peace deal brought the questions of inequality and the sharing out of wealth to the fore. The zakāt system proved unequal to the task.

#### **ENCLAVES OF DEVELOPMENT AND THE END OF AUSTERITY**

In the 1990s, Sudanese Islamists turned out to be fluent interpreters of austerity politics and of the new globalized, financialized economic order that underpinned those politics. The austerity programme failed to address Sudan’s debt crisis, but it stabilized the country’s

## **“SUDAN’S OIL ERA (EXPORTS BEGAN IN 1999) MARKED AN END TO THE REVOLUTIONARY FERVOUR OF THE EARLY 1990S...”**

macroeconomic situation, drawing in foreign direct investment.<sup>59</sup> The government’s military determination – and divisions within the southern-based rebels of the Sudan People’s Liberation Army/Movement (SPLA/M) – won them control of southern oilfields and their trade diplomacy won them East Asian markets for that oil. In the first decade of the twenty-first century, growth rates almost matched the rates seen at the start of the national development strategies of the 1970s.<sup>60</sup>

Sudan’s oil era (exports began in 1999) marked an end to the revolutionary fervour of the early 1990s, when Sudan’s new rulers abolished Khartoum’s cosmopolitan civil society and declared jihād against its peripheral population. By the end of the 1990s, the new economic possibilities presented by the oil industry prompted a new mood of pragmatism within the Islamist movement. The secret committees and revolutionary command councils which had implemented austerity were replaced by a constitution and a mass-based political party, the National Congress – led by the Islamists but open to former adversaries. The government moved to end its diplomatic isolation and to reach a peace deal with the southern rebels. The financial sector was reformed, and between 1996 and 2000 foreign direct investment made up about

10 percent of GDP.<sup>61</sup> Repression at the centre was tempered and routinized. Peripheral jihāds intensified, but the jihāds had a new, pragmatic rationale and mode of operation. They were centred on the oilfields of the Upper Nile rather than the Islamization of the south: one mujahidin formation was called the 'Oil Protectors Brigade.'<sup>62</sup> In any case, the government's military capability was now reliant on local, semi-private militias which were structured around the kinship systems of predominantly non-Muslim southern ethnic groups, and paid in bullets and loot.

Oil and pragmatism helped to end one of Sudan's longest-running wars, between the government and the SPLA/M. In 2005, the two parties signed a Comprehensive Peace Agreement (CPA) which shared out oil revenues between the Khartoum government and an autonomous government in the South with its own army, and led to the secession of South Sudan in 2011.

The transition to oil, the improvisation of new, hyper-violent means to extract the wealth of the periphery, and the pragmatic peace deal decisively reshaped patterns of growth and inequality. Sudan had been a low-income country throughout the twentieth century, but the oil boom – constructed out of mineral-extraction enclaves in the chaos zones of its periphery – turned it into a lower-middle income country. Industry and services grew in importance, and agriculture – which employed most of the population – was relegated (see Figure 2).

Sources: Sudanese authorities and staff estimates

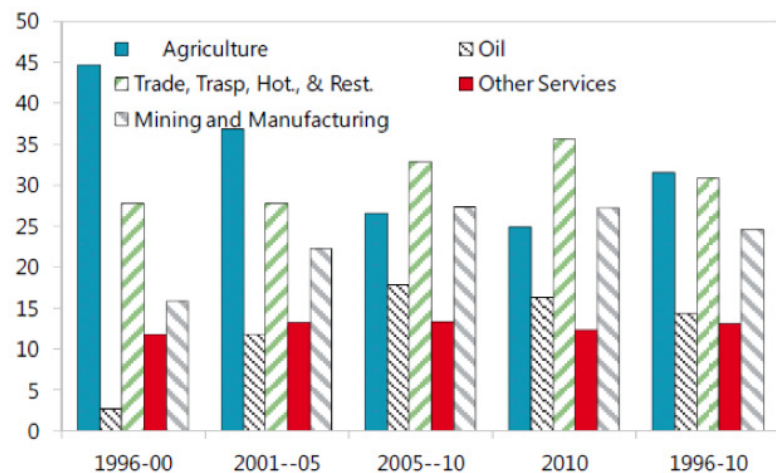


Figure 2: The composition of Sudan's GDP, in percent of GDP at factor cost<sup>63</sup>

The changes to the composition of Sudan's GDP reflected a transformation in the relationship between the centre and the periphery. In the 1970s, during a different international economic order, Sudan set up agricultural schemes along the populous borderlands between northern and southern Sudan, disrupting land and labour relations there. These schemes represented an attempt to bring modernization to the periphery, and draw it into global circuits of exchange. They ended in failure and famine, and by the 1990s, they became conflict zones.

In the twenty-first century, the government reworked the geography of agricultural development. The cotton estates that financed most of Sudan's twentieth century development were run down.<sup>64</sup> Peripheral agriculture received almost no investment. Instead, the government adopted an Agricultural Revival Programme in 2006, which aimed to configure agricultural development around spectacular new dams and capital-intensive farming along the northern Nile valley. The new farms were to be financed by Egyptian and Gulf capital, secured against leased land.<sup>65</sup>

Sudan's Agricultural Revival Programme was centred not on the periphery but on the cultural heartland of the state. The dams displaced populations in significant areas of the heartland and reorganized employment and opportunity even

more widely. The Agricultural Revival Programme linked the heartland with new preoccupations of global capital: the financial and food-price crises of 2007-08 led many foreign nations and companies to purchase or lease millions of hectares of African land in order to secure food supplies back home. But the agricultural revival, centred on the dams, diverted investment from peripheral agriculture and has prolonged hunger in much of the country.<sup>66</sup>

Perhaps agricultural revival was not a main aim of dam construction, which in many years accounted for as much as half of all national development expenditure.<sup>67</sup> Dams helped Sudan to treble electricity generation over the decade to 2014.<sup>68</sup> And many observers believe that a central function of the lavish secretive budget of the Dams Implementation Unit was to distribute political rents that could help the government weather the crises generated by the 2011 secession of South Sudan.<sup>69</sup> Dams may not have transformed agricultural productivity, but they accelerated the trend in economic momentum away from agriculture and towards services and foreign-financed industrial development. These trends were pioneered by the Islamic banks in the 1970s and 1980s – the banks have never extended much credit to agriculture, and almost none to agriculture in peripheral areas.<sup>70</sup>

The neoliberal era ended modernist plans to rework the contradictions of



the periphery, and an acceptance that many of these contradictions would be worked out by violence rather than government planning or other means. But this acceptance did not amount to a withdrawal from the periphery. Instead, the government invested in mineral-extraction enclaves, secured in zones of armed conflict. The population was driven off the land by militias recruited from alienated sections of their ethnic communities. Oil installations were staffed by Asian migrants; and security men from the village birthplaces of oil ministers and security chiefs in the far north of Sudan. The mineral-extraction enclaves played a central role in the violent lucrative transformation of Sudan's economic fortunes.

James Ferguson, a US-based anthropologist, argues that Sudan provides an extremely violent example of an African trend towards developing territorial enclaves of development, secured by private militias. These 'spatially segregated mineral-extractive enclaves,' as Ferguson describes them, allows

## “THE MOST CAPABLE REBEL LEADERS WERE FORMER MEMBERS OF THE ISLAMIST SECURITY FORCES...”

for the exploitation of peripheral wealth that allows Sudan to participate in the global competitive order – which, like any competitive order needs losers as much as it needs winners. Ferguson argues that the neoliberal techniques of austerity and privatization have reinstituted a system similar to the depredations of the first colonial era.<sup>71</sup>

The southern oilfields provide one example of development configured around enclaves of mineral extraction. Darfur provides another. Insecurity in Darfur turned to armed conflict in 2003. When security forces failed to promptly put down the rebellion, they recruited militias from landless groups of camel pastoralists, and deployed them against the settled groups from which many of the leaders of the rebellion had come. The most capable rebel leaders were former members of the Islamist security forces, who felt that the oil-led economic growth at the centre had left the periphery behind. An initial surge of violence traumatically urbanized much of the settled agricultural population, and the whole region then lurched into a series of unsuccessful peace deals and local militia wars over natural resources. In 2016, the government controversially declared an end to the conflict, citing

military gains and the conclusion of a referendum on the future of Darfur.

Key government militias were drawn from Arabic-speaking groups, and the rebels mobilized mainly from groups which spoke African languages as well as Arabic. Both sides resorted to a racialized language – Arabs versus Africans – that borrowed from the nineteenth-century slave trade in the south. Racialized simplifications were easier to digest than the complicated story of how a forty-year experiment in Islamist neoliberalism had repatterned growth and inequality, relegating Darfur in the process.

Neoliberalism operated differently in the periphery. There was no financial revolution: Islamic banks lent out negligible amounts of money from the branches which they established there.<sup>72</sup> Privatization worked differently too – instead of the state auctioning off public assets to the moneyed and well-connected, young men auctioned themselves to the commanders of private militias, and private militias auctioned themselves to governments, rebels and industrial concerns. Alex De Waal gives a vivid account of the political marketplace where Darfurian militia commanders bid for suitcases full of cash.<sup>73</sup> Many militias on the opposition side have been pushed out of Darfur over the past few years by this government strategy, and some are fighting in Yemen, Libya, South Sudan, and on some of the other battlefields of Sudan instead. One militia, the

Rapid Support Forces, has been incorporated into national security forces and is now responsible for managing the migration policy of the European Union, monitoring the borders with Libya to stop refugees from the Horn of Africa making their way to the Mediterranean shore.<sup>74</sup>

Darfur's traditional economy was upended. In the 1960s and 1980s, observers witnessed a transition away from household self-sufficiency and the deepening of market relations in Darfur.<sup>75</sup> In the twenty-first century, Darfur became heavily dependent on external markets. A 2009 national household survey showed that Darfurian households purchased about 80 percent of their food. But Darfur's grain markets were not supplied by Darfurian producers: Darfur was generally self-sufficient in grain before the conflict, but in 2014 it produced less than half of the grain that its population needed.<sup>76</sup> Nor did Darfurian grain markets satisfy: about one third of the population went hungry (the survey showed that nationally the hungry population was concentrated in poorer agrarian states, and the deepest hunger was around the oilfields of South Sudan).<sup>77</sup>

New economies emerged to consume the productive energies of millions of traumatically urbanized farmers: charcoal collection and brick-making, petty trade, humanitarian aid and militias.<sup>78</sup> A gold rush in 2012 illustrated the changes to systems of production and growth. In 2011, when

South Sudan seceded, Sudan lost three-quarters of its oil reserves and about 40 percent of its export earnings. The government and its creditors looked to gold, and gold mining increased dramatically. In 2009, gold accounted for about 4 percent of export earnings: in 2012, it accounted for 53 percent (production went up from 14 to 44 tons).<sup>79</sup> In 2014, the Sudanese authorities estimated that about one million workers (about 11 percent of the total workforce) were working in gold mining.<sup>80</sup> In mining areas of Eastern Sudan, the gold rush emptied whole villages of men, and the defence minister complained in parliament that gold rushes were undermining army recruitment.<sup>81</sup>

When Darfur's gold rush began in early 2012, its dislocated workforce responded with alacrity. Militias displaced an estimated 150,000 people from the gold mines at Jebel Amir in North Darfur, and began a violent contest for control of the mines which took the lives of hundreds of people. The militia organized themselves and their workforce around ethnicity, but their predations on workers pushed many miners to new gold rushes in Chad.<sup>82</sup> Darfur's privately-secured enclaves of mineral extraction were quickly set up and manned. It was as if an entire population had been primed to respond to the market pressures transmitted by the Khartoum government and the IMF.

According to Ferguson, Sudan's privately-secured mineral extraction enclaves illustrate a wider set of changes that were ushered in during the neoliberal era. Before that era, national development strategies tried to integrate peripheral societies and resources into global circuits of economic activity. Now, those peripheral societies are seen as 'unusable' in Ferguson's terminology (echoing the French colonial doctrine of *l'Afrique utile* and *l'Afrique inutile*). As he says, 'capital "hops" over "unusable" Africa,' alighting only in mineral-rich enclaves that are starkly disconnected from national societies.'<sup>83</sup> In the global competitive order, these societies are useless. This combination of rapid growth and chaotic uselessness, says Ferguson elsewhere, throws up the question of redistribution.

### ***Enclaves of development and the question of redistribution***

Ferguson studied the way in which neoliberalism throws up the question of distribution in South Africa. He describes how youth unemployment and male youth imprisonment have cut off vast sections of the South African youth population from participation in a globalized system of production. But he sees a hopeful aftermath for the weak, fierce neoliberal state that has thwarted the productivity of marginal zones and populations in the name of competition and growth. His hopes arose from his studies of a South African Basic Income Grant campaign, which calls for a modest monthly payment to all citizens, regardless of income. One of the campaign's assumptions is that

formal employment for all or for most is no longer an attainable objective in Africa. South Africa had a well-developed welfare system for white people, which was deracialized in 1994 and expanded rapidly as South Africa's neoliberal restructuring informalized labour and created unemployment. Ferguson argues that with formal labour disappearing in the new South Africa, the able, wage-earning male began to disappear, and more and more people became eligible for welfare.<sup>84</sup>

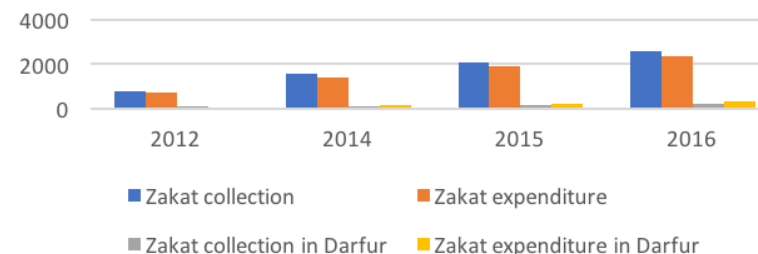
How did Sudan address the question of redistribution of wealth? Zakāt was the Islamist policy mechanism for direct redistribution of wealth, and to help poor families deal with the loss of access to free education and health services. In 2012, the Zakāt Chamber's annual report stated that total zakāt spending amounted to 718.9 million Sudanese pounds (about US\$126 million). Seventy percent of this figure went to the poor and the needy

in cash transfers and projects.<sup>85</sup> These families were identified by a 2011 poverty census and targeted by local zakāt committees. According to a 2014 study by the World Bank, cash transfers amounted to about US\$ 2.60 per household per month. In 2012, almost 3 million families received zakāt transfers.<sup>86</sup>

Zakāt cash transfers made up about 0.3 percent of GDP in 2012. Although it addresses the questions of redistribution thrown up by Sudan's growth models, the monthly dole provides very low sums to families, and because zakāt is collected and distributed locally, sums may be lower in poorer states.<sup>87</sup> Since 2012, Darfur, with about 20 percent of Sudan's population, received between 10 and 14 percent of zakāt expenditure.

Zakāt may have been useful for reworking notions of entitlement and vulnerability during the austerity era of the 1990s, but it appears unequal

*Zakat collection and expenditure 2012-2016 Millions of Sudanese Pounds*



*Figure 3: Zakāt collection and expenditure.<sup>88</sup>*

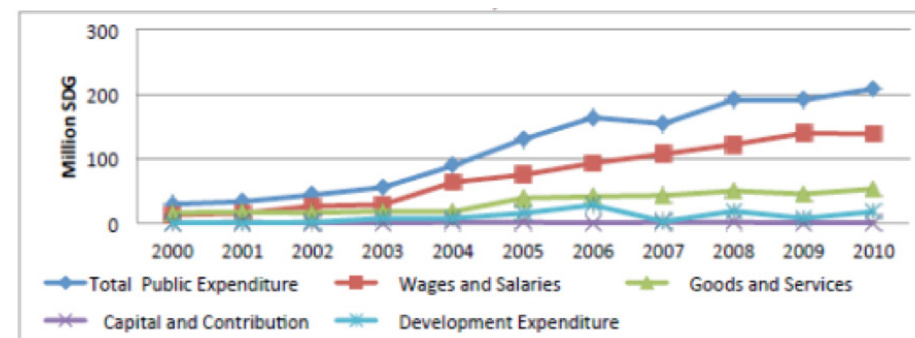
to the task of addressing the problem of redistribution thrown up by Sudan's current growth model. However, the Sudanese government adopted other approaches to dealing with the problem of redistribution during the decade from 2000 when Sudan witnessed sustained growth: huge transfers from the central government to state (provincial) governments.

Both the government and the SPLM believed that Sudan's inequality was configured around the centre-periphery fault-lines that were created in the nineteenth century and deepened in the twentieth century by colonialism and then austerity. The SPLM – and the Darfur rebels after them – had mobilized resistance around this centre-periphery conundrum. They saw regional inequality as a root cause of war: the CPA began by declaring that its signatories were 'SENSITIVE' to historical injustices and inequalities in development between the different regions of the Sudan that need to be redressed.<sup>89</sup>

The government's adversaries now demanded a share of the oil wealth that was piped out of the periphery and spent on infrastructural development in the north, as well as gated communities and glittering imitations of the Dubai style in the capital. The CPA's main response to inequality was to recycle economic success back into the periphery through a radical new policy on transfers to the states. After 2005, as much as 40 percent of the government budget was transferred to regional governments in the north and the south.<sup>90</sup> The CPA's fiscal arrangements were extremely influential: they were incorporated into the constitution and every subsequent Sudanese peace deal, and they outlasted the 2011 secession of South Sudan.<sup>91</sup>

In the 1970s, central government transfers to peripheral regions were linked to other measures that aimed to transform the periphery, but after 2005 fiscal measures were disconnected from peripheral development planning: peripheral development was restricted to a few enclaves of mineral extraction. The huge transfers from central government to the states were spent on new wage bills – and in poorer, peripheral states, where there was no development investment, the wage-bill made up about 60 percent of all transfers to states. In Darfur and South Sudan, states spent almost exclusively on wages (Figure 4).<sup>92</sup> These wages went to teachers and nurses who had not been properly paid for a decade. But they also created a government salariat in polarized and impoverished provincial and district towns. This salariat works as a social protection system in a war zone, and it may even offer a sense of possibility or even aspiration to wider groups living out complicated social and economic lives in an insecure periphery. But it also works as a patronage network: the wages go to a relatively small number of families, and their political loyalties are often key to getting a wage-paying job.

North Darfur Expenditure, 2000-2010



Source: MoFNE, States Final Accounts Reports 2000-2010

Figure 4: Wages as a proportion of state-level expenditure in North Darfur before and after the signing of the CPA.<sup>93</sup>

These huge transfers were not enough to keep South Sudan and Sudan together, or to provide a lasting solution in Darfur. Pouring financial resources from the centre into the periphery has not yet addressed inequality, and does not take into account the way that growth has been repatterned around enclaves of mineral extraction in a chaotic periphery, and a glittering centre networked to international trade and finance.

## CONCLUSION

This paper has argued that shari'a law has been at the forefront of externally-driven economic change in Sudan since pre-colonial times. Over the past forty years, Sudan's Islamist government used versions of shari'a law regulating commerce and social welfare to frame deeper economic changes in the country.

The consequences have been wide-ranging. New Islamic banks attracted capital to the country when it was starved of cash. Its loans policy was used as a patronage system, and it created an economic constituency for the Islamist movement. New Islamic approaches to social welfare, based on zakat alms taxes, helped redefine notions of entitlement and vulnerability and erode expectations of universal provision. The authoritarian possibilities of religious law helped the government force through reforms that would be unlikely to attract democratic support. Jihad discourse was part of a strategy to develop extractive enclaves in a periphery that lost out from the competitive order created by neoliberalism. Aided by economic circumstance, the government transformed the patterns of growth and inequality in Sudan.

Sudan's Islamist version of neoliberalism worked for key constituencies, and brought spectacular rates of growth. In Sudan, as elsewhere, economic growth raised questions about the distribution of wealth. The zakat system was not able to address these questions adequately, and instead, the government opted to make massive investments in state government. But in peripheral states, these transfers went mostly on wages – they were used to fund new patronage systems in the peripheries, which were disconnected from the engines of growth in the centre and in its development enclaves. These investments in provincial wage-bills did not forestall the secession of South Sudan, and they have not ended the violence in Darfur or the other conflict zones of Sudan. But the fact that the question of redistribution has been raised may be a cause for hope.

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