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## SUDAN ECONOMY RESEARCH GROUP DISCUSSION PAPERS

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**The Role of Entrepreneurship in Realizing  
Sustainable Human Development in Africa.  
The Case of the Sudan.**

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## **Abstract**

This paper looks at the concept of Sustainable Human Development (SHD) in Africa and reviews its performance using some basic indicators. It then reviews the concept of entrepreneurship development both theoretically and in practice and argues that the poor human development performance in the region is largely due to inappropriate policies and practices in the economic sector which support the initiation and growth of large enterprises and commercial transactions. The paper also argues that -bearing in mind the history of deteriorating socio-economic conditions in the Africa region - there is a need to re-address existing policies for economic development. The paper presents a model of entrepreneurship based on the definition by J. A. Schumpeter which if implemented with appropriate state level support should enable efficient achievement of SHD standards at the wider national level, and will break the monopolistic nature of African economies for better income distribution and increased employment. The case of Sudanese economic development is taken as an example of poor economic growth and where Schumpeterian entrepreneurship development can support both economic growth and SHD.

## **1 Introduction**

The concern for sustainable human development (SHD) has become a growing issue in the world due to the alarming increase in poverty and general neglect for human life and development. However, the approaches as to how this situation can be tackled have failed miserably in bringing about any significant change. "Policy mistakes, allegedly in pursuit of 'economic soundness' and even of 'human well-being', have occurred plentifully.... There is extensive proof on the failures of national government policies and of bureaucratic powerful international institutions .... which do not even promote the objectives they are chosen to promote" (Anand and Sen, 1994, p. 4).

Anand and Sen (1994, p.1) argue that "the basic idea of 'human development' involves the assertion of the unacceptability of biases characterised by the neglect of particular sections of the population - less privileged ethnic groups, exploited classes, sequestered women etc. The growing concern with 'sustainable human development' reflects a basic belief that the interests of future generations must be protected just as those of the present". Therefore, the concept of sustainable human development requires that societies establish, maintain and promote conditions of equality which in the growth process will lead to prosperity, peace, and freedom at all levels of the society. In this regard, Griffin and McKinley (1992, p.2) argue that the basic concepts of human development are an all embracing strategy of development, and that "it is a way to fulfil the potential of people by enlarging their capabilities, and this necessarily implies empowerment of the people, enabling them to participate actively in their own development. Human development is also a means since it enhances the skills, knowledge, productivity, and inventiveness of people through a process of human capital formation broadly conceived". Therefore, SHD requires a reassessment of processes, policies, and performance of individuals and the state in order to achieve prosperity and equality. In this regard, the UNDP perceives SHD to be: "pro-people, pro-jobs, and pro-nature. It gives the highest priority to poverty reduction, productive employment, social integration, and environmental regeneration. It brings human numbers into balance with the coping capacities of societies and the carrying capacities of nature....." (UNDP, 1994, p.4; UNDP, 1997c, p.4). However, one of the most challenging issues in many policy and academic discussions has been how to drive and steer economic growth for SHD without the negative side effects on the poor.

## **2 Human Development and Economic Growth. Some Indications from Africa**

Probably the best measure of human development is the Human Development Index(HDI). One of the most striking observations about Africa that emerges out of the HDI is the continent's low level of human development. According to the Human Development Report (1999) there is not a single African country in the category of countries with high human development. There are only 13 countries in the medium category, and all the remaining countries are in the low human development category (Human Development Report/HDR, 1999, p. 169-171). There are 35 countries in this last category which means that Africa accounts for 80% of the category. Even more telling is that of the 24 countries with the lowest HD indices, 23 (96%) are African. In other words, Africa is the continent with the poorest HD record.

This picture is reinforced by a review of some major indicators of human development and human deprivation. The average life expectancy for sub-Saharan Africa is 48.9 years, the lowest of all regions. The percentages of population without access to safe water and sanitation is 50% and 56% respectively. 58.5% of the adult African population is illiterate, while the enrolment ratio is 44% suggesting a very low level of human capital formation. At US \$ 1,534 real GDP per capita is the lowest of all regions and GNP per capita of US \$ 510 is extremely low and has decreased since 1994 (US\$ 540). Adding to this critical human situation is the

imbalances in resources allocation. The share of military expenditures which was 0.7% in 1960 rose to 3% in 1991 (there are no latest figures for this expenditure) while the expenditure on health as a percentage of GDP has risen by very little: 0.7% in 1960 to 1.4% in 1995. The same is true for expenditure on education: 4.9% in 1985 to 5.4% in 1996. Thus the African human development situation is deteriorating while those of other regions is improving in this aspect. Recent literature suggests that some improvements in economic growth trends in Africa can be observed. Nevertheless, even in countries where economic growth has been positive, human suffering has not necessarily decreased. Thus, the obvious problem of economic growth in Africa seems to lie in the unbalanced sectoral performances and growth with minimal human participation. This also suggests that careful management of the economy is a pre-requisite to SHD.

African development is infested with several problems and obstacles. Firstly, the diversity of ethnic groups makes economic development highly politicised and diverts development efforts along interest group lines (see Gyimah-Boadi and van de Walle, 1996, p.218). This leads to the second problem of capricious economic development policies where only some groups benefit (see Powelson, 1998, p.44). Thirdly, the problem of corruption as a more profitable activity than economic activity for financial security (see Baland and Francois, 1997). Fourthly, the recent trend of economic growth based on commerce and not on production, does not allow the optimal use of resources and is only beneficial for some capitalists rather than all sectors of the society (see Medani, 1997, p. 165).

Thus addressing and resolving these obstacles is one of the most important prerequisites for sound economic development focusing on SHD. This study asserts that problems of HD can most successfully be solved by local empowerment rather than international policing on countries with poor HD records (see Wohlmuth, 1999, p.5). It was in the early 90s that the Lagos Plan of Action recognised that "the worth of economic development is measured only by the well-being of the people" (UNECA, 1991, p.7), and thus setting the frame and platform for successful entrepreneurship will allow individuals to "buy" their rights in an otherwise oppressive political-economy. Moreover, it was during and since the 1990s that there has been a heightened concern for HD and poverty alleviation specially reflected in the 1990 World Development Report, 1995 Social Summit in Copenhagen, and recently UNDP's "Overcoming Human Poverty" (1998).

It is by now widely recognised that social development approaches will have little impact for change without the accompanying positive economic standards and this seems to be the greatest challenge for Africa in the 21<sup>st</sup> century (see Ravenhill, 1998, p. 400). The African economy is in a disarray, social development is at its worst and the African state is "suspended in mid-air above society". There is a growing need to turn this situation around in light of the dramatic human suffering on the continent, the increasing burden on the international community to support the African people to stay alive, and to stop the down-spiralling of African disintegration. Private sector and entrepreneurship development are at the core of initiating positive economic standards since they are directly linked to what people do, how they do it, and the resulting consequences will materialise in HD aspects (see Kevane and Englebert, 1999, p. 260, for an analysis of Burkina Faso and the relevant need for an entrepreneurial class to create wealth for HD). Therefore, an important starting point in answering SHD questions is to analyse and understand private sector/entrepreneurship practices in order to provide a feasible economic perspective which focuses on SHD. In this regard Griffin and McKinley (1992, p.5) identify the state component as being necessary for sectoral development, "HD is partly about the empowerment of people. Interventions by government to change relative prices in favour of HD, elimination of discrimination against women, the creation of additional employment opportunities, the removal of barriers inhibiting the expansion of the informal sector, greater access of small businesses to formal credit institutions, a reallocation of public sector resources to support human capital formation, and structural reforms favouring greater

equity, food security, and a general reduction in insecurity: all these policy changes will alter the distribution of income, wealth, and political power.” This line of thinking is also rooted in the works of earlier economists such as Marx who referred to a ‘completely autonomous state’ which arose as a result of a balance of class forces in society and so was not a captive of any (Marx, 1852, p.238). Another evidence is found in the works of Weber whose vision of a minimalist state and a detached bureaucracy would set a framework for impartially applying rules for private economic actors (see Leftwich, 1994, p.374). However, an analysis of state performance for SHD in Africa suggests a variable state role from dictatorial, authoritarian, developmental state, etc. and any one under special circumstances can foster SHD through economic growth. This means that although the state is vital to positive change there is no one recipe of the state’s role in SHD. This then reinforces the position of this study that the starting point of discussion of SHD should be people-oriented with a view that the economy is driven by people more than the state.

Anand and Sen (1994) argue that there is no problem in recognising the importance of economic growth for human development, as long as two aspects of the process are clearly considered: firstly, the contingent nature of economic growth depending on the use of the means to promote HD. That is, that while increases in private income are instrumental in enhancing basic capabilities, the distribution of the newly generated income in promoting human capabilities is even more important; if and when this happens, then the wealth maximisation approach can be instrumental in promoting SHD. Secondly, this approach to progress must realise that this is not the only means to HD. There are other means, such as public care and social organisations which are also part of the SHD process.

Due to the nature of state leadership component in African countries – personalised rule, dictatorship, authoritarianism, ideology based leadership – economic inequality among the population is persistent and rampant. By inducing entrepreneurship and creating an entrepreneurial class, poverty can be reduced and higher HD standards can be achieved. However, African private sector is still underdeveloped and repressed inspite of the growing need of African countries to enlarge their trading bases. This study will investigate the private sector, and more specifically entrepreneurship development in an African country<sup>1</sup>, namely Sudan, to address the problem of unequal development through economic equality. Sudan represents a typical case of an African-Arab dichotomy with Islamic fundamentalism (which is growing in presence *globally*) and which historically was considered to be a strategic ally to both capitalists and socialists, at different periods in time.

### 3 Conceptual Considerations

J. A. Schumpeter challenged the existing form of economic development and change in his seminal work *Theory of Economic Development* (1926, 1934). Schumpeter argued that “in the absence of economic development the competitive capitalist economy would tend to settle into the routine of the circular flow in stationary general equilibrium” (Schumpeter, 1934, p.63). That meant, demands would match supplies on product and resource markets and under market prices individuals would adjust their own supply and demands until they maximise their own economic gains to equilibrium. Thus, aside from minor adjustments to consumer tastes and preferences the economy would move along a stable equilibrium path of economic growth and there will be little economic expansion. Therefore, Schumpeter argued that real-world economic life is better explained from an explicitly dynamic and evolutionary perspective

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<sup>1</sup> There is great evidence that in the next millenium African underdevelopment and development problems are going to be the greatest challenge to the world political and economic order. This is in light of the fact that the present trend of globalisation has brought the countries closer to each other and if poor African development record continues, it may drain international resources away from global development and prosperity (see Ouattara, 1999, p. 2-5; Calamitsis, 1999, p. 6-9).

rather than from a static and equilibrium one. Schumpeter's most important contribution to the theories of economic development is embodied in the "process of creative destruction".

Schumpeter argued that economic development is accompanied by growth, that is, by a sustained upward movement in national income, savings and population. Thus, Schumpeter's concept of economic development contains three characteristics: (1) it comes from within the system and is not merely a process of adaptation, (2) it occurs discontinuously rather than regularly, and (3) it brings qualitative changes which fundamentally displace old equilibria and create radically new conditions (Schumpeter, 1934, chapter II).

The strategic stimulus to economic development in Schumpeter's analysis is *innovation* defined as: a new product, a new production process or method, a new market, a new source of supply, or a new form of organisation, or a combination of any of these (Schumpeter, 1934, p.66). Thus, the innovation process that Schumpeter observed "incessantly revolutionises the economic structure from within, incessantly destroying the old one, incessantly creating a new one" (Schumpeter, 1934, p. 66). Schumpeter distinguished between innovation and the financing of the innovation, and the innovator or entrepreneur is distinguishable from the capitalist 'owners of money' and thus for Schumpeter entrepreneurial innovation was the central autonomous cause of economic development and capital accumulation was the major result.

Schumpeter's vision of development through innovations and/ or combinations of innovations was based on the reallocation of productive resources. His analysis emphasises that "we must never assume that the carrying out of new combinations takes place by employing means of production which happen to be unused.... This certainly is a favourable condition and even an incentive to the emergence of new combinations; but great unemployment does not play a fundamental role in explaining development in a well-balanced circular flow" (Schumpeter, 1934, p.67). Schumpeter's analysis of economic development sought to disrupt an existing equilibrium where productive factors are to their optimal use. However, problems of economic development in many third world countries arise from misallocated resources, great dependence on one resource leaving other resources idle, and price distortions in some resources. Therefore, the Schumpeterian economic development is useful in explaining or realigning the distortions in production resources through entrepreneurial activity and diversifying the economic production, firstly. Secondly, it can then structure an economic development pattern in the Schumpeterian sense of reallocating production resources in use for growth.

Schumpeter argued that the reallocation of employed resources can be done through detaching them from their old use by anyone who can pay a higher price than their existing owners. This kind of financing would come from capitalists, the firm's savings which would later become free, and/ or through bank credits. Schumpeter saw the growth in availability of credit as an indicator of development. Nonetheless, there may arise an undesired result from the continuous 'out-bidding' process of employed resources for reallocation and that would be an eventual increase in prices for production resources since they are not of infinite supply. In such a situation competition and consumption logic will motivate a potential entrepreneur to seek a new innovation which is less expensive and thereby creating another boom in production.

A second advantage in employing the Schumpeterian economic development analysis is that "new combinations are, as a rule, embodied in new firms which generally do not arise out of the old one but start producing beside them" (Schumpeter, 1934, p.66). This indicates a favourable environment for micro and small enterprises (MSEs). Traditionally, entrepreneurship has been often linked to MSEs in many developing countries since individuals in such countries lack production resources, but are motivated to innovate for the sake of increased income. Therefore, entrepreneurship leads to the growth of MSEs which in turn allows for near-equality income distribution through the efforts of the entrepreneur.

Schumpeter envisaged the development process as cycles in economic activity explained by a tendency for entrepreneurial activity to 'cluster' where 'swarms' of

entrepreneurs are causing structural change. This clustering and swarming of entrepreneurs implies income creating opportunities for a greater number of people. That is, an innovation will push more economic actors to respond to this new opportunity either by attempting to imitate the innovation or producing complements to this innovation, thereby pushing economic growth upwards until a new equilibrium is reached and in the process activating and reallocating either idle or existing factors of production. An important aspect of this process is the removal of government monopolies and the resulting rents earned by enjoying such monopolies, which eventually will force all firms and all actors to play in the market and the economy according to its ongoing rules, without any unfair advantage by one over the other through, for example, protectionist policies. In the Schumpeterian process monopolies through new innovations are temporary due to the imitation and/ or extension to allied fields of innovation (Schumpeter, 1934, p. 152) and thus firms will again compete for the monopoly position through newer innovations. This kind of innovational pressure of large firms is what Schumpeter termed 'trustified capitalism' which would push down production costs and create a 'rising surplus' for all actors in the economy bringing about near equality conditions. Another important aspect of this process is the development of technology. Through entrepreneurial motivations, innovation in technology will flourish and thereby support the development of high return economic activities. In this sense, R&D would be a necessary feature and may even be undertaken on an individual or sectoral basis.

Schumpeter's vision of a new form of economic development had the deeply ingrained need, desire and aim for equality in the community and the economy, and it is in this sense that Schumpeter's theory of economic development could be of the utmost relevance to achieving SHD in third world countries and may also answer many of their development problems.

Schumpeter contended that his form of capitalist development reduced inequality in four ways: (1) by increasing equality of opportunity relative to earlier, more class-bound (this could also include equality along ethnic, gender and religious lines); (2) the creation of mass-produced products would benefit the working masses more than any other sector of the economy; (3) by social legislation supported by the process of capitalist economic growth; and (4) although inequality never reaches zero, 'absolute poverty' falls as capitalist development proceeds (Elliott, 1991, p. 52). In this it was clear for Schumpeter that the dynamic innovations of the entrepreneurial class constitute a powerful competitive force in economic development. Therefore, Schumpeter's explanation of economic development which is concerned and focused on reducing inequality, is derived from the understanding that distribution of income and opportunities in the economy must be made equal. Because Schumpeter's theory of economic development uses the approach of innovator/ entrepreneur as the dynamic figure moving the economy towards growth and in the process allowing the market to be open to any individual who can contribute to this kind of economic growth, it is probably the best suited for the installation of SHD standards in most third world countries. This is so not only because their economies are either stagnating or deteriorating (which is a part of the reason) but also because the concentration of economic power and access to resources for income production is usually in the hands of a few people who may be elites, ethnic, religious or political affiliates pushing for their own growth and development as opposed to that of the community. That is, the issue of and approach to economic development is enormously complex and must address all identifiable development obstacles either simultaneously or consequently. In accepting Schumpeter's approach to economic development, I have identified the economics of development, the mechanisms needed to initiate dynamic growth of the economy and also addressed the importance of redistribution of income for SHD.

To this end, we can identify two influential groups in the economy who are responsible and who can help to move the economy towards the near equality conditions which are sought: the consumer and the entrepreneur.

*The consumer* is often thought of as the least powerful actor in the economy, since he/ she is not organised, for example, in a union. However, the consumer has the greatest power in that he/ she has the choice to spend money on a product from a variety available in the market. Therefore, the consumer, whom Schumpeter saw as an important actor in his theory of entrepreneurship and are the focus of the process of creative destruction through "teaching them to want new things", has the power to diffuse political and other forms of arbitrary power through initiating competition among producers simply by making choices. Nevertheless, consumer power could be limited by politicians through government monopolies, quotas or tariffs which set "contrived prices" and do not allow market prices to surface. However, I would argue that the practice of contrived prices would be 'given-up' by politicians in the long run mainly because in many of the third world countries politicians are themselves market players and setting contrived prices below the market price would be to their detriment. Furthermore, if contrived prices are set above the market price then in the existing trend globalisation through different channels (e.g. internet) consumers will be able to buy their products from outside the control of such politicians. In this way, consumer power will eventually override political power and cause it to diffuse. Therefore, the aim of achieving SHD for the people will become a process in the hands of the people. When these people obtain tangible benefits from their choices, in the form of savings to be allocated somewhere else, they will continue such a practice and thereby initiate and support a dynamic economic development process in the Schumpeterian sense, resulting in economic growth, individual economic autonomy, upgrading of standards of living and the process will be reproduced in future generations as a 'life-style' of making choices.

The *entrepreneur*, according to Schumpeter, is the dynamic figure in the economy who is going to set continuously higher standards of economic growth through innovating or combining the different innovations. Schumpeter's entrepreneur is a figure who chooses to 'creatively destruct', that is he will initiate a disruptive change and then will choose to confront it. "The entrepreneur will be called upon to exercise quite different reasoning and behaviour. (The disruptive changes) demand qualitatively different responses from agents that (only) some will be able to provide" (Oakley, 1990, p. 112). In Schumpeter's view, in order to meet the challenge of the new situation and to deal with the attached uncertainty the entrepreneur must be prepared to take the maximum advantage of the new situation and prospects. Although the entrepreneur is the foundation block on which economic change is based, they are limited in supply and not everyone is or can be an entrepreneur. Oakley (1990, p.111) stresses that there is always a shortage of entrepreneurs, both domestic and international because as Schumpeter said, "the carrying out of new combinations is a special function (which) can only be the privilege of a type of people who are much less numerous than all those who have the 'objective' possibility of doing it" (Schumpeter, 1934,, p. 81).

Finally, the reasons why third world countries remain in the cycle of under development are most likely to be the same reasons why Schumpeterian economic development may be more successful in bringing about better and higher development than any other approach. For example, high levels of poverty may provide the right amount of motivation to be entrepreneurial and innovate. The increasing numbers of poor may cause entrepreneurial activity to be broadly spread across the different sectors through parallel and/ or simultaneous forming of entrepreneurial clusters. Aside from the logistical obstacles to initiating entrepreneurial activity, the high numbers of unemployed, or employed on the margins of the economy will support a more labour-intensive form of entrepreneurship which may evolve later into a labour and technology balanced form of entrepreneurship. These processes focus on the characteristics of underdevelopment in Africa and other third world countries.

## 4 Schumpeterian Entrepreneurship Development

Schumpeter defined an entrepreneur to be a person who innovates but is not necessarily attached to any individual firm. That is he could be someone who is outside the firm and may innovate or combine innovations and then convince a firm to take it up, finance it, realise it, and put it into practice. Therefore, the process and perseverance of reaching a near equality situation comes in cycles and motions, as Schumpeter termed them, and the role of the entrepreneur is to cause these motions in order to stimulate the economy for better development levels. The people as consumers benefit through competition and resulting lower prices and increase in personal savings, and the entrepreneurs benefit from competitive wages of the labour market as well as by creating employment. This model would be the most suitable for Less Developed Countries/LDCs since it can be assumed that investment in capital goods in such countries is limited and production processes will be more labour-oriented because: (1) as a characteristic LDCs represent a low purchasing-power market and may also be politically hostile, which would mean that there would be very little foreign direct investments, (2) capital available locally is limited which would again indicate that more labour will be used than technology, and labour will be cheaper than technology resulting also in lower market prices and higher employment.

In an ideal entrepreneurship development model we would seek to bring out or enhance the qualities which support innovation. That is, one must look at the factors which enable a continuous innovation process by entrepreneurs for economic growth. These factors can be divided into two:

### *Entrepreneurial behaviour development factors:*

- education and skills training, and
- achievement motivation training

### *Functional entrepreneurship development factors:*

- access to resources
- structure of the financial sectors
- legislative and regulatory framework

To begin with the *first* group of entrepreneurial behaviour development factors, *education* and obtaining *specific skills* have to a large extent been an obstacle in entrepreneurship development in many third world countries. A common characteristic in third world countries has been the poor education system and the large proportion of illiteracy - in many cases female illiteracy being double that of men. This is partly due to historical reasons where colonisers were not really interested in educating the natives and through illiteracy they could ensure control over the population. However, the post-independence era in many African countries was slow to repair the situation and new governments gave priorities to building huge bureaucratic structures to keep their mostly ineffective governments in place. The most recent threat to wide-spread educational opportunities has been the commercialising of it. As a result of economic deterioration, growing budget deficits and in turn decreased spending on social services, some governments require basic education to be paid for by the consumer. Where most third world countries also share the characteristic of poverty, having to pay for education has reproduced more illiteracy and poverty among the majority of the population.

However, as a remedy for the existing illiterate or semi-illiterate population, special training programmes were seen to be a good alternative to inject and enhance entrepreneurial skills. The performance of most third world entrepreneurship development training programmes has not been 'innovative'. Such training programmes throw in a variety of aspects into one basket for a short training duration. These may be: managerial skills, record/ book-keeping

skills, planning, organising, marketing, communication skills, etc. Although these are necessary, they are not directly related to entrepreneurship development but rather business management skills (we must remember Schumpeter's differentiation between a manager and entrepreneur). Thus, what would be more necessary, appropriate, and effective for entrepreneurship development is the 'achievement motivation training'. That is, to provide insight and training on acquiring entrepreneurial behaviour skills. This kind of training is not easy to transmit since many of the entrepreneurial qualities are considered to be to a great extent in-born, and which may be why entrepreneurs are mostly in short supply.

The second part of entrepreneurship development deals with functional factors. That is, those factors upon which entrepreneurial qualities will be exercised for potential innovations. The first factor is the financial sector. In Schumpeter's model of economic development the entrepreneur does not own any capital, rather he has to call on the capitalists to finance the new innovation or combination of innovations. In this Schumpeter agreed that the "demand for capital has no definite limit at all whereas it has limited effective supply" (Schumpeter, 1934, p. 125). For Schumpeter, the only suppliers of credit were bankers and in order for the entrepreneur to obtain credit he or she was obliged to pay interest where interest was the price to be paid in order to obtain command over this resource and whereby the entrepreneur can reallocate it according to his own project. Schumpeter observed that, "the phenomenon of credit, and the profit out of which interest is paid, emerges only with an increase in the amounts of a new combination where it raises input productivity and which generates development" (Schumpeter, 1934, p. 158-9). Nevertheless, an important aspect of financing enterprises or entrepreneurial activities in third world countries is the existence of the informal financial markets. This sector has not been intensively investigated to understand its role in economic growth and bringing about near equality conditions. However, some studies indicate (see Pitamber, 1999) that this source of financing has its own structures which are flexible and suitable to the needs of small scale entrepreneurs and since the greater majority of entrepreneurs in Third World countries tend to enter at a small scale and tend to remain small for longer periods, the informal financial sector is to be considered as a positive factor in the Schumpeterian economic development. Moreover, the informal financial sector is able to function and survive by being more innovative than regular banks, this being an indication of Schumpeterian creative financing methods.

Furthermore, in many Third World countries being able to innovate is directly related to owning capital to realise the innovation. It is also true that in such environments a person who owns capital is best able to innovate or be an entrepreneur. Therefore, although according to Schumpeter a typical entrepreneur will not own capital, according to recent evidence (see Pitamber, 1999) availability of capital becomes a pushing-factor in the desire to seek new innovations. In this sense, entrepreneurial profit is an integral part of the entrepreneurial activity and is the reward of the entrepreneur, unlike in Schumpeter's theory where an entrepreneur does not necessarily aim to gain profits from his innovation although he did not deny that an entrepreneur can expect to receive "the difference between receipts and outlay in business - (or) a surplus over costs" (Schumpeter, 1934, p. 128). Therefore, entrepreneurial profit as defined by a surplus over receipts and outlay is a necessary aspect of entrepreneurship development since if HD is to be the eventual aim of entrepreneurial-led economic development then monetary profits and increases in them will insure a continuous process of "creative destruction". Although Schumpeter believed in the rate of innovation and not financial return as being entrepreneurial profit (Schumpeter, 1934, p.81), the present study asserts that financial reward is to be considered as the necessary entrepreneurial profit which will institute the necessary balance of power for increased HD and broader participation of individuals in the economy.

The formal financial sector is made up of big and small commercial banks. It has by now been conclusively stated that most banks do not possess the capability or the structure to

finance entrepreneurs who may want to start small. Small-scale entrepreneurs tend to be considered 'risky' as defined by their possibly limited experience, their new innovation which may or may not be successful, and the requirement from the bank for documents such as balance sheets, income statements, etc., which small scale entrepreneurs can rarely provide. Such entrepreneurs may also not possess the ability to put up collateral in order to receive the credit. In some cases where banks have been prepared to finance small scale entrepreneurs, they themselves are being subsidised either by the state or other international lending institutions such as the World Bank. The banks are motivated, through external support and backing, to follow development oriented objectives rather than profit oriented ones (Levitsky, 1989, p. 128). Secondly, banks function and profit from charging interests on credit. If banks are to serve small scale entrepreneurs then they must change their ways in dealing with small scale entrepreneurs. In doing so they will be taking higher risks than usual, which means that they will charge higher interest rates. Thus, two situations will occur as a result: (1) if the government policy restricts the charging of high interest rates to small borrowers then the number of loans made to such borrowers will also decrease; moreover, restrictive interest rates will generally lead to distortions, misuse of funds, poor loan recovery, and subsidised credit will find its way to the rich and well-connected rather than to the small borrower; (2) if high interest rates are charged to small borrowers then the number of small borrowers asking for credit will go down since it is agreed upon that small borrowers are usually poorer than the owners of large firms. Therefore, it would be more effective not to push the commercial banks to finance small borrowers and rather to concentrate on supporting the development banks, despite their sometimes poor performance, and to recognise the fact that commercial banks will never become significant lenders of small scale entrepreneurs.

Informal money lenders and merchants are considered to be the most important source of financing among small borrowers since they are more flexible, do not ask for collateral (except in the case of pawn-brokers) and give loans based on trust and personal knowledge of the borrower. Some negative sides of such lenders documented (Levitsky, 1989, p. 125) are: the extremely high interest rates and the occasional recourse to violence to ensure repayment. However, for this the borrower is guaranteed a loan at any time, and for any small amount.

The *second* group of functional entrepreneurship development factors includes the *access to markets, to market information and to technology*, which are also considered to be the reasons for the low rate of success of small and new entrepreneurs. Such entrepreneurs usually serve markets in their immediate vicinity with little opportunity for expansion. This is mainly due to: (1) high imitation rates leading to quick market saturation, (2) limited marketing management skills, (3) lack of technical base, limiting entrepreneurs to a narrow base of products, and (4) lack of resources to undertake product and market development. Market information is also a great problem in the ability of the entrepreneur to expand into new markets or develop new products. This is mainly because of the entrepreneur's limited education, his limited circle of contacts and networks that does not bring in any new information, and his limited financial resources which hinder the purchase of information (such as media). The problem of technological development is exacerbated mainly due to two reasons: (1) lack of technical training and education, and (2) lack of financial resources to develop or buy new technology.

These factors are very important for the success of an entrepreneurial activity and while part of the solution lies in the availability of financial resources and education, a greater part lie in the entrepreneur's desire and motivation to search for innovative alternatives. That is, for example, in the case of the illiterate entrepreneurs of Burkina Faso and Nigeria, where lack of resources or of education did not stop them from innovating and eventually acquiring high profits. Thus, the previously mentioned achievement motivation training should encourage an individual to 'think entrepreneurial' or in other words, to develop an entrepreneurial mentality

which would be the push-factor in searching for innovative alternatives even in the face of greatest functional obstacles.

Finally, the another important functional factor in entrepreneurship development is the legislative and regulatory framework. While many small entrepreneurs are flexible, they can be particularly vulnerable to non-supportive policies and regulations because they may not have the resources and/ or reserves to fall back on. There are mainly three types of policies which hinder the positive process of entrepreneurship development (see Tolentino, 1995, p.5).

The policies which create the greatest difficulties for entrepreneurs are the meso- and micro-economic policies. Excessive regulation in these gives preferential treatment to certain firms and allows them to enjoy monopoly privileges over access to resources, markets, etc. In addition, inconsistencies in the regulatory framework create gaps which invite corruption and arbitrary interpretation of the laws. Such irregularities in the legal and regulatory framework hinders competition, does not allow for dynamic entrepreneurial activities to take place, increased risks and uncertainties for small entrepreneurs in turn making it more difficult for them to access resources, and above all such policies contribute to the slowing down of economic growth due to lack of competition and restrictions to market entry.

Therefore, Schumpeterian economic development with the flourishing of entrepreneurship carries with it most of the secondary factors of production positively having also a positive influence on people as labour and income earners and the same as consumers and spenders of money. Schumpeterian economic development focuses on creating economic booms by keeping money moving into different hands at different times thereby diffusing the power of any one group to control this money because when money is concentrated in one area then it tends to be diverted into rent-seeking opportunities neglecting the rest of the economy from the opportunity to earn income and neglecting this stock of money from regenerating. The point of importance is how entrepreneurial led economic development initiates a near equality economic system in the presence of mostly authoritarian/ elitist/ interest group based political systems, and how can such traditional political strong-holds be diffused in order to pursue a SHD aimed political-economy system.

## **5 Analysis of the Case of the Sudan**

### ***5.1 Implications of entrepreneurship on sustainable human development***

Sudan depends largely on agriculture with minimal and limited mineral resources, poor historical industrial development, and a weak performance of manufacturing even of primary products related to agriculture. It is one of the first African countries to achieve independence from the British in 1956. Today, considered to be the largest country in Africa, it is populated with 28 million people and has an average population density of 11 per square km. Since independence the Sudanese economy has been performing erratically basically depending on the political mood and regime. According to the 1999 Human Development Report Sudan ranks 142 and is the third in the category of low human development countries.

#### *Economic Performance*

The Sudanese Strategic Report (SSR, 1997, pg. 81) mentions that the government's economic philosophy is that of liberalisation and free market economy, to induce economic growth and development. The philosophy was transformed into the "Triple Program for Economic and Institutional Salvation" which was established since 1989 (pg. 81). This ambitious programme aimed to encourage production, use resources efficiently and to build sustainable economic, financial, and institutional structure for economic development. It also

aimed to increase the population participation base to create a social balance and protect the weaker groups from the negative effects of liberalisation and the free market economy policies. The first phase of the programme ended in 1995, the second phase in 1996, and the third in 1997. The implementation of total economic change in three years can be considered aggressive for which the results have nothing to show except, increased poverty, increased informal sector, and relative increase in inflation rates. Moreover the SSR shows that imports decreased by only 5% between 1996 and 1997, whereas exports decreased by 32% for the same period (SSR, 1997, pg. 413).

The GDP growth rate between 1985/ 1986 to 1990/ 1991 was 1.2%, between 1992 to 1996 it was 7.8%, and the 1996 Sudanese Strategic Report mentioned that the GDP growth rate for 1996 alone was 4.5% (SSR, 1996, p. 151). The GDP growth rate in 1997 was given as 6.6% (pg. 86). Therefore, this indicates an increase in GDP growth rate of about 2.1% in one year. The report claims that there has been a positive growth of the GDP because of increased contributions from various sectors (pgs. 86 and 87). However, comparing the sectoral figures, it can be seen that there has been a negative growth in the respective sectors (see table 1).

**Table 1: GDP Growth and Contribution of sectors to GDP<sup>2</sup>**

	GROWTH RATES			CONTRIBUTION OF SECTOR		
	1995	1996	1997	1995	1996	1997
<b>Agriculture</b>	16%	9.7%	12.3%	42%	45.0%	47.4%
<b>Industry</b>	17%	7.2%	10.6%	50%	14.5%	15.0%
<b>Services</b>	--	- 1%	- 1.1%	40%	40.5%	37.6%

The growth of the agricultural sector has been, at best, unstable and its contribution to the GDP has increased by 3% between 1995-1996, and between 1996 - 1997 it increased by only 2.4%. The Agricultural Bank of Sudan, which is probably the biggest financier of the agricultural sector in Sudan, invested in 1997 Ls. 49 billion into 2.6 Million feddans, whereas in 1992 it had financed 7.6 million feddans with Ls. 5.9 billion, and in 1996 it had financed 3 million feddans with Ls. 24.8 billion (pg. 137, table 8). This indicates that on the average the amount of land being used for agriculture has decreased and questions the sector's increased contribution to the GDP!

Again the growth of the industrial sector declined by more than half in the period 1995 - 1996, and then increased by about 3% in 1997. However, the contribution of the industrial sector to GDP dropped by more than 35% between 1995 to 1996, and then increased only by a 0.5% in 1997, although there was a growth of 3% in that period. Moreover, while there is no mention of R&D projects, programmes or expenditures in the national or international reports, Sudan claims to be exporting high-technology products to the amount of US\$ 1 million (World Bank, World Development Indicators, 1999), which in itself is unclear given the historical pattern of economic growth and its dependency on agriculture. Further, the World Bank's World Development Indicators Report (1999) shows that Sudanese merchandise exports have largely decreased between 1980 and 1997, in that food exports have increased by 21%, agricultural raw materials exports have tremendously decreased, fuels and ores and metals exports have also decreased, and manufactured products exports have increased by a mere 2% in the same period.

The 1996 SSR mentions that services decreased from 54% in 1990 to 40% in 1995, which may mean that the costs have been transferred to the public, and in so doing the ability of

<sup>2</sup> The figures for 1995 have been taken from the Sudanese Strategic Report 1996, Pg. 140, and the figures for 1996 and 1997 have been cited from the Sudanese Strategic Report 1997, Pg. 87, Table 1.

the major part of the population to survive on the edges of the economy is threatened. The question that needs to be answered is, if it is only the agricultural sector which has shown a slow but steady contribution to the GDP, and the other sectors are still unstable, then how has the GDP increased by about 2.1% in one year. The mystery about Sudan's economic growth is not explained in the national reports.

Inflation has been brought under control. In 1996 it was 112.6% and by December 1997 it was 31.9%. However, the SSR document reports that in the middle of 1996, the inflation rate was 160% (SSR, 1996, p. 151), and that it had increased since the end of 1995, at which time it was 92%; the reasons given for this increase were the civil war and international economic sanctions (SSR, 1996, pgs. 150 and 151). Again, although the inflation rate in 1997 was so low (in comparison), the document mentions that, for example, the need for funds for the agricultural sector increased ('multiplied') because of inflation which also increased and as a result, the inputs became very expensive (SSR, 1997, p. 137). The banking sector has been undergoing reform since 1996 and the IMF reports that the banks have been reacting positively. However, lack of monitoring mechanisms has led to some inefficiencies and distortions in the credit market.

### *The structure of incentives*

The structure of incentives in an economy has a strong influence on the pace and the pattern of development. Most people obtain their livelihood in the private sector and most goods and services originate there. In this regard, prices constitute only a part, although an important part, in the structure of incentives. Equally important are barriers which exclude people from participating in some markets, whether structured or unstructured. The structure of incentives generates the signals that guide the allocation of resources and influence the division of investments among natural, physical and human capital. Thus, the structure of incentives would include all activities whether mediated by the market or not reflected in barriers to entry, discrimination, market access and relative prices.

The structure of incentives for the private sector in Sudan is represented in the Investments Encouragement Act (1996), which itself has materialised as a result of a series of amendments to previous investment laws. The objectives of this act are: (1) to increase national income, (2) to ensure food security, (3) to support the development of basic infrastructure, (4) to implement the national self-sufficiency policy, and (5) to ensure full co-operation between the Islamic, Arab and African countries. The investment act is to facilitate the following: (1) easy transfers and remittances of profit and cost of capital, (2) a discount in the percentage share to be paid from exports revenues and an easy access to production resources, and (3) to facilitate the use of foreign expertise not available locally and to ensure easy transfers of funds for the investors.

Both, the objectives and the services provided by the Investments Encouragement Act imply that the businesses which can make use of these advantages are specific, namely those involved in export and import activities, those who have regional or international contacts/ co-operations, and those who have sufficient funds to carry out these activities. In this sense, it means that those business actors benefit who are already in command of HD resources and can access them continuously. Thus, the structure of incentives existing does not support those economic actors who are on the margins of the economy and whose access to HD factors is not continuous.

### *Access to capital*

In most developing countries there exist two capital markets, or dual capital markets: the formal financial sector and the informal lending sources. The former is geared to the needs

of the well established and perhaps the wealthier agents of the economy, while the latter serves the need of the poor. The formal credit market charges relatively low interest rates and access to it for the wealthy and established capitalists is easy. The informal credit market varies in its interest charges which may range from no charges to almost double the loan, especially in the case of informal agriculture loans. These differences and incentives encourage the formal credit borrowers to reduce labour intensive practices while in the informal credit market borrowers are forced to adopt techniques which reduce productivity. Credit systems will involve looking at the available sources of financing and their use by entrepreneurs in order to identify what kind of a process exists and whether the system is advantageous or detrimental to entrepreneurship development in the respective country. Another recent phenomenon in some third world countries is the existence of capricious investments.

The Sudanese financial system has been undergoing a transformation to practice the Islamic financial systems. In this there is the Musharaka (partnership), Murabaha (profit-making), and Mudaraba (profit-based) lending systems. In addition to these three commercial lending systems, the Productive Families Project/PFP plays a role which is meant to support small and micro-enterprises. In this Pitamber (1999) found that most of these lending systems do not target the entrepreneurs who are in the sector practising some kind of business innovation or those who are in possession of no capital to start a business. This was found to be mainly due to the implied constraints of the lending conditions and requirements. Therefore, access to capital is limited to those entrepreneurs who are medium to large scale business owners or to those who practice quick/ risky commercial transactions. In this sense the national lending policy does not facilitate access to HD factors through stimulating entrepreneurial activity to those actors who are in the services industry with low capital/low skills and with very few hired labour. In addition it also does not target female entrepreneurs known in the Sudan to operate in the “survival economy”.

#### *Access to land and other factors of production*

Land titles contribute to the difficulties of small producers in obtaining credit, access to markets, information and technology. Property rights are sometimes distributed along clan or ethnic orientation which thereby creates a gap among certain groups socially and economically. Restrictions on property rights do not allow for free and easy establishment of entrepreneurial activities and which in many cases forces the poor to operate in the informal sector with no protection or equal payments. Enterprises will also be specifically studied for the processes of marketing of commodities and incurred transaction costs, flow and access to information, and savings potentials in order to identify barriers to entry and/ or growth. Market performances will be monitored to identify market failures, if any, and whether these represent opportunities for entrepreneurship development and innovation. Input substitution in production will be studied to identify levels and processes of appropriate innovation and their effects and contributions to national economic growth. Factor prices will be studied to identify how prices change, under which circumstances, whether there is a bias against micro-entrepreneurs in access to factors of production, and how entrepreneurs cope with such barriers through innovation.

#### *The regulatory framework*

Barriers to entry are also structured through the regulatory framework as represented in registration, licensing, taxation, accounts and auditing requirements, access to operating facilities and access to technology. In many developing countries the legal requirements are not transparent, are not disseminated fairly, and tend to be capricious. Thus, for free entrepreneurship development these structures need to be identified, redefined and must cater to

the needs of the economic actors who operate on a small scale. Refusing to recognise this will have the unhealthy outcome in the shape of the informal sector whose products, prices, wages, and processes are undervalued and sometimes not taken into account in economic measures. Risk and uncertainty will have to be identified through discussions with entrepreneurs to identify market gaps, market opportunities and the level of innovation and to change entrepreneurial behaviour in return for increased income. The taxation system will have to be studied to identify whether it supports equal distribution of income or is aimed more towards increasing government revenues to meet national expenditures. This is an important factor in indicating the impact of taxation policies on the rich and the poor and also whether equal distribution of income is exercised. Government intervention has to be studied in all the specific points mentioned above in order to determine the kind of economic environment existing and how it supports/restricts entrepreneurship development. The regulatory framework in the Sudanese economy is reflected, among other policies, in the licensing and administrative regulations governing local businesses. While the structure of incentives is intended to have a positive effect on business initiation, the regulatory framework presents a set of multiple obstacles to business performance through various taxation systems at different levels, and due to quite complex requirements for licensing and registration of the business. Therefore, it can be said that businesses in Sudan cannot be easily initiated despite the existing incentives, and as a result there will be an increase in projects that do not contribute to human development through generating employment and equal distribution of income.

#### *Dynamic comparative advantage*

Many developing countries still rely on the export of primary commodities and have over the last decade been confronted with sharp declining terms of trade for these products. Thus, the comparative advantage of countries lies in the amount it spends on human capital formation. Open economies are sometimes biased either on export orientation or domestic demand. This, while unbalanced, does not allow for a free and natural process of the development of the economy, rather the economy is supported by a complex network of restrictions and incentives which hinders well spread entrepreneurship development in the economy. The structure of R&D in the country is an important indication of how much innovation and in which sector can it be carried out. Therefore, a study of R&D will include the identification of existing national innovation systems, their sources and processes, their sustainability and mechanisms that may enhance national innovation systems vis-à-vis R&D. The role of technological innovation and development is also a necessary feature of Schumpeterian entrepreneurship development. Therefore, available technology and potential technology transfers should also support entrepreneurship development along sectoral and regional lines. The role of public enterprises has been proven to be essential in entrepreneurship development if the proper motivation and structures exist, such as in the example of the MITI (Ministry of International Trade and Industry) of Japan. African public enterprises seem to survive mainly through government subsidies and government supported privileges which allows them to enjoy a monopolistic position but also renders them, in most cases, as large bureaucratic, and inefficient organisations. Macro-economic policies such as financial reform, the banking sector, trade regulations and terms, savings and deposits not only an indication of state policy towards private sector development, but may play a decisive and crucial role in the economy. This includes the kind of economic openness, economic liberalisation and privatisation policies followed by the state. The use and allocation of resources is important to entrepreneurship development under Schumpeterian economic development. This being the kernel of innovative entrepreneurship, the study of the allocation and optimal use of resources will give indications to entrepreneurship development on a sectoral basis. Externalities should be identified in order to indicate whether some of the recent

economic progress reported in Africa is due to increased production or international economic movements.

In Sudan the dynamic comparative advantage lies in the efficient use of existing natural and human resources in addition to indigenous knowledge. Within the local context there are several niche markets and market segments which can be tapped to act as comparative and competitive advantage of the different kinds of entrepreneurs, especially those at the small and micro scale. In the last few years we can observe the emergence of several such businesses in Khartoum, such as the telecommunication centres, the increase in automated food processing and food production businesses, and the use of different types of vehicles in the transportation industry. This facilitates increased employment at a wider scale and the private sector level leading to the harmonious effort for income generation at a wider level.

### *Employment and the labour market*

Missing markets are reflected, for example, in the work of women who are mostly not classified in the labour force although they may perform important economic activities such as in agriculture, the household economy, the informal sector, and the cottage industries. Labour markets are also characterised by discrimination along gender, race, ethnicity, religion and/ or citizenship lines. In this sense, discrimination reduces the upward mobility of some groups, increases competition among them for jobs and income, and eventually increases the supply of labour in low-skills jobs and may also therefore reduce the wage rate. The price component of the labour market, that is wage rates, tend also to be distorted along regional and sectoral lines thereby creating a fragmented and segmented labour market. Such a structure of incentive restricts the occupational and social mobility of a large proportion of the population while at the same time allowing for relatively high incomes for a privileged minority. Labour intensity in production is relevant to the case of most third world countries and needs to be studied to identify processes of transformation of labour to entrepreneurs.

The SSR (1997) indicates no questionable change in the labour force situation since 1996. However, it mentions that 65% of the urban labour force is employed in the "marginal sector" (SSR, 1997, p. 187). In 1990 the size of the labour force was 45% of the population which increased to 47.5% in 1996 of which 5% have university level education, albeit no indication can be found to the labour force's overall literacy level. Unemployment in 1990 was 16.5% and rose to 16.6% in 1996 (SSR, 1997:191). Government reports maintain that the Sudanese economy is traditional and agriculture based. In 1996 the sectoral distribution of the labour force was as follows:

Agriculture	53%
Services	18%
Commerce	10%
Industry	6%

(these figures, however, do not explain the entire labour force and it is not clear where the rest of the unexplained labour force is). Regarding the university educated labour force, the 1997 reports show that 83.4% was involved in the industry and service sectors, and 21% of this group was unemployed (SSR, 1997:189).

Looking at these figures we can assume (since no specific records are given) that a major part of the labour force is either illiterate or has some level of formal schooling; this is a breeding ground for the informal sector workers according.

## **5.2 Reallocation of public sector resources**

One of the probably greatest obstacles to SHD is the skewed allocation of public resources. In this sense, there is a urgent need to change the composition of government spending, specially in areas not directly related to development such as military and internal security, subsidies to some public enterprises, excessively large bureaucracies. The saved revenues should be reallocated to activities which benefit the largest number of people which as a strategy will lead to return higher rates of return. Nevertheless, such a reallocation should be protected against a trade-off between efficiency and growth.

One of the remnants of Structural Adjustment Programmes(SAPs) and lately also part of the globalized competitiveness policy is commercialising both the health and educational services and decreasing the government spending on these two sectors. Similarly, the same can be observed in Sudan since the last seven to eight years. At the school level basic tuition fees, payment for text books and stationery, even the chair on which the student is to sit has to be paid for. At the university level, the state institutions which were free of charge for all, now require immediate payments and sometimes in hard currency. In the health services sector the same scenario exists. Immediate payments are expected before any treatment is prescribed and fees are charged for the most basic of services. Such commercialisation of basic HD factors will have a negative effect on the majority of the population who are poor and which will increase their vulnerability and lessen their chances of contributing to any kind of social and/or economic development.

#### *Access to primary health care*

Primary health care expenditures seem to be the most hard hit during adjustment and austerity periods as opposed to military and defence, for example. As a characteristic most developing country population lives in the rural areas. The misallocation occurs in that much of the health expenditure is spent on maintaining health care facilities in cities and thereby limiting its access. Primary health care is considered as an investment in human capital formation and thus would directly and positively affect economic growth. Health care also includes the facilitation of clean water, basic sanitation, and food intake. All these, when available, will reduce the cost of curative medicine and thus maintaining health care in the long-run will be able to sustain itself.

Health is directly related to national development and poverty status. The SSR (1997, p. 273) indicates some very positive progress in this sector such as: 80% of the children immunised; 900 new units of trained birth assistants; and an 80% increase in mother and child health centres (pg. 273). However, it is difficult to evaluate this progress fairly due to lack of comparative independent information sources. Nevertheless WHO<sup>3</sup> (1998, p. 2) reports that for the period 1989-1990 the total national health expenditure as a percentage of GNP was 0.3%; whereas the Central Government Financing to state health budgets was 5% - 7% in 1997 (SSR, 1997, p. 40). Again this does not tell us much in the absence of a national expenditures report, including all sectors, and comparative data. For example the 1996 SSR does not contain any information on the health situation in Sudan. Nevertheless, the increasing numbers of private health care facilities and increased use of them in the Khartoum area suggests the growing disparity in the health status of the general population which is probably governed by the factor of income and the ability to buy these services at the national level.

#### *The educational structure*

The budgetary allocation for formal education system is in many instances like an inverted pyramid where secondary and tertiary education receive triple the funds as that for primary education. In some cases primary schooling is totally neglected while universities

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<sup>3</sup> World Health Organisation (1998).

receive subsidies and increase in numbers. Among the poor the opportunity cost of going to school exceeds that of short term private benefits, such as working to help the family and thus increases the gap between the 'poor and the rich'. In many cases formal schooling does not address the need of the labour market. Especially in vocational training the trend of gender biased skills training not only enlarges the gender gap in the labour market but also increases the supply of fresh labour with inappropriate skills for the constantly changing market. A large part of informal skills are acquired through apprenticeship among family, friends and relatives who may be craftsmen. This practice is more responsive to the kind of skills needed in the economy as opposed to formal educational systems which tend to follow old, obsolete, and traditional methods and orientations. In this regard, the educational system needs to envisage the expectations of the labour market and at the same time be able to foresee the changes that occur in the economy. It is in many cases that the educational sector operates in isolation of the economy. Another recent trend in many developing countries is the commercialisation of formal school education, which consequently affects the poor in their access to education. The most apparent and detrimental logistical obstacles in education such as the number of schools, teachers, equipment, furniture and books can be successfully resolved with more efficient reallocation of resources.

These latest national reports discuss only the university level education. No mention is made of pre-university schooling, although in a country like Sudan, kindergarten to secondary level education is so important to have at least a population that can read and write. The 1993 population census indicated that 47.5% of the total population in the age 10 and above in the Northern States could not read and write. Illiteracy among women in the age range of 25 and above was 57.37% in the urban areas and 82.23% in the rural areas. Illiteracy among men in the age range of 25 and above was 29.09% in the urban areas and 51.69% in the rural areas. Although progress has been made in achieving higher literacy since 1993, it has been slow in reducing the gap between boys and girls. The quality of education in schools has deteriorated. There is a shortage of teachers and books. Since students have had to pay for school level education, it has become more difficult for the poor families to send all children to school, and thus those that are pulled out of school are mainly girls (see El Nagar and Badri, 1997). The percentage of students from the rural areas going onto university has remained static, and in the urban areas has increased more among men than women, since 1990.

These figures would question the importance of opening 21 new universities (SSR, 1997, p. 84), specially in the various regions where there is a high concentration of illiterate population. The document goes on to report that there has been a huge increase in student intake at the different universities (SSR, 1997, p. 291). However, one would question the quality of education that these increasing numbers receive.

## **6 Conclusion**

Sustainable human development is said to exist if people have easy and enough access to life-sustaining items such as food, shelter, water, health, education, mobility and other individual freedoms.

The present paper has discussed both economic and HD factors in the Sudan based on information from both government documents and private research initiatives. Taking into consideration state economic policies and the educational structure and the health care structures as indicators to SHD the paper concludes that existing economic policies in Sudan do not directly support or seek to encourage entrepreneurial capabilities. They are targeted towards economic projects which are involved in large/medium scale production and import/export activities. This indicates that such business activities are controlled by those actors who are already in possession of satisfactory amounts of factors of production and income allowing

them to purchase or access HD factors successfully. On the other hand, the policies neglect to support small producers who are more in a position to carry out entrepreneurial activities through innovation. In this way state policies do not facilitate the generation of income among specific economic groups, thereby limiting the movement of money and ownership of it and as a result affecting their capacity to access HD factors. In this sense HD is not sustainable in the Sudanese context and creates disparity among the population otherwise defined as the “income gap between the poor and the rich”. Entrepreneurship development can bring about sustainable human development standards if it is Schumpeterian-oriented and not only survival-oriented. This means that Schumpeterian entrepreneurship development requires a certain level of the innovation process, the ability of entrepreneurs to drive their innovations into the national economy, i.e. not limited to segmented economies or markets. Schumpeterian entrepreneurship development in the above sense will give the entrepreneurs greater access to money since this kind of entrepreneurship is aimed at bringing the economy to higher levels of equilibrium. In this sense, since Schumpeterian entrepreneurship is continuous and moving the equilibrium upwards it is supposed to have the same effect on accessing and enjoying of human development factors, thereby making it a sustainable human development process.

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