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**Food Security and Poverty Alleviation under Changing Environmental
Conditions: Challenges and Opportunities in Sudan**

Addressing Urban & Rural Poverty

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Agenda of the Presentation

- Poverty in Sudan
- Efforts towards Poverty Alleviation in Sudan
- The Role of SABFS in Promoting Microfinance
as Powerful Mechanism for Poverty Alleviation
- Conclusion

Poverty in Sudan

- Background
- Poverty Landscape
- Causes of Poverty

❖ Poverty in Sudan



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• Background

Sudan represents puzzle case in terms of the **unlimited opportunities** available to it on one hand and the **tremendous challenges** it faces on the other hand.

Today, one of the most salient challenges facing Sudan is the problem of poverty, which wide spread in **urban** as well as in **rural** areas.

❖ Poverty in Sudan



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• Poverty Landscape (time dimension)

- Before 1979, Poverty incidence in Sudan was, generally, within tolerable limits.
- During the period 1979-2000, Poverty incidence increased drastically to the extent that it became intolerable; an estimated overall poverty rate at 85%, according to the **UNDP Poverty Report (2000)**.
- During the period 2001-2007, Poverty incidence decreased with considerable rates; an estimated overall poverty rate at 60% **(IFAD: 2007)** .

❖ Poverty in Sudan



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• Poverty Landscape (social dimension)

- The widespread poverty and the fragile socioeconomic situation in Sudan resulted over the years in widening the gap between the **rich class** and the **poor class**. At the same time, the middle class within the social milieu of the Sudanese people shrank drastically.
- During the period 2001-2007, Poverty incidence decreased with considerable rates; an estimated overall poverty rate at 60% (**IFAD: 2007**) .

❖ Poverty in Sudan



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• Poverty Landscape (geographical dimension)

- With an estimated overall 46.5% incidence of poverty in North Sudan in 2009, the incidence of urban poverty was estimated to be 26.5% while the incidence of rural poverty was estimated to be 57.5% (**National Baseline Household Survey 2010**).
- Rural poverty levels vary greatly by state. Red Sea took lead in poverty followed by North Darfur, but except for Khartoum, Gezira, North and River Nile that probably have moderate poverty levels, rural poverty is rather widespread (**Hamid Faki, et al: 2010**).

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• Causes of Poverty

The root causes of poverty in Sudan are multi-dimensional, inter-related and complicated. But for the purpose of simplicity they can be classified into two main categories:

■ Internal:

under which the following factors could be mentioned

* Economical:

The inability of utilizing/capitalizing the diverse rich potential of the country (**natural** and **human** resources) to achieve development (inappropriate development policies and strategies).

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• Causes of Poverty

* Political:

All contributing factors to a vicious cycle of internal political conflicts and civil war.

* Environmental:

All unpredictable weather conditions that leave vast stretches of the country subjected among others to cycles of extreme drought and/or substantial flooding.

❖ External:

All factors and forces that affect the performance of the economy negatively (External shocks, crisis, unfavorable terms of trade and economic sanctions)

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• Causes of Poverty

These root causes are not led to poverty in an even manner, rather than in an interchangeable manner. Therefore, in different stages we can observe that:

- Some times, part of these factors are playing the role of **primary causes** of poverty in Sudan.
- Other factors are playing the role of **secondary causes** of poverty in Sudan.
- While other different factors are playing the role of **tertiary causes** of poverty in Sudan.

Efforts towards Poverty Alleviation in Sudan

- Efforts on Macroeconomic Level
- Efforts in Context of the Monetary Policy



• Efforts on Macroeconomic Level

Sudan started adopting serious policies towards poverty alleviation early in the 1990s of the twentieth century parallel with the outbreak of poverty. Since that time the following measures have been taken:

- Launching the "Productive Families scheme" to get more than two million Sudanese out of poverty in the context of the National Comprehensive Strategy 1992-2002 (NCS) .
- Ministry of Social Planning was established transformed later into the Ministry of Social Welfare and Development.
- Establishment of several social funds; specialized institutions such as the Savings and Social Development Bank (SSDB) and the Social Development Fund (SDF).
- Formulation and implementation of the five-year strategic plan (2007-2011) for poverty reduction.

❖ Efforts towards Poverty Alleviation in Sudan



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• Efforts in Context of the Monetary Policy

The efforts of the monetary policy are going to be highlighted during the following two phases:

❖ Indirect Interventions phase

Poverty alleviation became one of major concerns of the monetary policy in Sudan, when the CBoS started regulating and setting conditions for financing small-scale and microenterprises in the early 1990s as part of its annual financing (credit) policies:

- In 1990 financing policy, craftsmen included as one of the priority sectors, which entitled to the banking sector financing beside stressed the importance of banks' financing to regional and backward areas.
- In 1994/95 financing policy, the full recognition of the small-scale and microenterprise started, when craftsmen, small professionals and small producers including productive families are considered as part of the priority sectors. No specific limit or ceiling has been determined for each category within the priority sectors.

❖ Efforts towards Poverty Alleviation in Sudan



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- Since 1999, the annual financing policies determined specific ceiling to be allocated for the social sector from the investment portfolio of each bank. The percentage of this ceiling gradually increased from 5 percent of the total investment portfolio in 1999 to 7 percent in 2000 and then to 10 percent in 2002.

🌸 Direct Interventions phase

During this phase, CBoS approved a National Vision for the Development and Expansion of the microfinance sector in Sudan in an attempt to let this sector become an integral part of the banking services.

In the context of this vision, a five year MF strategy launched in 2007 (in line with the macro strategic plan for poverty Reduction) and the following measures and procedures have been adopted:

- Establishment of specialized Microfinance Unit (MFU) in 2007 as an integral part of the central bank with the mandate: “To lead the development of the microfinance sector in Sudan”.

❖ **Efforts towards Poverty Alleviation in Sudan**



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- **Establishment of an apex institution, the Sudan Microfinance Development Facility (SMDf) with the mandate of expanding the supply of microfinance through offering MFIs grants, on-lending financing and equity investment as well as the required capacity building.**
- **Preparing a Microfinance Regulatory Framework (came into force on 2011) for the sector to create an enabling environment that would allow MFIs to operate effectively and to serve their clients efficiently.**
- **Designing and implementing a Micro-insurance Guarantee Scheme as well as innovating a Non-conventional Guarantees system.**
- **Capacity Building Programs tailored to each group of the stakeholders in the microfinance sector, with specific consideration to the services provider and the clients.**

❖ Efforts towards Poverty Alleviation in Sudan



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More importantly, the MFU adopted the following three approaches to extend delivery of microfinance services to wide spectrum of clients:

❖ Down-scaling Approach

In this respect, the MFU launched the so-called experimental program. Under this program the MFU extended US \$ 69 million (till mid 2009) to eight selected banks and Microfinance institutions. These funds should be allocated for provision financing to different microfinance clients (in the **urban** and **rural** areas) .

❖ Up-scaling Approach

CBOs at branch level. Moreover, the most considerable activity in this area is the partnership with Zakat Chamber and the Humanitarian Affairs Commission (HAC).

❖ Efforts towards Poverty Alleviation in Sudan



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🌱 Green Fielding Approach

Under this approach, the MFU took the initiative to establish (in partnership with the private sector) the first ever specialized microfinance bank in Sudan, the **Family Bank**. Furthermore, the MFU contributed in the equity capital of nine fully specialized non-bank microfinance institution, where the majority of them are located in **rural** areas .

Role of SABFS in Promoting Microfinance as Powerful Mechanism for Poverty Alleviation

❖ Efforts towards Poverty Alleviation in Sudan



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In general the role of SABFS in addressing **urban** and **rural** poverty is an indirect one. However, this role can be traced more obviously in line with the progress in implementing of the CBoS financing policies and MF strategy. In this context, the following two phases are going to be highlighted:

❖ Pre-launching the MF Strategy

During this phase, SABFS' efforts addressed mainly the issue of raising MF awareness among the stakeholders in the banking sector besides its involvement in the preparatory activities for designing the CBoS MF vision. In this regard, the following is achieved:

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- in December 1998 when SABFS (popularly known at that time as HIBS) took part in a Workshop under the title: “Pro-Poor MF Initiatives in Sudan”. SABFS involved actively, through its delegates, in a follow-up group which was formed to pursue the implementation of the workshop recommendations.
- Organizing series of discussion forums related to MF at the premises of SABFS and at the premises of other institutions in other states of the Sudan.
- participating in the roundtables and meetings held to prepare the MF strategy, besides attending the workshop organized for the discussion of the final document of MF strategy.

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❖ Post-launching the MF Strategy

The approved final document of the MF strategy recognized the role of SABFS in promoting the MF sector. This document defined this role as follows:

“The Governor of CBoS chairs the Board of Trustees of the Higher Institute for Banking Studies (HIBS). It is thus within its authority to mandate at least a basic course on Microfinance for all students graduating from the institute and intending to join the banking sector...” (Unicons Consultancy Ltd: 2006).

The final document continued:

“The institute should stand ready to address capacity gaps in bank staff’s ability to manage micro-credit and micro-savings operations...” (Ibid).

The final document added further:

“The High Institute of Banking and Financial Studies with support from the Central Bank could be involved in the task of facilitating the provision of training to financial services personnel...” (Ibid).

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To be in line with the new mandate of MF strategy, SABFS endeavored to provide an integrated package of services to **build the capacity** of the stakeholders of the MF sector in the Sudan during the second phase. This package is composed of the following:

• Training:

For the purpose of training, manuals were designed to deliver two years tailor-made training programs to different stakeholders. Part of the training manuals have been designed by staff members from SABFS' in collaboration with national experts and others have been designed by foreign experts from Jordan and Egypt (TOT manuals). The following table shows some details about these training programs:



Delivered Training Programs to MFIs Stakeholders	
Macro Level	
Target Groups	No. of Trainees
1- CBoS-officres, Inspection Department	19
2- CBoS-officres, Banking Development Department	15
Meso Level	
Target Groups	No. of Trainees
3- NGOs, CBOs, Trade Unions Academicians, and Media Staff	345
4- ToT for Services Providers	29
5- ToT for MFIs Clients	54
Micro Level	
Target Groups	No. of Trainees
6- MFIs Executives and Practitioners	28
7- MFIs Branch and Program Managers	72
8- MFIs Loan (Credit) Officers	151

❖ Efforts towards Poverty Alleviation in Sudan



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• Researches, Forums and Conferences:

The Centre of Research, Publication and Consultancy (CRPC) at SABFS is responsible for carrying out these activities. Following are the achievements of CRPC:

Researches

During the previous two years, CRPC promoted research teams (composed of academicians and practitioners) in the context of its annual research plan to conduct empirical researches covering the MF related following themes:

- The role of Sudanese Banks in Microfinance.
(final draft submitted).
- The role of mobile phones in supporting microenterprises.
(work still going on).

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Forums

Within its regular (monthly) banking forums CRPC organized eleven forums, which cover different hot issues related to the microfinance industry in Sudan.

Conferences

in October 2011 CRPC organized in collaboration with Islamic Development Bank-Jeddah and MFU an International Islamic MF Conference under the theme: "Enhancing Islamic Financial Services for Microenterprises". It worth mentioning that twenty six papers were presented at the conference, eighteen of them reflected international MF experiences and practices, while eight of these papers focused on the state of MF in Sudan.



Academic Affairs

To pave the way for awarding academic degrees in MF, SABFS achieved the following:

- Since two years ago, SABFS introduced topics related to MF in order to be taught in some courses such as Principles of Money and Banking, Principles of insurance, Development and Planning, Financial Management and Sudan Economy.
- In collaboration with Brunel Business School-UK, SABFS developed a new MBA degree in MF. An initial approval for the MBA from the concerned departments of the Ministry of Higher Education and Scientific Research (MESR) is already secured.
- Finally, professional certificate for MF specialist has been designed. This certificate is going to be launched in January 2012.



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Conclusion

❖ **Efforts towards Poverty Alleviation in Sudan**



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Despite the successive efforts on the macro, meso, and micro levels towards addressing poverty in **urban** and **rural** settings in Sudan, there is a common consensus that Sudan still lag far behind achieving the desired goals and objectives in poverty alleviation. For instance, taking the attempts made in the context of the MF strategy as an indicator, the following findings could be shown:

- Although this year is the final year of the MF strategy, the total outreach of the microfinance in Sudan doesn't exceed 500,000 client in 2010 (Grameen, BRC- Bangladesh).
- Only 4 to 6% of the ceiling of the total investment portfolio of the commercial banks is achieved, compared to targeted 12%.
- Achieving repayment rate of 85%, compared to 95% the acceptable international standard (implication on P, S, O).

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- **Very high transaction costs in relation to delivery of MF service.**
- **Lack of diversification of microfinance products that suits the clients needs and the MF in Sudan is still supply oriented.**
- **Commercial banks are still reluctant to do business with the poor on large-scale profitable activity. They still perceive microfinance as a charitable activity that is better dealt with by other more socially oriented organizations.**
- **Misdistribution of the branches of the MFIs, so that a large part of the rural poor does not have easy access microfinance.**
- **Wrong perception and miss use of microfinance due to political aspects (political-orientation of microfinance).**

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- It seems that microfinance is facing new era of challenges internally (separation of South Sudan) and externally (global financial crisis).

😊 **Thank You** 😊
for listening

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Forums Organized on MF (in Arabic)



No.	Title	Presenter
1.	Towards a banking strategy to finance small business & productive families (in Arabic)	Dr. BadrEldin Ibrahim
2.	Role of Bank in financing local development projects	Osman Hamad Moh. Kheir
3.	Role of Saving and social Development Bank in Social changes.	Eltigani Saeed
4.	Banking Finance to small producer & poverty problem	Dr. Badr Eldin Abdel Rahim
5.	Banking Finance for women- chance & alternatives	Bakhitta Moh. Osman
6.	The venture capital as a mode to finance SMES	Dr. Badr Eldin Abdel Rahim
7.	Social Banking as a Tool for Poverty Alleviation	Dr. Salih Gibreal

Workshops organized by SABFS



No.	Title	Presenter
1.	Towards a comprehensive Model to develop SE in Sudan	Dr.Sayed Abbas Ahmed



Research in progress (in English)

No.	Title	Presenter
1.	Role of Sudanese Banks in MF	Dr. Abubakr Ibrahim & Others
2.	Potential Role of Mobile phones in enhancing Micro Activities in Sudan	Dr. Ishraga Khattab & Others