



# THE EVERYDAY POLITICS OF SUDAN'S TAX SYSTEM

Identifying Prospects for Reform

**Matthew Benson & Muzan Aneel**  
with contributions from Raga Makawi



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## Executive Summary

This report highlights the gap between de jure and de facto practices that govern tax policy in Sudan to reveal the everyday politics of taxation for most Sudanese citizens and tax collectors. This paper's analysis proceeds in two parts. The first reviews the legislation that governs Sudan's revenue system. This section details the formal 'rules of the game' that dictate how taxes are collected in Sudan and is supplemented with interviews with civil servants to provide some insights into the centre of government perspective on revenue generation. This review is contrasted with an overview of the main findings from approximately 300 interviews with a range of tax collectors and taxpayers across 16 of Sudan's 18 states.

The integrated analysis of Sudan's subnational revenue system reveals that decades of revenue centralisation in Khartoum and the Hamdi Triangle has inadvertently supported a variety of formal and informal sub-elites. These individuals and groups present threats to and opportunities for reform in ways that decades of revenue initiatives and local governance reforms have failed to acknowledge or address.

This report's analysis consequently highlights two interlinked areas for policy change relevant to the Government of Sudan and its international development partners, which are explored in further detail below. The first is to listen to and support local civic coalitions and the second is to increase government legitimacy through support to bottom up-demands for revenue transparency initiatives.

### **1. Listen to and support local civic coalitions and other change agents**

The window for national and subnational parts of the Sudanese state to demonstrate that it works to improve, rather than disturb, harass, or intimidate, the lives of its people remains critically open. Though a long-term policy perspective is not to be abandoned, quick wins that engage bottom-up demand led civic actors rather than politically contentious policy reforms that require national dialogue are the most urgent.

Taxes in Sudan are neither apolitical nor technocratic, instead they highlight different types of subnational coalitions, including civic actors, who might be able to fight for tax reforms that more meaningfully finance public services rather than illicit or survival activities. This report's first set of recommendations is to consequently listen to and support change agents for different prospective tax reforms. Examples of relevant subnational coalitions include:

- The recent civil society wide initiative led by FES on the role of civil actors in a more egalitarian credit and debt reservicing scheme for Sudan.
- Neighbourhood committees in their many configurations are just one example of a demand led body rearticulating the language of rights in the context of the state's responsibility of service provision and a tax-based citizen-state contract.

- Istinad, a popular policy think tank that centres policy solutions around people's everyday politics (a co-author is a co-founder).
- The Coalition of Demand-based Bodies (Tajamou al-Ajsam al-Matlabia TAM) is a coalition of 55+ grassroots organizations across Sudan. The coalition includes groups advocating for environmental rights in oil and old production areas, groups advocating against the building of dams, IDP groups, pastoralists groups, farmers groups, agro-workers groups and others.

## **2. Increase government legitimacy through broad support to revenue transparency initiatives**

While Sudan's tax system requires reform, taxes on the majority of Sudan's populace are unlikely to raise large amounts of revenue given the ways in which most respondents acknowledged how economically squeezed they are. Moreover, one of the main complaints from tax collectors is that taxpayers refuse to pay taxes because they do not know where their money goes. To break this cycle, national and subnational transparency initiatives around taxes and local government expenditure are one of the most meaningful opportunities for the Government of Sudan to demonstrate 'quick wins' to a public desperate for change.

Increased transparency specifically includes initiatives that improve the visibility of: local and national government revenue and expenditure and transfers from the central government to state governments. Transparency initiatives that also detail which authorities are assigned with the collection of different types of taxes or payments and the relevant tax legislation tax authorities adhere to when assessing taxes are also recommended. Further areas for targeted support include:

### **3. Expand taxpayer awareness campaigns**

Taxpayer awareness campaigns should target civic organisations in Sudan, of which there are many in the current revolutionary moment (including those detailed in the first recommendation). They should similarly tap into large, medium, and small business associations to include all aspects of the state. Transparency initiatives should encompass both national and state budgets and, ideally, transition or at least supplement the current ways in which the national budget is formulated along sectoral lines with state level budgets.

### **4. Increase national and subnational government's subnational and national statistical capacity and make revenue data more public**

Revenue authorities need to improve their capacity to generate subnational and national revenue data for transparency initiatives to advance. A push for enhanced statistical capacity within state and national ministries of finance is deeply required. International donors are particularly well positioned to support these kinds of interventions. These efforts could be further improved through initiatives that digitise revenue information to increase its public accessibility and transparency.



## **5. Engage in a national revenue and revenue sharing dialogue and related initiatives**

While transparency initiatives are essential and represent ways to rapidly respond to citizen demands, a longer-term recommendation is to innovate state-level funds and transparency initiatives that are co-financed by state and centrally controlled finances. Examples include Constituency Development Funds and Participatory Expenditure Tracking Surveys (PETS). These could also be managed or coordinated by national and state level task force on fiscal transparency and development focused block grants from Khartoum to states.

Similarly, additional lessons can be gleaned from Kenya's on-going experience of introducing devolution in part to reduce political tensions and to reduce inequities within and across its states. A national dialogue on devolution that incorporates a large-scale participatory process from both state and national government officials as well as large, elite, businesses as well as small and medium business is another potential avenue for long term reform.

Kenya's Commission on Revenue Allocation (CRA), which is a key part of the country's devolutionary reforms is a useful case study for Sudan to draw lessons from. The CRA is established within Kenya's constitution and explicitly focuses on the equitable distribution of nationally raised finances, including a revised formula for sharing subnational state finances.

Institutions within Sudan that could either implement these reforms or could be the focus of reforms include the National Revenue Fund, which is the National Treasury administers and 'covers all accounts and sub-funds into which monies due to the government are collected, reported or deposited'. Similarly, the new National Commission on Revenue Allocation (NCRA), which is headed by an independent expert who reports to the Prime Minister is another government body that could either host or become the focus of where relevant policy reforms are implemented.

## **6. Expand subnational revenue authorities' capacity**

A final set of recommendations touch on improving revenue authorities' capacity, for instance by increasing tax collectors' technical capacity. IT capacity and limited training were frequently cited by tax collectors as additional reasons for low revenue mobilisation, which is already aggravated by historical underdevelopment at subnational levels of the state and political instability.

Another recommendation is to explore the feasibility of taxing the sector and expanding support to the Large Taxpayer Unit within Sudan's Taxation Chamber. Significantly, since the challenge of targeting large taxpayers in Sudan is at the heart of what Alex de Waal frames as Sudan's political marketplace, the topic consequently needs to be approached sensitively. Given the limited number of studies on Large Taxpayer Units in conflict affected countries and/or societies in transition, another recommendation is to commence a rapid lessons learning study that draws on lessons from similar countries or contexts.

## Introduction

Though they are often excluded from analyses of Sudan's political situation, state finances are at the heart of Sudanese politics and have simultaneously unified the Sudanese state and contributed to its fragmentation. On the latter, disputes over revenue have contributed to independence movements in Darfur and South Sudan against the Sudanese state. Amongst Sudan's largely impoverished citizenry, 2019 protests over the removal of state subsidies for oil and wheat contributed to the still on-going revolution that disrupted nearly 30-years of Omar al-Bashir's rule.

Within Khartoum's elite politics, revenue is at the heart of the overarching bargain that has held successive governments in the country together. While the central government is fragmented, with each ministry operating their own bank account, when analysed as a collective whole, Khartoum-based governments have controlled the state's main revenue sources. This overarching pattern has been the lynchpin of Sudanese politics that has partially made the 'prize' of obtaining a seat at the table so enticing, both for political elites as well as a middle class or aspiring middle class.<sup>1</sup> Similarly, the state is also central economic actor, which has a strong hand in the private sector.<sup>2</sup>

For instance, akin to previous regimes, part of the reason Bashir's arguably maintained a nearly three-decade long stronghold on power was because there have been so few options outside of the state for the ruling elite to reliably obtain finances.<sup>3</sup> Even for those who are not directly in government, maintaining an informal or formal seat at the political table in Khartoum has lubricated business deals and contributed to Sudan's export-driven 'limited access order' that the revolution has in spirit, if not practically, upended.<sup>4</sup>

Outside of Khartoum, Sudan's state finances have long been an integral component of the glue that holds the federal state system together, as the country's 18 states overwhelmingly depend on fiscal transfers.<sup>5</sup> Since at least Anglo-Egyptian occupation, the central government has regularly deployed political and financial decentralisation as a strategy to pacify the vast peripheries, which constitute most of Sudan's landmass and population outside of the comparatively wealthier riverain north.<sup>6</sup> After Sudan's 1956 independence, successive regimes have leveraged initiatives that increase subnational autonomy to tranquilise calls for autonomy or secession and the number of states, provinces and localities has rapidly expanded.<sup>7</sup>

While the Bashir regime exploited these governance patterns, they did not invent them. Analogous to contemporary theories of public financial management, during British rule the self-management of locally derived revenues was viewed as a key component of the theories of indirect rule that were adapted across the then unified territory. But in

<sup>1</sup> Niblock, T. (1987) *Class and Power in Sudan: The Dynamics of Sudanese Politics, 1898-1985*. London: MacMillan.

<sup>2</sup> Gallopin, Jean-Baptiste (2020) *Bad Company: How Dark Money Threatens Sudan's Transition*. European Council on Foreign Relations. Policy Brief. [https://ecfr.eu/publication/bad\\_company\\_how\\_dark\\_money\\_threatens\\_sudans\\_transition/](https://ecfr.eu/publication/bad_company_how_dark_money_threatens_sudans_transition/)

<sup>3</sup> Babiker, F. (1984) *The Sudanese Bourgeoisie: Vanguard of Development?* London: Zed.

<sup>4</sup> Mann, L. (2013) 'We Do Our Bit in Our Own Space': DAL Group and the Development of a Curiously Sudanese Enclave Economy', *Journal of Modern African Studies* 51(2); de Waal, A. (2015) *The Real Politics of the Horn of Africa: Money, War and the Business of Power*. Cambridge: Polity.; North, D. Wallis, J., Webb, S. and Weingast, B. (2007) 'Limited Access Orders in the Developing World: A New Approach to the Problems of Development', World Bank, Independent Evaluation Group Policy Research Working Paper 4359.

<sup>5</sup> Howell, J. (1974) *Local Government and Politics in the Sudan*. Khartoum: Khartoum University Press.

<sup>6</sup> Benson, M. (2019) 'Taxation, Local Government and Social Control in Sudan and South Sudan, 1899-1956', Doctoral Thesis, Durham University.; Young, A. (2017) *Transforming Sudan: Decolonization, Economic Development, and State Formation*. Cambridge: Cambridge University Press.

<sup>7</sup> el-Battahani, A. and Gadkarim, H. (2017) 'Governance and Fiscal Federalism in Sudan, 1989-2015: Exploring Political and Intergovernmental Fiscal Relations in an Unstable Polity', Chr. Michelsen Institute, Sudan Report SR2017:1.

practice, local governments rarely escaped being financially chaperoned and dependent on Khartoum, which equated the management of locally raised finances as a component of its overarching 'civilising' mission.<sup>8</sup>

After independence, officials in Khartoum have accused subnational governments of squandering financial resources. Conversely, officials within state governments have suspected Khartoum of financial mismanagement and kleptocracy. Mutual distrust and suspicion continue to cloud intergovernmental fiscal relations in contemporary Sudan, even as public services in the country are woefully underdeveloped in ways that the ongoing COVID-19 pandemic continues to underscore.

Revenue raising and sharing powers are thus integral to Sudan's peace, stability, and security even as they touch on enduring perceptions of inequities within the state. Though they are often viewed through a technocratic and ostensibly apolitical lens, when considering peacebuilding initiatives in the country, revenue raising has promisingly featured in at least two of Sudan's most significant peace agreements. For instance, the transfer of revenue raising powers that enabled decentralised regions to keep more of the finances they raise in their boundaries featured in the 2005 Comprehensive Peace Agreement that ended nearly a half century of war between what is now South Sudan and Sudan. The 2020 Juba Peace Agreement that sought to resolve tensions within the Darfurs and between the Darfur region and other underdeveloped regions and Khartoum also included provisions for local revenue raising.

Now, nearly a decade after South Sudan's secession, the fragile financial and political bargain that holds Sudan's centre and peripheries together is in question. South Sudan's 2011 independence meant that Khartoum lost its most reliable revenue source, petroleum revenues, though some revenue trickles in from South Sudan's oil pipeline that continues to flow through Sudan. However, this lifeline will soon run dry as South Sudan's oil reserves are projected to run out within the next decade.

Over the previous decade, the fiscal deficit that South Sudan's independence left has been partially filled by other natural resource rents, namely gold and other minerals. However, these types of natural resources can be easily captured by self-interested elites that are more interested in self-enrichment than national economic development and are difficult for the Sudanese public to monitor.<sup>9</sup> Though agriculture holds a potential pathway bringing in more revenue to finance the state, the sector was neglected during Sudan's oil boom years, which was compounded by the impact of US sanctions that were imposed from 1993 until 2020. It is also mired in local and national politics that are likely to slow any attempts to rapidly expand the sector.<sup>10</sup> Similarly, the Nile water access that Sudan's agriculture sector requires, and which also fuels the hydroelectric power that businesses depend on, the sector is underdeveloped. Nile access is also increasingly entangled in regional disputes among Egypt, Ethiopia, Sudan, and South Sudan.<sup>11</sup>

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<sup>8</sup> Benson, M. (2019) 'Taxation, Local Government and Social Control in Sudan and South Sudan, 1899-1956', Doctoral Thesis, Durham University.; Young, A. (2017) *Transforming Sudan: Decolonization, Economic Development, and State Formation*. Cambridge: Cambridge University Press.

<sup>9</sup> Gallopin, Jean-Baptiste (2020) *Bad Company: How Dark Money Threatens Sudan's Transition*.: European Council on Foreign Relations. Policy Brief. [https://ecfr.eu/publication/bad\\_company\\_how\\_dark\\_money\\_threatens\\_sudans\\_transition/](https://ecfr.eu/publication/bad_company_how_dark_money_threatens_sudans_transition/)

<sup>10</sup> Jaspars, S. (2021) *Caught in Transition: Food Aid in Sudan's Changing Political Economy*. Conflict Sensitivity Facility. May 2021. <https://csf-sudan.org/library/caught-in-transition-food-aid-in-sudans-changing-political-economy/>

<sup>11</sup> de Waal, A. (2021) 'Biden's Brewing Problem in Ethiopia', *Responsible Statecraft*. <https://responsiblestatecraft.org/2021/04/09/bidens-brewing-problem-in-ethiopia/>

Even if the majority of Sudan's international debt is written off, external loans are unlikely to provide an easy path out of Sudan's economic and political malaise.<sup>12</sup> Far from a magic bullet, external loans come with preconditions, and it remains to be seen whether a heavily indebted future enmeshes a country's future to regional political and economic power struggles or provides a more autonomous path. Collectively, both kinds of external finances will continue to complicate the post-revolutionary government's ambitions to forge a new, more democratic, way forward.

The extraversion of Sudan's economy therefore closely adheres to Frederick Cooper's 'gatekeeper state' concept, whereby the national economy is linked to international economic and political dynamics.<sup>13</sup> But where does this leave other kinds of domestic revenue sources in the country? Throughout all these analyses, the story of Sudan's direct tax system has been lost amidst these shifting national, regional, and international tectonics. And yet the stark reality is that the overwhelming majority of Sudan's citizenry does not have access to the rents that fuel Khartoum's elite. Nor do they reside in the 'Hamdi Triangle', which is the region that is named after a Sudanese minister of finance argued that economic investments should be centred within a day's drive of Khartoum.<sup>14</sup> With the separation of South Sudan, this region encompasses more of contemporary Sudan, but notably neglects conflict-affected regions such as Darfur, Kordofan and parts of Red Sea and Blue Nile.

As this report illustrates, taxes reveal stories of the majority of Sudan's populace who have been left outside of Sudan's national political, financial, bargain. Though a diverse tax regime is a fact of life for most Sudanese citizens, it has yet to be studied in detail even as it impacts most peoples' lives in diffuse ways. This project reveals that Sudan's tax system comprises a palimpsest of tax regimes in which governance patterns from decades of formal and at times informal 'rebel' rule contribute to wide regional variation in what counts as a tax.

In other words, local, state-level, and national authorities 'compete' for taxes, which impacts their institutional capacity. Sudan's tax system in turn supports a variety of sub-elites in state governments as well as some armed actors in conflict-affected parts of the country. These findings contrast with research from other countries on the continent, which illustrates the ways in which taxes bind people to government. However, the latter assumes that the government is the main entity collecting these taxes, which this project indicates is not always the case in Sudan.<sup>15</sup>

From a policy perspective, this report's analysis highlights two areas for reform. The first is on the potential winners and losers of any type of prospective tax reforms. Far from technocratic elements of the state, taxes in Sudan are deeply political. Significantly, though this report's findings could contribute to policies to improved financial windfalls, the latter are unfortunately unlikely to fill the country's vast fiscal deficit. Moreover, poorly implemented tax policies, which ignore the local, national, and regional dimensions of the country's tax regime, could inadvertently increase conflict in the country.

<sup>12</sup> Gallopin, Jean-Baptiste (2020) *Bad Company: How Dark Money Threatens Sudan's Transition.*: European Council on Foreign Relations. Policy Brief. [https://ecfr.eu/publication/bad\\_company\\_how\\_dark\\_money\\_threatens\\_sudans\\_transition/](https://ecfr.eu/publication/bad_company_how_dark_money_threatens_sudans_transition/)

<sup>13</sup> Cooper, F. (2002) *Africa Since 1940: The Past of the Present.* Cambridge: Cambridge University Press.

<sup>14</sup> de Waal, A. (2014) '(2) Visualizing Sudan: Geographical Inequality', Tufts University World Peace Foundation Reinventing Peace Blog, 7 May 2014. Available at: <https://sites.tufts.edu/reinventingpeace/2014/05/07/3-visualizing-sudangeographical-inequality/>

<sup>15</sup> Prichard, W. (2015) *Taxation, Responsiveness and Accountability in Sub-Saharan Africa.* Cambridge: Cambridge University Press.

Taxes do, however, significantly shed light into the different types of civic actors, who might be able to fight for tax reforms that more meaningfully finance public services rather than illicit activities. Examples of relevant groups include:

The recent civil society wide initiative led by FES on the role of civil actors in a more egalitarian credit and debt rescheduling scheme for Sudan. This conference was preceded by several grassroots initiatives aimed at centring a tax based social contract future political programs working towards the transition to democracy.

Neighbourhood committees in their many configurations are just one example of a demand led body rearticulating the language of rights in the context of the state's responsibility of service provision and a tax-based citizen-state contract. These ongoing debates, since the 2018 Sudan revolution, contribute to a new brand of civic activism that places political economy at the centre of its work and analysis. Issues of labour, tax, productivity, a functional state bureaucracy, and anti-corruption measures as a means of achieving democracy take precedence in these debates while challenging CPA-era predominantly peace-based narratives that were more concerned with ethnic and gender divisions.

Istinad, a popular policy think tank that centres policy solutions around people's everyday politics (a co-author is a co-founder).

The Coalition of Demand-based Bodies (*Tajamou al-Ajsam al-Matlabia TAM*), which is a coalition of 55+ grassroots organizations across Sudan is another relevant organisation. The coalition includes groups advocating for environmental rights in oil and old production areas, groups advocating against the building of dams, IDP groups, pastoralists groups, farmers groups, agro-workers groups and others.

Secondly, this study is a vital step towards providing the kinds of detailed knowledge of the political and economic sectors the Government of Sudan might be able to develop to improve Sudan's prospects for peace and stability. This is in part because increased knowledge and awareness of Sudan's tax system helps address one of the on-going revolution's essential demands to improve public service delivery and enhance government transparency. But it also because this project's findings could aid the state's attempts to transform along developmental state logics.

Developmental state logics involve close collaboration between government and the private sector to advance a country's economy through improved macroeconomic planning. The latter hold the promise to meaningfully expand economic opportunities and transition Sudan's economy away from a reliance on natural resource rents, aid, and international debt.<sup>16</sup> As other Sudan scholars such as Alex de Waal argue, developmental states logics can also challenge Sudan's predatory political practices, which are often tied to the self-enrichment of a politically connected economic and social elite.<sup>17</sup>

So while transparency initiatives that engage civic groups are essential to better represent and rapidly respond to citizen demands, a recommendation for the Government of Sudan is to innovate state-level funds and transparency initiatives that are co-financed by state and centrally controlled finances. Examples include Constituency Development Funds and Participatory Expenditure Tracking Surveys.

<sup>16</sup> Evans, P. (1995) *Embedded Autonomy: States and Industrial Transformation*. Princeton: Princeton University Press.; Leftwich, A. (1995) 'Bringing Politics Back In: Towards a Model of the Developmental State', *Journal of Development Studies*, Vol. 31, Issue 3. pp.400-427.

<sup>17</sup> de Waal, A. (2015) *The Real Politics of the Horn of Africa: Money, War and the Business of Power*. Cambridge: Polity.; de Waal, A. (2014) 'The Political Marketplace: Analyzing Political Entrepreneurs and Political Bargaining with a Business Lens', Seminar Memo, World Peace Foundation, Tufts University. [https://sites.tufts.edu/reinventingpeace/files/2014/10/Political-Marketplace\\_de-Waal.pdf](https://sites.tufts.edu/reinventingpeace/files/2014/10/Political-Marketplace_de-Waal.pdf)

These could also be managed or coordinated by national and state level task force on fiscal transparency and development focused block grants from Khartoum to states.

Similarly, additional lessons can be gleaned from Kenya's on-going experience of introducing devolution in part to reduce political tensions and to reduce inequities within and across its states. A national dialogue on devolution that incorporates a large-scale participatory process from both state and national government officials as well as large, elite, businesses as well as small and medium business is another potential avenue for long term reform.

Kenya's Commission on Revenue Allocation (CRA), which is a key part of the country's devolutionary reforms is a useful case study for Sudan to draw lessons from. The CRA is established within Kenya's constitution and explicitly focuses on the equitable distribution of nationally raised finances, including a revised formula for sharing subnational state finances.

Institutions within Sudan that could either implement these reforms or could be the focus of reforms include the National Revenue Fund, which is the National Treasury administers and 'covers all accounts and sub-funds into which monies due to the government are collected, reported or deposited'.<sup>18</sup> Similarly, the new National Commission on Revenue Allocation (NCRA), which is headed by an independent expert who reports to the Prime Minister is another government body that could either host or become the focus of where relevant policy reforms are implemented.

A final set of Government of Sudan-level recommendations touch on improving revenue authorities' capacity, for instance by increasing tax collectors' technical capacity. IT capacity and limited training were frequently cited by tax collectors as additional reasons for low revenue mobilisation, which is already aggravated by historical underdevelopment at subnational levels of the state and political instability.

A related recommendation is to continue exploring the feasibility of taxing the sector via the Large Taxpayer Unit within Sudan's Ministry of Finance and Economic Planning, with a tailored focus on large taxpayers in conflict affected countries.<sup>19</sup> However, since the challenge of targeting large taxpayers in Sudan is at the heart of what Alex de Waal frames as Sudan's political marketplace, the topic consequently needs to be approached sensitively. Given the limited number of studies on Large Taxpayer Units in conflict affected countries and/or societies in transition, another recommendation is to commence a rapid lessons learning study that draws on lessons from similar countries or contexts.

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<sup>18</sup> Logan, S., Nyembo, A., Owen, B., Saab, M., Sacchetto, C. (2021) 'Fiscal Federalism in Sudan', International Growth Centre State Fragility Initiative, Working Paper.

<sup>19</sup> Ligomeka, W. (2019) 'Assessing the Performance of African Tax Administrations: A Malawian Puzzle', International Centre on Taxation and Development, African Tax Administration Paper 14. <https://opendocs.ids.ac.uk/opendocs/bitstream/handle/20.500.12413/14699/ATAP14.pdf?sequence=1&isAllowed=y>



## Research Questions, Objectives, Methods & Paper Outline

This research builds on an FCDO-funded Conflict Research Programme study on the real politics of taxation in South Sudan led by Dr Matthew Benson in collaboration with 7 South Sudanese researchers across South Sudan. Taken as a whole, these studies examine the real politics of taxation in both Sudans and therefore contribute to a comprehensive analysis of how taxes relate to and inform different types of state and non-state public authorities across both now separated countries.

The Sudan project's field research and archival research was conducted from November 2020 through April 2021 during the COVID-19 pandemic, which was still badly impacting Sudan at the time of writing. COVID-19 mitigation measures were taken to ensure that neither respondents nor researchers were placed in harm's way. Given the sensitivity of some of the respondents' answers, interviews were anonymous, with only the location and profession of each respondent collected.

The primary aim of these interviews was to better understand the unofficial practices that govern taxation across Sudan. This bottom-up analysis of the everyday politics of taxation was supplemented by research conducted on official tax policies in the National Records Office and other state archives that are relevant to taxation in Khartoum. Interviews with relevant officials in Khartoum also took place to further supplement archival findings.

This report largely focuses on both direct and indirect taxation at the subnational level in Sudan, and it usefully complements a recent International Growth Centre report, which both Matthew Benson and Raga Makawi were consulted on.<sup>20</sup> It also supplements recent Chr. Michelsen Institute research on Intergovernmental Fiscal Transfers in Sudan and Subnational Revenue Mobilisation.<sup>21</sup>

While this report is a much-needed step forward, large taxpayers are notably absent at the subnational level and while the legislative review of this study examines them, most of the interviews did not. Likewise, there are numerous regional and international traders in Sudan, so while this study touched on them, its primary focus is on the comparatively understudied small and medium taxpayers and taxation logics in the country. Large taxpayers fell outside of this research project's scope owing to the sensitivities of studying elite business practices in Sudan during the on-going revolution and the Covid-19 pandemic.<sup>22</sup>

Similarly, while this project engaged Sudan's growing mining sector, it was not its explicit focus, in part because of the security challenges that risked compromising Sudanese researchers' safety in ways that would have violated the ethical research standards the project adhered to. Moreover, this project's research design was in part developed to complement recent research on these projects, much of which is also FCDO-funded.<sup>23</sup>

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<sup>20</sup> Logan, S., Nyembo, A., Owen, B., Saab, M., Sacchetto, C. (2021) 'Fiscal Federalism in Sudan', International Growth Centre State Fragility Initiative, Working Paper.

<sup>21</sup> Fjeldstad, O. (2016) 'Revenue Mobilization at Sub-National Levels in Sudan', Chr. Michelsen Institute, Sudan Report SR2016: 1.; el-Battahani, A. and Gadkarim, H. (2017) 'Governance and Fiscal Federalism in Sudan, 1989-2015: Exploring Political and Intergovernmental Fiscal Relations in an Unstable Polity', Chr. Michelsen Institute, Sudan Report SR2017:1.

<sup>22</sup> Mann, L. (2013) 'We Do Our Bit in Our Own Space': DAL Group and the Development of a Curiously Sudanese Enclave Economy' *Journal of Modern African Studies* 51(2).

<sup>23</sup> Ille, E., Salah, M. and Birhanu, T. (2021) 'From Dust to Dollar: Gold Mining and Trade in the Sudan-Ethiopia Borderland', The Rift Valley Institute, Research Report. [https://riftvalley.net/sites/default/files/publication-documents/RVI.2021.04.27%20From-Dust-to-Dollar Ille Salah Birhanu.pdf](https://riftvalley.net/sites/default/files/publication-documents/RVI.2021.04.27%20From-Dust-to-Dollar%20Ille%20Salah%20Birhanu.pdf)

This report is divided into two parts. The first reviews the legislation that governs Sudan's revenue system. This section details the formal 'rules of the game' that dictate how taxes are collected in Sudan and is supplemented with interviews with civil servants to provide some insights into the centre of government perspective on revenue generation. This analysis is contrasted with an analysis of the interviews that were conducted across most of Sudan's states. Both analyses highlight the gap between de jure and de facto practices that govern tax policy in Sudan, even at the centre of government. The final part of the paper advances policy recommendations for the Government of Sudan and international donors.

# Overview of Sudan's Tax Legislation and the Politics of National Tax Reforms

## A History of Revenue Centralisation

This section analyses the formal rules that govern Sudan's tax system, which are detailed in Sudanese constitutions and constitutional amendments from 1953, just before the country's 1956 independence, to 2005, when the CPA was implemented. This analysis is supplemented by a review of budget speeches and revenue legislation proposals advanced by ministers of finance from 1955/56 to 2018 and interviews with former and present civil servants.

The legal basis for the centralised decision-making over revenue in Khartoum is rooted in successive constitutions and constitutional amendments. The central government arms that dominate tax policy predominantly include the executive branch, the ministry of finance and economic planning, and to a lesser extent Sudan's legislative branch, embodied in the National Assembly. The earliest example of state centralisation in the executive is found in Article 66 of 1953's pre-independence constitution, which temporarily granted the Governor General's Council the power to impose, alter, or repeal tax policies without a legislative vote.

Early examples of the ways in which Ministers of Finance have held an outsized influence in tax policy, albeit moderated by the legislative branch of government, also emerge immediately after independence. For example, during Sudan's first three fiscal years from 1956/57 to 1958/59, Finance Minister Ibrahim Ahmed imposed or altered taxes via council orders under Article 79 of the constitution, which were included in his House of Representatives budget speeches. Control over revenue continued to be partially contained in the legislative branch despite the minister of finance's unsuccessful challenges in parliament to delegate all revenue decision-making powers to the president.

The domination of independent post-1956 Sudan's Executive Branch and the Ministry of Finance's decision-making over taxation policies reflects the ways in which colonial tax policies have endured into the present. Rather than link tax policies to economic planning, direct taxes during British occupation and into the early years of Sudanese independence were largely governance tools. This pattern emerged in part because of the structure of the colonial arrangement's economy. For instance, the economy of the Anglo-Egyptian Condominium, which was the largely British colonial arrangement that governed now separated Sudan and South Sudan, was export dominated. These exports, which largely included Gum Arabic and cotton, were essentially controlled by the central government, which required these revenues to pay for central government debts and investments.

In contrast, local governments were largely left to fend for themselves financially. While direct taxes contributed a very limited amount to the national economy, they were vital in decentralised regions. Locally raised direct taxes were expected to cover administrative salaries, including those of government selected customary authorities who collected direct taxes on behalf of the state. In a pattern that partly persists today, local governments overwhelmingly depended on transfers from the central government to deliver any public services outside of basic staff salaries. Though the central government provided some degree of public services in the peripheries but even then, these were at times 'contracted out'. For instance, in the underdeveloped region that is now South Sudan, sectors such as education and healthcare were often implemented by independently financed missionaries.

Rather than pay for government, the central government used taxes and the authority to collect taxes to 'rent' loyalty from government selected customary authorities such as chiefs, sheikhs, nazirs and omdas. These and other kinds of customary authorities were tasked with collecting taxes on behalf of the state and their shiekhship or chiefdom was determined by the number of taxpayers in their area. The state in turn used taxes to monitor the loyalty of customary authorities in the territory's vast peripheries, which then as today constituted the vast majority of the region's often difficult to physically traverse landmass and population. For example, if a sheikh was 'disloyal' and reported less tax revenue than the perceived population size, the individual might be dismissed. Additionally, taxes were also a key component of the colonial state's arsenal in its attempts to territorialise often highly mobile people to different parts of the country, as a more settled population was easier to survey than a mobile one.<sup>24</sup>

Nor was this relationship one-sided, as customary authorities also materially benefitted from the arrangement as they obtained a proportion of tax revenue for their own gain. Customary authorities presumably acquired enhanced social status, which was backed by the violence of the colonial state. In turn, chiefships and sheikhships in some parts of the territory were transformed from institutions that were so perilous and low status during the Ottoman rule that preceded British arrival that enslaved individuals were sometimes granted the onerous task.<sup>25</sup> As evidence from the interviews this project conducted reveal, customary authorities continue to derive their authority from their position as privileged and at times imperilled intermediaries between the government and citizens.

Independent Sudan's revenue system has continued to depend on international trade, with cotton initially playing an outsized role in the national economy, while direct taxes ostensibly were subsidiary to local political considerations. Sudan's economy in part faltered due to the collapse of the cotton market in the 1950s and by the 1970s the country was increasingly dependent on loans, many of which were increasingly subject to Bretton Woods economic reforms. This transition was reflected in some of the revenue legislation that emerged during these years. In addition to embedding authority in Sudan's legislative arm, in 1973 the House of Representatives was granted expanded authority over revenue decision-making over foreign loans under Article 180 of the 1973 constitution.

The central government adopted other types of legislation that focused on large taxpayers rather than smaller ones during these years. For example, a 1974/75 budget speech called for the creation of a Khartoum-based central committee to explore "the structure of a court of appeal for all problems related estimations of direct taxes in directorates". This approach is meaningful for two reasons. The first is because it theoretically transferred some of local governments' power, in the form of directorates and local councils, to the central government, which controls appeal decisions made through the committee.

Secondly, the decision specifically sought to target courts on medium and large businesses, which constitute the majority of the country's direct tax base. Whereas in the same budget speech 'to reduce the burden on small merchants and craftsmen, preparations have been made to fix their tax estimations for a period estimated by 3 years to enable to plan their lives accordingly'. While the latter potentially decreases the administrative burden assessing direct taxes, the overall outcome further contributes to

<sup>24</sup> Benson, M. (2019) 'Taxation, Local Government and Social Control in Sudan and South Sudan, 1899-1956'. Doctoral Thesis, Durham University.; Leonardi, C. (2020) 'Patchwork States: The Localisation of State Territoriality on the South Sudan-Uganda Border, 1914-1940', *Past and Present*, 248. pp.209-258.

<sup>25</sup>Jackson, H.C. (1954) *Sudan Days and Ways*. London: Macmillan.; Asad, T. (1970) *The Kababish Arabs: Power, Authority and Consent in a Nomadic Tribe*. London: Hurst.; Mamdani, M. (1996) *Citizen and Subject: Contemporary Africa and the Legacy of Late Colonialism*. Princeton: Princeton University Press.

the central, rather than subnational, government's unilateral legislative control over the country's revenue system.

The 1985 constitution eventually granted the president greater decision-making power over revenue when it was incorporated into 'any issue of governance or an emergency that requires issuing a law', although parliament could not be in session. The steady centralisation of the legislative ordinances that control Sudan's revenue system continued into the 1990s. According to a 1996 budget speech, Value Added Taxes (VAT) and Business Profits Taxes were under federal government control. Likewise, indirect taxes on 'petrol, extracted minerals, tobacco and cigarettes, cement, tyres, paint, batteries, sugar fizzy drinks, products of mills, packaging, [the] fabric industry, medicines and leather' were also officially under federal control.

Collectively these decisions have contributed to Sudan's contemporary reality, where the federal government is estimated to collect over 90 percent of the country's taxes. The breakdown of Sudan's tax regime assigned to different levels of government according to the 1998 Constitution is detailed in Table 1. (See Table 2 on page 18 for the legislative basis for all of Sudan's different central and subnational state sources of finances.)

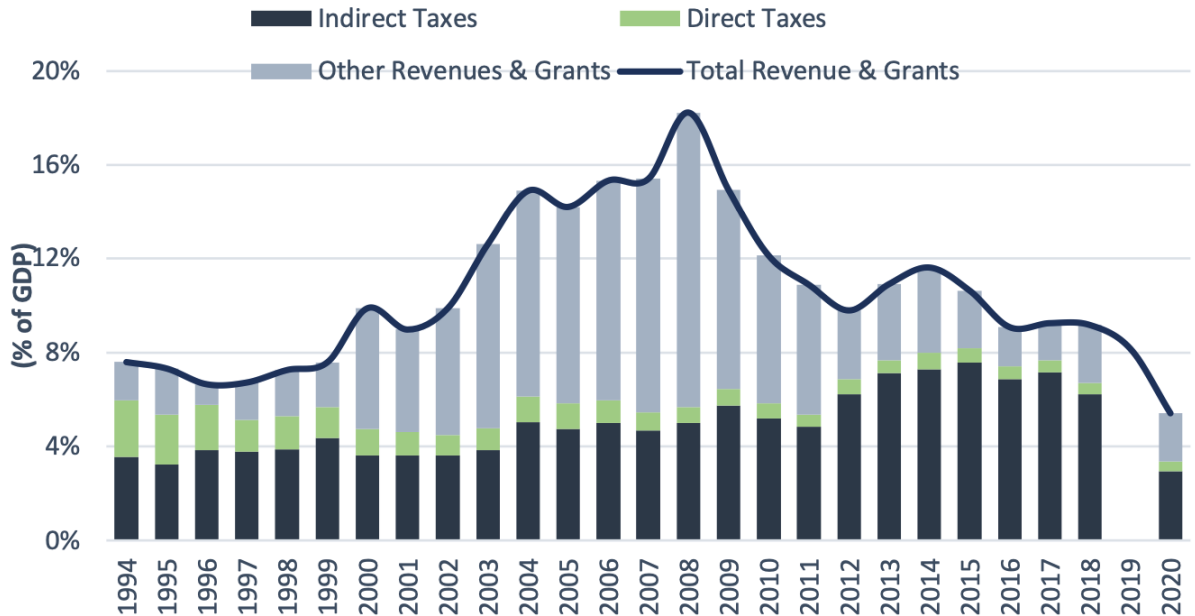
**Table 1: Financial Resources Assigned to the Different Levels of Government According to the 1998 Constitution<sup>26</sup>**

<b>Federal Level</b>	<b>State Level</b>	<b>Local Level</b>
(a) customs revenues and the revenues of international ports and airports ; (b) companies' profits tax, personal income tax and stamp duty of federal and interstate dealings ; (c) profits of national projects; provided that there shall be allocated to the states to which they extend a percentage as the law may specify ; (d) federal industries' excise duty; (e) expatriates' taxes and foreign institutions and activities taxes ; (f) any such other taxes or fees that do not affect the State's or the local government resources ; (g) grants, loans and credit facilities.	(a) business profits tax ; provided that there shall be a percentage allocated to localities by a federal law ; (b) state's industries excise duty ; (c) state's licences returns ; (d) state's taxes and fees ; (e) state's projects' profits ; (f) internal grants loans and credit facilities.	(a) estates tax ; (b) sales tax ; (c) agricultural and animal production tax ; provided that there shall be allocated a percentage to the state by a federal law ; (d) local land and river means of transport ; (e) local industrial and artisan excise duty ; (f) any other local resources.

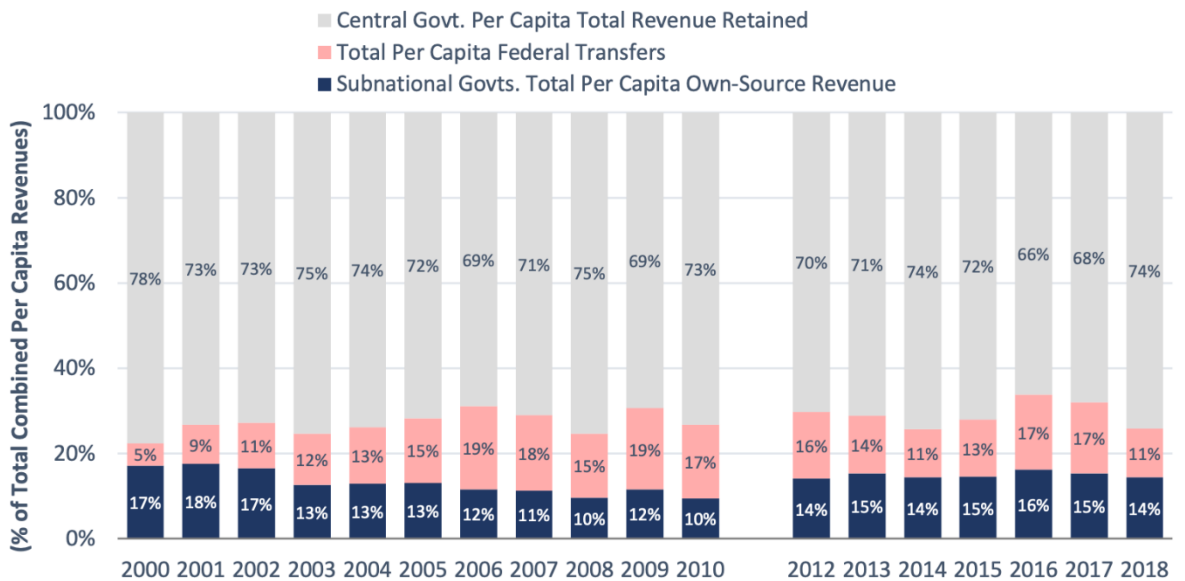
<sup>26</sup> Logan, S., Nyembo, A., Owen, B., Saab, M., Sacchetto, C. (2021) 'Fiscal Federalism in Sudan', International Growth Centre State Fragility Initiative, Working Paper.

And as Figures 1 and 2 illustrate, the central government has heavily relied on nontax revenue for over two decades. Meanwhile, Figure 2 helps visualise the extent to which the central government has captured revenues in the country, even when adjusted for fiscal transfers that go from the central government to subnational governments.

**Figure 1: Central Government Revenue Trends by Category (% of GDP)<sup>27</sup>**



**Figure 2: State and Local Government Revenues vs. Central Government Revenues (% of the Total Combined Per Capita Revenues), Adjusted Population Figures<sup>28</sup>**



<sup>27</sup> Logan, S., Nyembo, A., Owen, B., Saab, M., Sacchetto, C. (2021) 'Fiscal Federalism in Sudan', International Growth Centre State Fragility Initiative, Working Paper.

<sup>28</sup> *Ibid.*



## **Intergovernmental Fiscal Transfers in Sudan**

The previous section traces the historical development of the legislative framework that centralises taxes in Khartoum. The overarching picture that emerges from this analysis is that Sudan's de jure tax system is centralised in the state's executive and legislative branches, which are both influenced by input from the Ministry of Finance and Economic Planning. In comparison, perspectives from sub-national governments appear to have largely fallen outside of the relevant discourses around tax policy that this research study analysed.

To redress the centre of government focus in Sudan, this study attempted to dig deeper into the state perspective on revenue flows. Interviews with Ministry of Finance and Economic Planning officials revealed the extent to which vertical transfers from states to the national government are difficult to trace. Rather than report transfers by state, interviewees reported that data is recorded by sector.

So instead of readily identifying revenue flows from each state, data is monitored by the value raised from the agriculture sector, different kinds of industries, Value Added Taxes (VAT) and so forth. State Ministries of Finance are involved in some of these transfers; however, transfers are reportedly made via 'revenue centres', which include: the Tax Chamber; Customs Authority; the Ministry of Federal Governance; the Ministry of the Interior; the Zakat Chamber; and, the Ministries of Mineral Resources and Petroleum Resources.

Transfers from the federal government to states include grants, development funds, commodities and services and compensation for staff salaries. These are also largely controlled by the federal government, despite a new initiative to include state ministries of finance in the implementation and monitoring of these transfers. Development projects are planned and approved by sector, such as health or infrastructure, and relevant federal and state ministries are involved, but state ministries of finance are generally not engaged. Interviewees in the Ministry of Finance and Economic Planning reported that while there is sectoral knowledge of the value of transfers to states, states nor the federal government have detailed knowledge of the amount of revenue transferred to states.

Much like Sudan's tax legislation that is composed of a palimpsest of different documents that reform the system, Sudan's intergovernmental transfer system is also disparate. Table 2 details the revenue type, the revenue item and the legislative document that legally dictates how states can collect and allocate revenue and expenditure.

**Table 2: Revenue Sources Assigned to States<sup>29</sup>**

<b>Revenue Type</b>	<b>Revenue Items</b>	<b>Determination of Collection/Allocation</b>
Own Source Revenues	State land and property tax and royalties; service charges for state services; licenses; state personal income tax; levies on tourism; state government projects and national parks; stamp duties; agricultural taxes; grants-in-aid and foreign aid; excise duties; border trade charges or levies in accordance with national legislation; many other taxes as may be determined by law.	Combination of fiscal base and effort by individual states.  Potential bases provided by Article 193 of the INC
Shared Revenue	2 percent of petroleum revenues by derivation	State share of revenue based on derivation basis (and other criteria), established by CPA
Grants and Transfers	<ul style="list-style-type: none"> <li>• <i>Current earmark transfers:</i> Wages (Judicial, police, high education) Operations (Judicial, police, high education)  Social subsidies transfers</li> <li>• <i>Current block transfers:</i> Agricultural taxes compensations Current transfers (largely for wages) Emergency Aid ad hoc transfers</li> <li>• <i>Development transfers:</i> State development projects (local component)</li> </ul>	May be determined by formula, existing establishment costs (e.g., wages), or are in a sense ad hoc and discretionary.

<sup>29</sup> *Ibid.*

	<p>State development projects (foreign component)</p> <ul style="list-style-type: none"> <li>• <i>Development and reconstruction funds for war affected areas</i></li> <li>• <i>2020 Juba Peace Agreement (JPA) Specifics*:</i> <ul style="list-style-type: none"> <li>○ <i>Darfur to receive USD 750 million annually from the central government</i></li> <li>○ <i>Similarly, USD 348 million is to be given to the Reconstruction and Dev. Fund for Eastern Sudan.</i></li> <li>○ <i>Implementation will require a level of revenue capacity that Sudan does not have, nor is it likely to receive enough support from the international community to cover implementation requirements.<sup>30</sup></i></li> </ul> </li> </ul>	
<p>Borrowing</p>	<p>National loans/borrowing in accordance with the 2005 International National Constitution and</p> <p>Subnational borrowing is also permitted within JPA provisions.</p>	<p>Subnational Borrowing: Under the Blue Nile and Kordofan Agreement of the JPA, state/regional governments have been given exclusive powers to</p> <p>(i) borrow money for the purposes of development and construction from national bodies with the guarantee of the state/regional government and</p> <p>(ii) to exercise the right to borrow loans with the Sudan Central Bank or the state/regional government securing the collateral.</p> <p>The Darfur Agreement stipulates loans, domestic and foreign borrowing in accordance with the credit rating and in line with the national economic policy under sources of exclusive revenue for the</p>

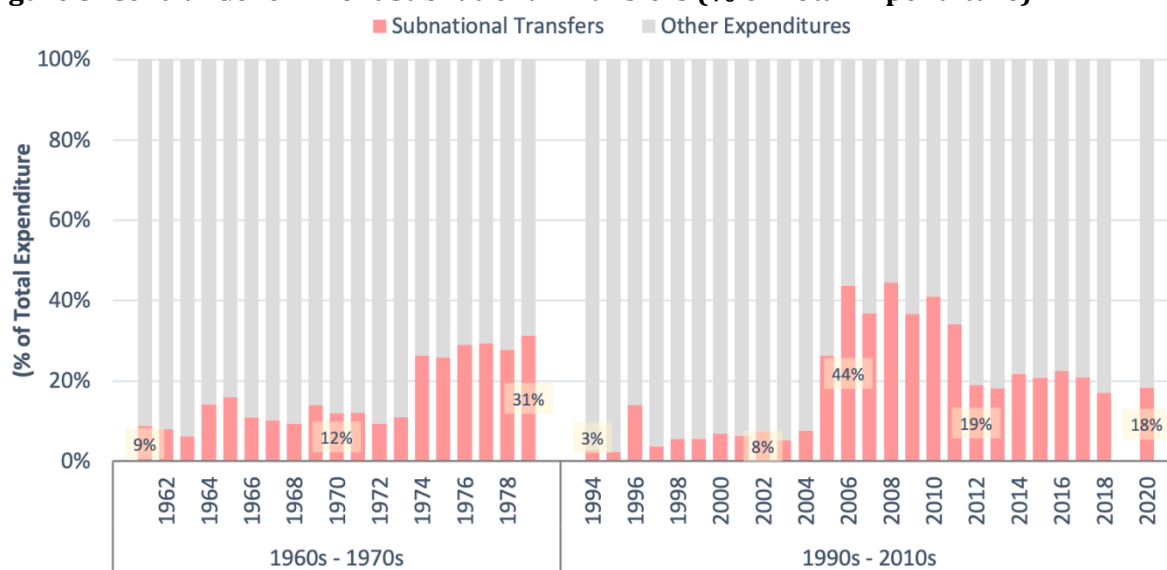
<sup>30</sup> Logan, S., Nyembo, A., Owen, B., Saab, M., Sacchetto, C. (2021) 'Fiscal Federalism in Sudan', International Growth Centre State Fragility Initiative, Working Paper. p.25.

		state/regional government of Darfur. <sup>31</sup>
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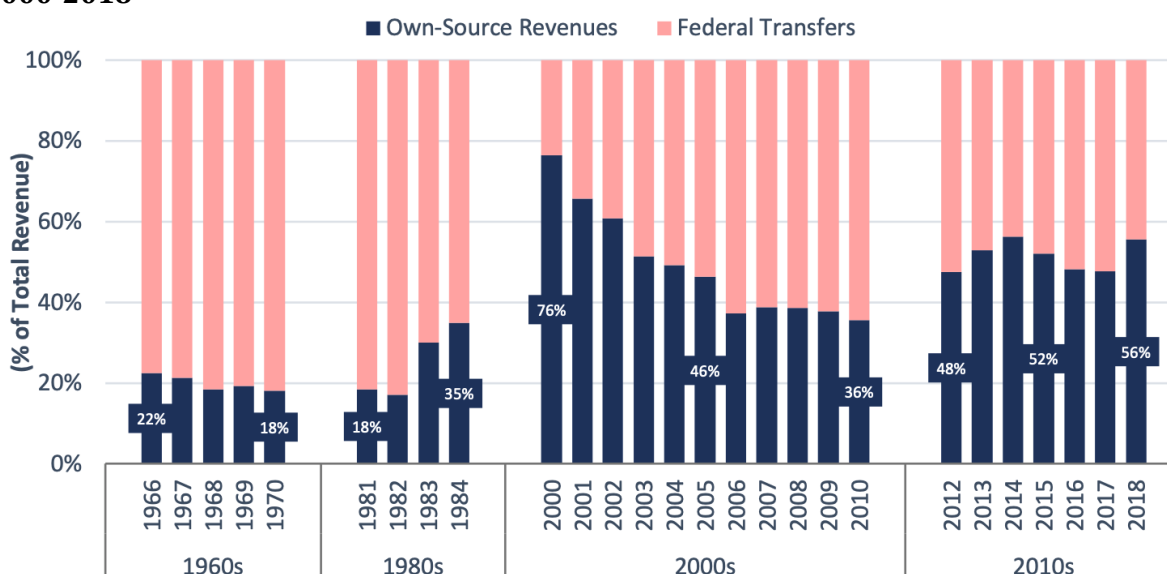
<sup>31</sup> Logan, S., Nyembo, A., Owen, B., Saab, M., Sacchetto, C. (2021) 'Fiscal Federalism in Sudan', International Growth Centre State Fragility Initiative, Working Paper. p.46.

As Figures 3 and 4 illustrate, states have been overwhelmingly dependent on federal transfers at various points in Sudan’s history. As both figures reveal, there are also significant gaps in revenue data availability in Sudan. For instance, the table omits data from what is now South Sudan and combines data from Sudan’s Chamber of Federal Governance, the World Bank, the International Monetary Fund (IMF) and the Central Bank of Sudan to approximately aggregate data. Given the differences in how data is collected across these different institutions, there are data gaps and increased potential for inconsistencies. Both figures nevertheless provides indicative pictures of the ways in which states have increasingly raised more own-source revenues in the past two decades.

**Figure 3: Central Government Subnational Transfers (% of Total Expenditure)<sup>32</sup>**



**Figure 4: State and Local Government Revenue Sources (% of Total Revenue) 2000-2018<sup>33</sup>**



<sup>32</sup> Logan, S., Nyembo, A., Owen, B., Saab, M., Sacchetto, C. (2021) ‘Fiscal Federalism in Sudan’, International Growth Centre State Fragility Initiative, Working Paper.

<sup>33</sup> *Ibid.*

Figure 5 provides a closer analysis of own source revenue breakdown from 2005 to 2011. When averaged across Sudan's states, most (77%) state revenue comes from fees and charges and tax revenue generates just 5% of total average state revenue.

**Figure 5: Own Source Revenue Breakdown (2005-2011 averages) (% of Total Own Source Revenues)<sup>34</sup>**

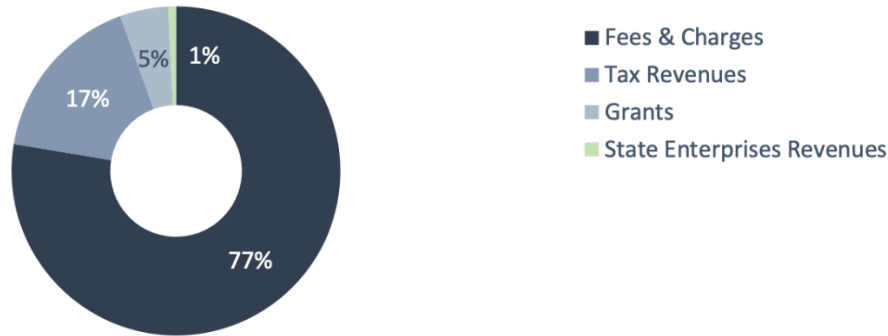
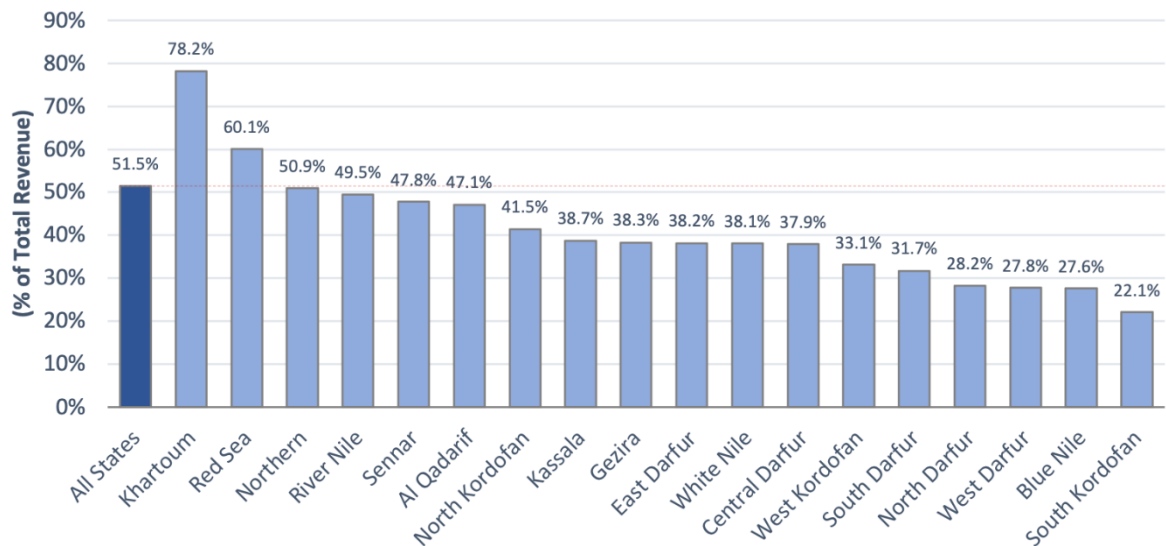


Figure 6 provides a clearer perspective on the percent total of own source revenue across Sudan's 18 states from 2012 to 2018. Khartoum State raises the most own source revenue (78.2%) whereas South Kordofan raises the least own source revenue (22.1%).

**Figure 6: Subnational Own Source Revenues (% of Total Revenue) Average 2012-2018<sup>35</sup>**



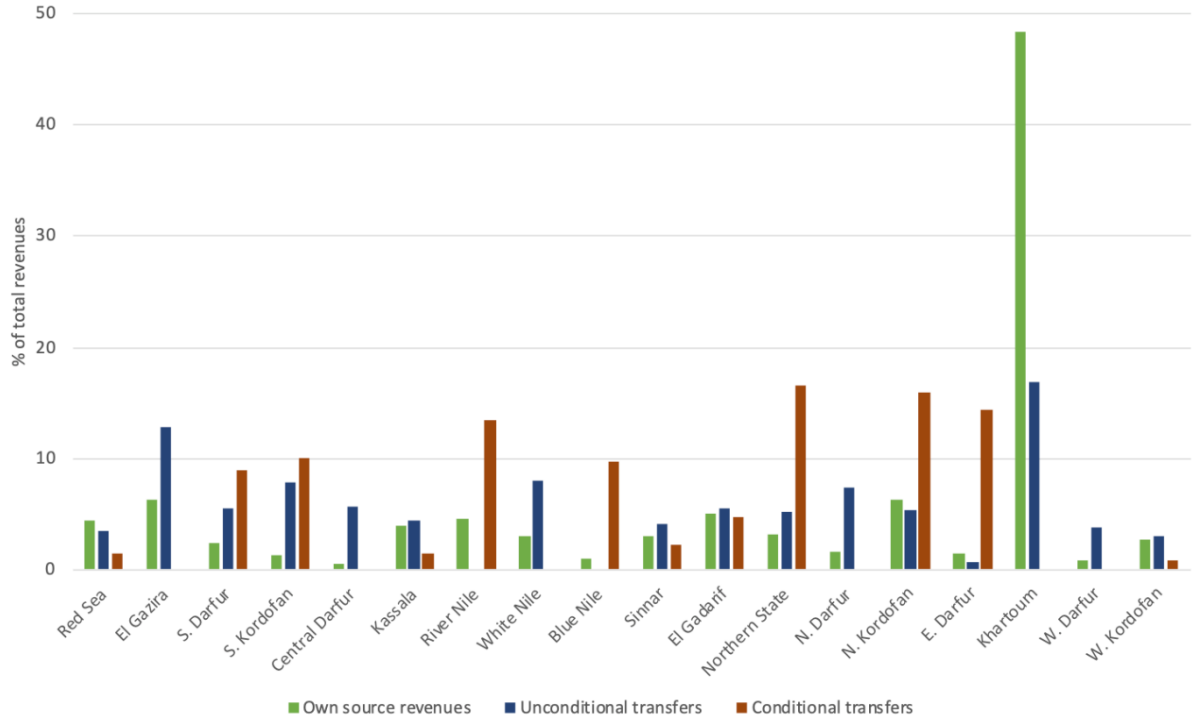
Similarly, Figure 7 provides a snapshot of state revenue sources from the year 2017. Figures 7 and 8 detail the disparity between Khartoum state's own sources revenues and all other states, which speaks to the ways in which the Hamdi Triangle, and Khartoum State in particular, has meaningfully captured central government expenditure both through government transfers and own source revenues.

<sup>34</sup> *Ibid.*

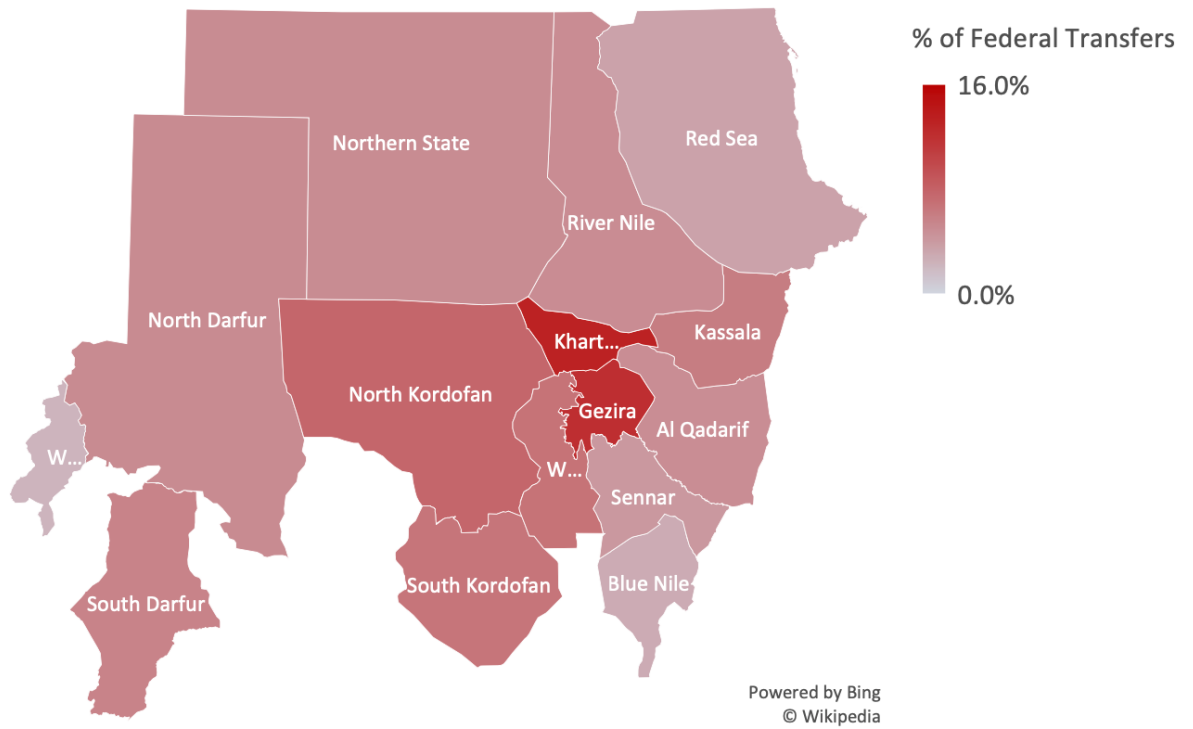
<sup>35</sup> *Ibid.*



**Figure 7: Composition of States Revenues (2017)<sup>36</sup>**



**Figure 8: Federal Transfers by State (% of Total Federal Transfers) Average 2012-2018<sup>37</sup>**



<sup>36</sup> *Ibid.*

<sup>37</sup> *Ibid.*

The dearth of government financial data, which is exhibited throughout each of this reports figures and tables, has hindered successive subnational governments' ability to implement development initiatives all through Anglo-Egyptian rule into the present. For example, the author's analysis of the Anglo-Egyptian Condominium's revenue system from 1898 to 1956 similarly revealed a sectoral rather than regional focus in government financial reporting.<sup>38</sup> While this might appear to be a minor analytical inconvenience, at its heart the way financial data has been collated and reported is deeply political and reflects an ongoing tension between economic planning 'based on prose' rather than the 'readily quantifiable'.<sup>39</sup>

As Alden Young notes, this tension first emerged in the country's first development plan, 'The Five Year Plan for Postwar Development, 1946-1951'.<sup>40</sup> In the late 1950s just before independence, Ministry of Finance officials were explicitly wary that improved regional economic data would contribute to conflicts within the country as regional disparities became more apparent to emergent political blocks. The implications of the persistent turn towards economic planning based on prose has arguably contributed to regional tensions between Khartoum and Sudan's social and economic peripheries that endures today.

The central government's suspicion towards subnational governments is another legacy that resembles patterns colonial administrators during Anglo-Egyptian rule regularly reported. Interviews with mid-level Federal Ministry of Finance (FMoF), Tax Chamber and other central government ministerial staff regularly equated loosened central government economic planning with corruption or financial mismanagement. The notion that decentralising tax collection would contribute to a 'violation to the FMoF's control over public funds' frequently emerged. This language is rooted in the first budget speech that followed the 'dark era of the May revolution' as a post-Nimeiri 1985/86 budget speech declared. The speech subsequently blamed poor sub-national economic governance for the country's economic collapse, while ignoring the fact that the federal government held most of the country's financial levers.

The analysis of central government budget speeches illustrates the multifarious ways in which tax policies have beholden to political messaging and subject to external influence rather than meaningful attempts to redress fiscal inequities in the country. The earliest example comes from the United Nations' tax policy advice for newly independent Sudan in the 1957/58 budget speech which resulted in sustained push for low-income taxes so as not to discourage external investment in the country.

More recently, Sudan's own business lobbies, largely in the form of the Sudanese Businessmen and Employers Federation (SBEF) appears to influence the tax system. As early as the 1978/79 budget speech the SBEF has successfully lobbied for amenable tax policies. To date, the 2009 Competition (Organization) and Monopoly (Prevention) Act creates a presidential council, which includes specific provisions for an SBEF representative to belong to the monitoring body. The 2018 Consumer Protection Act contains similar provisions for the SBEF to belong to a monitoring group, which points to the ways in which 'jellaba' politics continue to influence the legislative environment that shapes taxation and other aspects of state-business relations.

As this section illustrates, Sudan's 18 states are locked into a legislatively dependent relationship with Khartoum and the Hamdi Triangle. While this project was unable to find, let alone analyse or verify, state budgets in Sudan as these are not publicly

<sup>38</sup> Benson, M. (2019) 'Taxation, Local Government and Social Control in Sudan and South Sudan, 1899-1956'. Doctoral Thesis, Department of History, Durham University.

<sup>39</sup> Young, A. (2017) *Transforming Sudan: Decolonization, Economic Development, and State Formation*. Cambridge: Cambridge University Press. pp.78-79.

<sup>40</sup> *Ibid.*

available, evidence from other studies highlights that Sudan's states are also locked into fiscal dependence with the centre.<sup>41</sup> Consequently, even if states have the legislative authority to raise their own tax revenue, with oversight for state expenditure, they still depend on Khartoum for fiscal handouts. This overarching finding is significant because much of the literature on Sudanese politics emphasises geographic, cultural, and religious differences in Sudan. Whereas when viewed through a revenue perspective, the vast economic and social peripheries are bound into a very similar relationship with the centre.

This section's analysis reveals that Sudan's tax system more closely resembles a palimpsest of different tax policies rather than a blank slate that is dramatically rewritten with each legislative change. As the next section's analysis of interviews conducted across Sudan reveals, multiple respondents reported that the way taxes have been collected in the regions in which they were familiar had remained broadly similar since Anglo-Egyptian occupation. In sum, approximately 65 years of independence have failed to disrupt overarching governance logic that centralises the power to grant the authority to tax and to disperse revenues to financially hobbled states as a means of sustaining power in Khartoum and the Hamdi Triangle.

Instead, rather than disrupt the overarching political economy of Sudan's centre-periphery dynamics, these reforms appear to have been designed to signal to national elites and international actors, including multilateral institutions, that the revenue system was fit for purpose. So, while several tax reforms have been introduced, they appear to have been a component of maintaining an elite bargain, albeit at the expense of bringing most of the geographic peripheries and Sudan's population into the state. This point is far from academic, and holds valuable insights for national and international policymakers to work 'with the grain' of pre-existing governance logics in ways that informs this paper's recommendations.

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<sup>41</sup> Fjeldstad, O. (2016) 'Revenue Mobilization at Sub-National Levels in Sudan', Chr. Michelsen Institute, Sudan Report SR2016: 1.; el-Battahani, A. and Gadkarim, H. (2017) 'Governance and Fiscal Federalism in Sudan, 1989-2015: Exploring Political and Intergovernmental Fiscal Relations in an Unstable Polity', Chr. Michelsen Institute, Sudan Report SR2017:1.; Logan, S., Nyembo, A., Owen, B., Saab, M., Sacchetto, C. (2021) 'Fiscal Federalism in Sudan', International Growth Centre State Fragility Initiative, Working Paper.

## Analysing Sudan's Tax System from Below: Evidence from Sudan's States

This section of the paper reflects key findings from 300 interviews that were conducted across 16 of Sudan's 18 states. The analysis illustrates that a major consequence of Sudan's overarching fiscal and legislative environment is that it draws the peripheries into a relatively similar tributary relationship with the centre in two ways:

Firstly, while the social relations that subnational taxes inform are in theory highly top down, there is considerable room for political and economic 'entrepreneurs'. These individuals or groups impose or bolster their own authority through the power or authority to tax or grant tax exemptions. It also holds true for all three of the different formal and informal taxation categories that exist in subnational governments: zakat, which is form of religious tithing; government taxes, which include a range of formal taxes and fees; and, unofficial informal 'rebel' taxes that have been imposed by different non-state actors at various timeframes.

Secondly, taxpayers are bound into a broadly similar relationship with subnational governments across Sudan. Nearly all respondents perceived tax collectors with sharp and nearly universal distrust and dissatisfaction. Likewise, the tax collectors surveyed also reported of known 'bad eggs' within the current system at the individual level. The other side of subnational fiscal dependence on the centre, is increased predation, ostensibly with relative impunity, upon ordinary taxpayers for cash and at times non-monetary taxes or fees such as grain or seeds. Zakat appears to be an exception to this rule, in large part because of the increased citizen participation in how this taxation category is raised, which is typically community based, and the fact that it is collected on a semi-voluntary basis.

### Taxation and Public Authorities in Sudan

Each of the three types of taxes that respondents reportedly pay in Sudan are collected via different types of public authorities. 'Formal' taxes and fees, which are wide ranging and difficult for taxpayers to discern given the number of taxes, are typically collected by government officials. These are generally reported as collected in cash and informed by central government decision making, which adheres to formal rules defined by the national legislative and then assigned to each sector.

While this process appears to be relatively clear, in practice, multiple respondents noted that tax rates are subject to waves of changes that are very poorly understood. The mayor of a tribe in Red Sea State argued that the system became more confusing following the transition away from Native Administrations, which were a key part of Anglo-Egyptian rule, and abolished by the Nimeiri regime and later reintroduced:

*'When the British rule came, they introduced major changes by introducing laws and regulations governing customs and duties and determining the revenues and collection from the population. However, the citizens of Sawakin rejected the principle of tax, considering that this is our country and our land, we will not pay money to the foreign government.'*

As the respondent notes, colonial tax practices were unpopular in the country and there are several examples of tax rebellions that took place, including the first rebellion

against colonial rule during the 1921 Nyala Rising.<sup>42</sup> A director within the unified tax centre in Gedarif also provided a brief oral history of the formal tax regime in the area in which the individual worked as having clear continuity from just before independence into the present:

*'Tax payment started in 1954. It had a small department within the Ministry of Finance. In 1967, it became an independent department outside of the premises of the Ministry of Finance. In 1964, 1965 and 1967, Personal Income Taxes (PIT) and real estate taxes were introduced. The damgha tax [fees imposed at government institutions] was also introduced in the 1960s and the 1970s. The same period witnessed the introduction of the national contribution in capital gains and we are still using these same taxes up to this moment. The only difference is in the amounts of each group.*

*Since 2000, however, some types of taxes were abolished, and new ones were introduced such as the sales tax]. The production tax was replaced by VAT [Value Added Taxes]. It is the same tax, but the name was changed.'*

Other junctures in Sudan's tax policies were described across interviews. For example, taxes appeared to change following South Sudan's separation from Sudan and subnational governments in Sudan were hobbled in the country and reportedly increased a range of levies and fees that were experienced as predatory. One tax collector in Gedarif noted that there was a 'financial drought in our salaries' following South Sudan's independence. A former tax collector in South Kordofan reported:

*'The tax situation in South Kordofan was affected by the secession of Southern Sudan and the wars (rebellion) that led to the exit of many areas from the circle of government control, which caused a decrease in production. As a result of this, there was a decrease in the tax fees that have been collected.'*

Similar instances have followed both the on-going December Revolution and the impact of Covid. Tax collectors and taxpayers that this study interviewed both reported that the former essentially 'froze' tax collection in different parts of the country. Whereas subnational budgets appear to have been badly damaged by Covid-19 in ways that are still poorly understood.

One employee in the Ministry of Finance in Kadugli listed the range of fees, which the individual noted as distinct from taxes, even though most taxpayers surveyed in this study did not make this distinction:

*'If we want to define these things, there is a difference between fees and taxes, and what is done in the state here cannot be considered taxes in the first place, but a fee for something you want. For example, if you go to the barber, you pay a fee for the service, and likewise, the state demands that you pay fees on services.*

*As for taxes, it is a separate body and its administration is centralised with a branch in the state that collects tax fees. They [taxes] are not in return for a service and they are various, such as sales tax, Personal Income Tax (PIT) or taxes on profits. However, there is a problem in collecting taxes in Sudan as they are not properly collected, but there is [still] an insistence on collecting fees without providing services'*

The same individual remarked that 'fees are found everywhere', including those imposed by the Ministry of Agriculture and the Ministry of Health.

<sup>42</sup> Vaughan, C. (2010) 'Reinventing the Wheel? Local Government and Neo-Traditional Authority in Late-Colonial Northern Sudan', *The International Journal of African Historical Studies*, Vol. 43, No 2. pp.255-278.

Given the dependence on local agricultural conditions among many Sudanese who are pastoralists or otherwise engaged in the agrarian economy, droughts have also disrupted the tax system in ways that are more localised. For instance, in North Kordofan a sheikh described the impact of drought and famine on tax collection:

*'I have known this [tax] system since the 1970s. This 'Talab' [a 'request or demand of government'] or 'Gottaan' [a type of herd tax] system did not change, except in the era of drought. In the era of drought for two years there was no 'talab' or 'gottaan' [and in] 1983, 1984, and 1985 it stopped [...] because of drought and famines [which] killed animals. But in 1988 it returned and continues today'.*

Amidst this confusion and the proliferation of taxes and fees, which has become embedded through national, social, political, and economic developments as well as legislative ones, Sudan's tax system was repeatedly described as confusing. This confusion has created openings for tax 'brokers', which one respondent in the Red Sea referred to as 'kobris', Arabic for 'bridge'. Kobris act as intermediaries between merchants and the tax office. This relationship is described by a respondent as a form of semi-institutionalised corruption that nevertheless lubricates the confusing process of paying formal taxes:

*'In addition to that, they have people who deal with them informally, like the matter of "brokerage" we called them Kobri (bridge), for example, if you have a tax and you protest it, and you end up resorting to appeal, your desire to appeal does not materialize, but if you leave this matter to the people who work Informally in taxes, "brokers" solve the matter the way you want, not the way the tax office gets, and this is also great corruption.*

*'They do not work in taxes; they are people who come and take your tax file and complete the tax procedure. These Kobris are well-known people to the tax office. They do not have any name or official capacity; you can call them as they are intermediaries between merchants and the tax office. They derive their influence from their relationships with tax officials, and their common name here is Kobri, which is a well-known name for them, and this is a form of corruption because taxes do not have a known system or a clear system.'*

In contrast to government taxes and fees, zakat and other kinds of community-based taxes are collected by different types of customary authorities. The taxes customary authorities have collected have also been subject to political changes and are collected in cash as well as in kind, through items such as grain and seeds. As a respondent in Red Sea noted, colonial tax methods that operated through Native Administrations endured into Sudan's 1956 independence. Native Administrations were introduced during Anglo-Egyptian rule and were comprised of government-backed customary authorities who act as mediators between people and government and were a key component of the British colonial strategy of indirect rule. However, these were removed during the 1971 Local Government Act, which in theory meant that customary authorities no longer collected taxes on behalf of government.

In practice, however, multiple respondents across different parts of Sudan, including Red Sea, Gedarif, Darfur and Blue Nile, noted that a range of taxes continue to be collected by customary authorities. This also included areas where mining was taking place in Red Sea, where customary authorities reportedly had to be consulted for miners to obtain access to mining areas. Zakat, which is a kind of religious tithe, was also reportedly collected by religious authorities.

The third category of taxes, which are collected or historically have been levied by armed groups, particularly in Blue Nile, Kordofan and the Darfurs. But, even in the instance of armed group taxes, these are still moderated by customary authorities, who



bargain or mediate access between armed groups and taxpayers. In Northern Kordofan for example, these kinds of taxes explicitly mirror those that are still prevalent in South

Sudan, including 'attap', which is a kind of community-based payment made to customary authorities.<sup>43</sup>

## **Taxation, Social Relations and Public Service Delivery**

Given the different types of public authorities and intermediaries that collect taxes, and the pervasiveness of taxes in Sudanese people's lives, taxes are arguably the primary means through which people experience government. Conversely, taxes also shape how subnational civil servants experience the national government and illustrate the gap or bifurcation between Sudan's formal tax collection rules and the everyday politics of taxation that the previous section scoped. This subsection explores how taxes inform social relations between people and government and between subnational civil servants and the national government.

The overarching finding from virtually every taxpayer of government taxes the project surveyed is that in contrast to community or customary taxes, government taxes are understood as a form of organised predation or institutionalised corruption. One wholesaler summed this dynamic up with the observation that the *'best name for tax collecting is hambata – armed robbery. This term means that you are robbed by two people in the street but in a legal and nice way.'*

The sentiment behind this statement partly derives from some of the aggressive methods that tax collectors and taxpayers reported in relation to government taxes. For example, in Gedarif one businessperson had their market stall closed as a 'ransom' until taxes were paid on time. Other taxpayers and tax collectors countered this perspective with the view that they could negotiate or bargain with tax collectors, as the previous section's example of animal taxes in Northern Kordofan also indicates.

The primary barrier to the satisfaction of taxes is the overwhelming view, even among some subnational government tax collectors, that taxes fail to contribute any kind of public service. The lack of transparency over tax revenues is one of the most pressing concerns among taxpayers, with some taxpayers reporting that they must 'beg' for receipts that provide evidence that taxes have been paid. Or as an agriculture crops exporter in East Gedarif responded:

*'Let me tell you something. Taxes normally imposed when officials sit together with the federal chamber of taxation and the central bureau of taxation and then they impose the taxes. But here, things are done according to the mood of the tax collectors. This is especially true when it comes to the tax estimation. If the value of one bag of sesame is SDGs 13 thousand, they will just say ok how much should we take? There is nothing fixed. We don't know where this tax goes, especially here in Gedarif. We have no roads, no potable water and we lack basic life conditions here in the Sudan. The crops market collects high taxes but there is not even a toilet. There is no water to drink.*

*Is this tax collected for the provision of services or to help the government stay in power? Are the taxes paid here in Gedarif paid to the Khartoum Centre of Taxation in order to befriend the rulers in Khartoum?'*

<sup>43</sup> Benson, M. "Who is this Government Really?: South Sudanese Perspectives on Taxes and Public Authority", London School of Economics Conflict Research Programme Blog, 14 May 2021. Available at: <https://blogs.lse.ac.uk/crp/2020/05/14/south-sudanese-perspectives-on-taxes-and-public-authority/>

Nor is this concern solely a challenge for taxpayers. The perception that taxes fail to support basic living improvements and might sustain non-democratic elements in

Khartoum is so widespread among respondents that tax collectors claimed it was the single biggest obstacle or barrier to their efforts to raise taxes. One tax collector plainly

reflected on the ways in which this was undermining trust in the revolutionary government with the acknowledgement:

*'I am afraid that people might say that it was better during the time of the former regime'. Another added explained that: 'People don't understand taxes and they feel that it has no impact on their life in the form of services. They feel that this amount of tax collected from them is lost money. They lack a sense of citizenship.'*

The same tax collector added that tax collectors were caught in a double bind, in large part because of low salaries and challenging living and working conditions that they are also subject to. This individual remarked that:

*'The most painful thing is that the tax collector himself has no water services in his house. When we collect taxes we inform the people that this money is going to be used in the provision of basic services. They ask us questions about where their money goes. We answer by saying that we give it to the state, which use it in doing so and so.'*

This dynamic is deeply demoralising for tax collectors, who are framed as victimizers even as they understand their own victimhood. The same individual frankly acknowledged:

*'I personally feel that our answers are not logical and are not real. These amounts of money do not come back in the form of basic services. Taxes are paid very quickly and easily. [Which contrasts with] the provision of [public] services, which comes in a slow and shy way'.*

Amidst these dynamics, tax evasion is rife. One respondent observed: *Taxes rise, year after year, in an astronomical manner. It is really illogical. That is why, when we see a tax collector at the beginning of the year, we try to flee'.* The actual act of fleeing taxes emerged throughout the research and might partly explain how demand for *kobris*, or for what effectively resemble tax farmers in early-modern Europe has come to flourish.

Nor do taxpayers flee on foot. There were also reports from South Kordofan that people evaded taxes by illicitly shipping goods in government or even military vehicles, which are tax exempt. As a former tax collector in the state replied:

*'One of the biggest difficulties facing employees in South Kordofan is the expansion of the state's borders and its openness to other states, which causes very large smuggling operations. The second thing is to hire army vehicles to transport goods and crops specifically, as they are not subject to collection points and do not pay tax fees as governmental entities and it is the biggest threat to resources in the state. Likewise, forest products, such as coal, and various commodities, they are entered on the basis that they belong to the army, but in fact they enter the market as commercial goods'.*

In addition to suspected criminality, the absence of economic opportunities that subnational governments could tax emerged as another frequent concern among tax collectors and was also provided as a justification for the proliferation of taxes. A Ministry of Finance official in Kadugli, South Kordofan observed that in contrast to Port Sudan, which has a seaport and Kosti which as river transport, the only 'solution' for the state's public administration was to 'impose duties on goods and crops'.

While government taxes and fees were overwhelmingly perceived with distrust and suspicion, more informal community based taxes, such as zakat and even informal fees to maintain access to natural resource rents were viewed more favourably. On the former, zakat at times functions as kind of social safety net that is administered by local

religious officials. Whereas other community-based fees were also reported during marriage parties and death ceremonies, alike. This finding supports this paper's

recommendation that increased revenue transparency is integral to improving trust in government.

In conflict affected regions such as Blue Nile and also parts of Darfur, tax as 'protection' emerged as a theme. A religious leader in the region noted that: *'There are also payments to the security forces in conflict zones that citizens and business owners pay in exchange for protection for a convoy'*. The system was semi-routinised and apparently incurred specific amounts for different types of convoys. A similar finding emerged from Red Sea State where there are some informal mining activities taking place:

*'Mining fees in the Red Sea, but they are few and almost negligible, are just a small fee, and these fees go to the soldiers who are in these cellular areas. And we do not know who the recipients are. The important thing is that they are people who ask for fees and we give them and do not have financial receipts, we do not know who are they but they collect the fees, all of these things in areas far from cities where you cannot protest and there is no one you can to complain to him!'*

Another respondent in Red Sea added that

*'With regard to my work in the field of plaster, there are fees paid to the local population in the local mining areas, which are not a specific amount, but you pay enough to satisfy the tribe leader, this is done with the knowledge of the government, and if you do not obtain the approval of the tribal leader, he can prevent you from working in the area.'*

Nor are these payments or bribes limited to accessing mining sites. In other instances, another respondent acknowledged that the individual was engaged in illicit activity and: *'Sometimes we bribe the local employees and others who object our works because these are distant areas from cities, and there is no protection for us or them'*.

## Conclusion and Recommendations

### Conclusion

This paper analyses the ways in which Sudan's tax system is bound to the centre legislatively and practically. The paper also provides a bottom-up analysis of the public authorities who derive their legitimacy from the power to collect taxes and grant exemptions along with the different social relations that are directly informed by taxes. The picture that emerges is one of historically embedded state centralisation that is captured by a small elite, largely based in Khartoum and the Hamdi Triangle at the expense of conflict affected regions in Darfur, Kordofan and parts of Red Sea and Blue Nile.

While there have been decades of local governance reforms that can be traced to Anglo-Egyptian rule in the 1920s into the present, they have not meaningfully disrupted the overarching governance pattern that centralises revenue, and consequently state power, in Khartoum. Throughout Sudan's history from 1899 into the present, subnational governments have overwhelmingly depended on Khartoum for fiscal transfers. Even when subnational governments have increased authority to collect taxes, the revenue has not meaningfully contributed to public services. This has placed the vast social and economic peripheries, which constitute the majority of Sudan's landmass and population in a similar relationship with the centre.

Within subnational governments, taxpayers, which is to say the majority of Sudan's citizenry, frequently experience the state as institutionalised predation. Not only are taxpayers preyed upon by state backed tax collectors, but the country's palimpsest tax regime also creates enormous confusion that allows non state actors, to emerge as 'kobris' or informal intermediaries between taxpayers and tax collectors for an added fee. Likewise, some armed groups in conflict affected areas, which include the Darfur region, greater Kordofan, Blue Nile, and Red Sea State also collect taxes from people or benefit from the state's limited ability to demonstrate its utility in people's lives. Community based taxes such as zakat are an exception to this pattern. These kinds of taxes appear to form a loose social safety net for many Sudanese and there is greater trust in these types of institutions, in part because people tend to have more say in how these kinds of taxes are raised and spent.

Two substantial challenges or threats to state tax collection also emerge. The first is the reality that the national economy is deeply hobbled and there are limited economic opportunities for the majority of the country's citizenry. Large and influential businesses maintain close ties to political elites in the centre to thrive, in ways that a growing body of literature illustrates.<sup>44</sup> The second, related point, is that subnational economies throughout Sudan are limited. Economic investment outside of Khartoum is historically limited and the opportunities that do emerge are easily captured by local elites. A major outcome for tax collectors is that there is little direct tax revenue to finance local public services and the salaries that they do earn for their work largely contribute to their survival. Whereas for the largely impoverished citizenry, the challenge is twofold as the state demands taxes while failing to provide adequate public services in exchange.

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<sup>44</sup> Mann, L. (2013) 'We Do Our Bit in Our Own Space': DAL Group and the Development of a Curiously Sudanese Enclave Economy', *Journal of Modern African Studies* 51(2); de Waal, A. (2019) 'Sudan: A Political Marketplace Framework Analysis', The World Peace Foundation at Tufts University and the Conflict Research Programme, Occasional Paper No. 19. [http://eprints.lse.ac.uk/101291/1/De\\_Waal\\_Sudan\\_a\\_political\\_marketplace\\_analysis\\_published.pdf](http://eprints.lse.ac.uk/101291/1/De_Waal_Sudan_a_political_marketplace_analysis_published.pdf)

And yet, despite this pessimism, there is a tremendous amount of hope and goodwill towards Sudan's tax system in the still on-going glow of the revolution which came through numerous interviews. To summarise these interviews, despite little evidence that taxes have ever contributed to meaningful public services other than local public sector salaries, which multiple respondents remarked upon, taxes are still considered an integral component of citizenship, community, and state-building. This finding is key in part because it reveals that the popular imagination of taxes as a source for the improvement of public goods and as an integral component of civic behaviour, or civiness, as well as citizenship. Civiness, is defined here as a 'logic of public authority based on consent', which is 'based upon norms and rules that value respect for persons' that includes 'practices that sustain trust, civility, inclusion and dialogue and nonviolence'.<sup>45</sup>

While this dynamic is often a given in developed parts of the world where much of the literature on taxation and governance draws from, the evidence base on the linkages between taxation and improved quality of governance developing countries is still expanding.<sup>46</sup> It is therefore particularly significant in Sudan and other African countries, where there is the broad assumption that taxes were solely about raising revenue.<sup>47</sup> Whereas in the Sudanese context, the historiography of taxation in the country's peripheries suggests that taxes have more often been a governance tool rather than a meaningful source of state finance, which this paper's findings broadly supports<sup>48</sup>

## Recommendations

In the still fragile wake of Sudan's revolution, aspects of these findings are relevant to national and international policymakers. While this analysis reveals an historically embedded political economy of taxes that perpetuates the significance of the centre in Sudanese politics while enabling subnational public authorities to prey upon most taxpayers, considerable goodwill and optimism remains. The latter strongly suggests that the window for the state to demonstrate that it works to improve, rather than disturb, harass, or intimidate, the lives of its people remains open.

Local transparency initiatives around taxes and local government expenditure are perhaps one of the most meaningful opportunities for the Sudanese state to demonstrate 'quick wins' to a public that is desperate for change. While Sudan's tax system needs reform, direct taxes are unlikely to raise large amounts of revenue, given the ways in which most respondents acknowledged how squeezed they are. And while this project focused on both the formal and informal economy, regarding the latter, by recent research by the International Centre on Taxation and Development, argues that taxing the informal economy is unlikely to be a 'silver bullet' to finance development.<sup>49</sup>

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<sup>45</sup> Conflict Research Programme (2021) 'Civiness'. Website. Available at: <https://www.lse.ac.uk/ideas/projects/conflict-research-programme/civiness>

<sup>46</sup> Prichard, W. (2015) *Taxation, Responsiveness and Accountability in Sub-Saharan Africa: The Dynamics of Tax Bargaining*. Cambridge: Cambridge University Press.

<sup>47</sup> Mamdani, M. (1996) *Citizen and Subject: Contemporary Africa and the Legacy of Late Colonialism*. Princeton: Princeton University Press.; Gardner, L. (2012) *Taxing Colonial Africa: The Political Economy of British Imperialism*. Oxford: Oxford University Press.

<sup>48</sup> Benson, M. (2019) 'Taxation, Local Government and Social Control in Sudan and South Sudan, 1899-1956'. Doctoral Thesis, Department of History, Durham University.; Leonardi, C. (2020) 'Patchwork States: The Localisation of State Territoriality on the South Sudan-Uganda Border, 1914-1940', *Past and Present*, 248. pp.209-258.

<sup>49</sup> Gallien, M., van den Boogaard, V. and Moore, M. (2021) 'Taxing the Informal Economy is Not a Silver Bullet for Financing Development - or the Covid-19 Recovery', International Centre for Tax and Development, Summary Brief 24. <https://www.ictd.ac/publication/taxing-informal-economy-not-silver-bullet-financing-development-covid-19-recovery/>

In contrast, demand for increased taxpayer awareness campaigns was both a repeat finding among taxpayers and is also supported by recent policy-oriented evidence.<sup>50</sup> Taxpayer awareness campaigns should target civic organisations in Sudan, of which there are many in the current revolutionary moment. They should similarly tap into large, medium, and small business associations to touch on all aspects of the state. Transparency initiatives should touch on both national and state budgets and, ideally, transition or at least supplement the current way in which the national budget is formulated, along sectoral, lines with state level budgets.

These transparency initiatives should cover all aspects of tax collection. This starts with a clear description of what constitutes a tax and who collects them, the tax legislation that dictates tax collection practices, who relevant tax officials are, clarify what the procedure for paying taxes is, including information about receipts. It also encompasses information about the budgeting process, including what legislation details revenue rates and expenditure policies and clear policies for accessing financial information from the government. Ideally, this would include a new policy for freedom of information, or if need be, limited to financial information, which could be modelled on India's 'Right to Information' law.

While transparency initiatives are essential and represent ways to rapidly respond to citizen demands, a longer-term recommendation is to innovate state-level funds and transparency initiatives that are co-financed by state and centrally controlled finances that engage with civic groups or actors. Examples include Constituency Development Funds and Participatory Expenditure Tracking Surveys. These could also be managed or coordinated by national and state level task force on fiscal transparency and development focused block grants from Khartoum to states.

Relevant civic groups that these types of transparency initiatives could engage with include:

- The recent civil society wide initiative led by FES on the role of civil actors in a more egalitarian credit and debt reservicing scheme for Sudan. This conference was preceded by several grassroots initiatives aimed at centring a tax based social contract future political programs working towards the transition to democracy.
- Neighbourhood committees in their many configurations are just one example of a demand led body rearticulating the language of rights in the context of the state's responsibility of service provision and a tax-based citizen-state contract. These ongoing debates, since the 2018 Sudan revolution, contribute to a new brand of civic activism that places political economy at the centre of its work and analysis. Issues of labour, tax, productivity, a functional state bureaucracy, and anti-corruption measures as a means of achieving democracy take precedence in these debates while challenging CPA-era predominantly peace-based narratives that were more concerned with ethnic and gender divisions.
- Istinad, a popular policy think tank that centres policy solutions around people's everyday politics (a co-author is a co-founder).
- The Coalition of Demand-based Bodies (Tjamo3 Alajsam Almatlabia), an investigative journalism initiative that documents atrocities related to state extractive based projects and the long-term violent consequences on the communities subject to them is another relevant organisation.

<sup>50</sup> van den Boogaard, V., Prichard, W., Beach, R. and Mohiuddin, F. (2020) 'Strengthening Tax-Accountability Links: Fiscal Transparency and Taxpayer Engagement in Ghana and Sierra Leone', International Centre for Taxation and Governance, Research in Brief, Issue 59.



As other research suggests and this research paper supports, the battle to govern in numbers rather than prose remains a source of tension within Sudan. The decision to obfuscate subnational revenue data in the 1950s has in part lingered in the country and while it was made to ameliorate conflict, secessionists in now independent South Sudan and Darfur have nevertheless rightly perceived that Sudan's peripheries are economically neglected. Thus, a push for enhanced statistical capacity within state and national ministries of finance is needed and is integral to transparency initiatives. This is one area where international donors are particularly well positioned to support and are experienced in supporting in neighbouring countries, including South Sudan.

Another recommendation is to increase the capacity of tax collectors. IT capacity and limited training were frequently cited by tax collectors as additional reasons for low revenue mobilisation, which is already aggravated by historical underdevelopment at subnational levels of the state and political instability.

Similarly, additional lessons can be gleaned from Kenya's on-going experience of introducing devolution in part to reduce political tensions and to reduce inequities within and across its states. A national dialogue on devolution that incorporates a large-scale participatory process from both state and national government officials as well as large, elite, businesses as well as small and medium business is another potential avenue for long term reform. Kenya's Commission on Revenue Allocation (CRA), which is a key part of the country's devolutionary reforms, might serve as a useful case study for Sudan to draw lessons from. The CRA is established within Kenya's constitution and explicitly focuses on the equitable distribution of nationally raised finances, including a revised formula for sharing subnational state finances.

State-level institutions within Sudan that could either implement these kinds of reforms or could be the focus of reforms include the National Revenue Fund, which is the National Treasury administers and 'covers all accounts and sub-funds into which monies due to the government are collected, reported or deposited'.<sup>51</sup> Similarly, the new National Commission on Revenue Allocation (NCRA), which is headed by an independent expert who reports to the Prime Minister is another government body that could either host or become the focus of where relevant policy reforms are implemented.

A related recommendation is to continue exploring the feasibility of taxing the sector via the Large Taxpayer Unit within Sudan's Ministry of Finance and Economic Planning, with a tailored focus on large taxpayers in conflict affected countries.<sup>52</sup> However, since the challenge of targeting large taxpayers in Sudan is at the heart of what Alex de Waal frames as Sudan's political marketplace, the topic consequently needs to be approached sensitively. Given the limited number of studies on Large Taxpayer Units in conflict affected countries and/or societies in transition, another recommendation is to commence a rapid lessons learning study that draws on lessons from similar countries or contexts.

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<sup>51</sup> Logan, S., Nyembo, A., Owen, B., Saab, M., Sacchetto, C. (2021) 'Fiscal Federalism in Sudan', International Growth Centre State Fragility Initiative, Working Paper.

<sup>52</sup> Ligomeka, W. (2019) 'Assessing the Performance of African Tax Administrations: A Malawian Puzzle', International Centre on Taxation and Development, African Tax Administration Paper 14. <https://opendocs.ids.ac.uk/opendocs/bitstream/handle/20.500.12413/14699/ATAP14.pdf?sequence=1&isAllowed=y>



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