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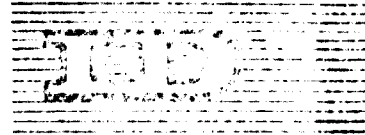
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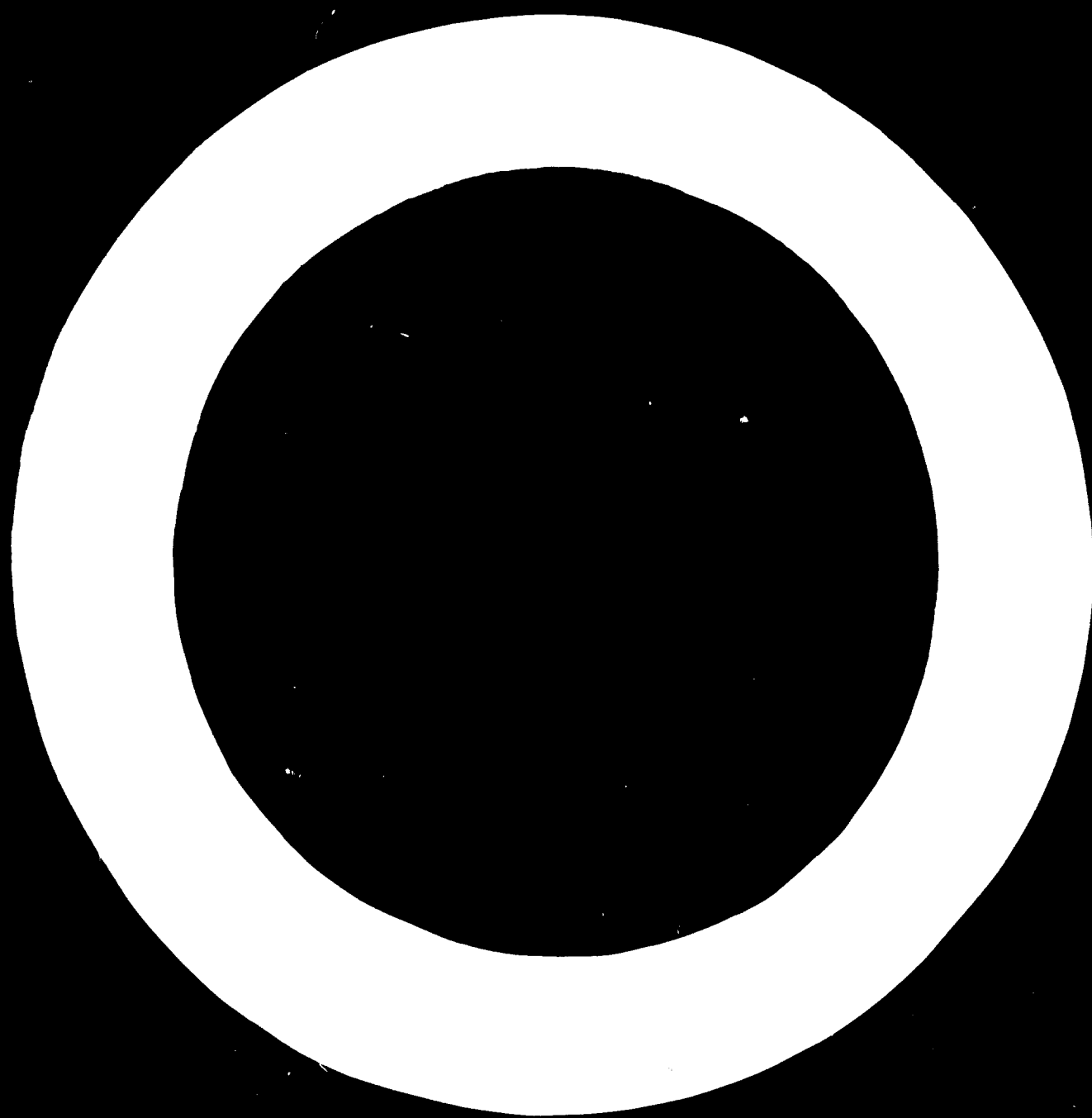
REPORT ON SMALL-SCALE INDUSTRIES
IN THE SUDAN^{1/}

by

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The importance of small-scale industries has been recently recognized by the Government of the Sudan, as a good source of employment for the small investors and the unskilled labour. Small scale industries play a great role in utilizing the domestic raw materials by manufacturing them in the form of finished goods or semi-finished goods instead of exporting them as raw materials, and importing them in the form of finished goods. Small-scale industries in the Sudan offer very useful services to the large scale industries most significant of which supply them with skilled labour. Most of the small-scale industries in Sudan are concentrated in the capital of the provinces, and specially in the Three Towns. There was no clear definitions for small scale industries in Sudan, but very recently a U.K. expert proposed a definition, which was based on investment, and number of workers engaged in full time employment (operations).

Those industries which are having an investment of more than LS.50,000 are recognised according to the proposed definition as small scale industry. In case the valuations of the investment is not easy to reach, the second measure is the number of workers employed which in this case should not exceed 30 workers, engaged in full time operations.

Most of the industries falling within the above proposed definition are the workshops, small oil mills, perfumeries, ice factories, the traditional tanneries, carpentries, and bakeries including electric ones, and many other small units. Small-scale industries are also identified from traditional industries, and low productivity. The proposed definitions gave a good scope for the traditional, and relatively small-scale industries to develop and modernise their operations by fixing the investments to a maximum of LS.50,000.

There are no statistics about the small scale industries available, but very recently a good deal has been done to collect the necessary data, about the small-scale industries and by making questionnaires, and by arranging spot visits to the industries.

In order to promote and develop industries in the Sudan, the Organization and Promotion of Industrial Investment Act, 1967 has been passed by the Government. This Act passed with the intention to encourage and stimulate private investment in industry, and to grant it all concessions and facilities that will enable it to play its full role in the industrialization of the country. The measures designed by the Government of the Sudan to attract, promote, and encourage private investment in industry include total exemption from payment of Business Profits Tax for a period of five years, calculated from the date of

the commencement of production, and in the case of an enterprise with an investment of 1 million pounds or more exemption from half the tax for an other period of five years. There is also the exemption of all machinery, equipment, and spare parts necessary for production, maintenance from existing and future Customs duties, and Customs charges of any kind, and reductions of such duties on raw materials so that they will not exceed 10% of the C.I.F. value. Furthermore, the Government may reduce the applied rates for electrical power, and also for freight, applicable now, and in future, on equipment, spare parts, raw materials, production, and by-product of the enterprise, where these are transported by Government owned or controlled means of transport.

Further measures designed to create the necessary climate for the designed rate of industrialization include the enlargement of the financial and technical resources of the Industrial Bank of Sudan to enable the Bank to meet the requirements of industry in general, and the needs of small and medium scale industries in particular.

The Government has also established an Industrial Research Institute in collaboration with the United Nations Organizations. The Institute provides technical and economic advices and consultations to existing industries or to new industrial

enterprise, and helps to solve problems pertaining to the successful development and growth of industry.

For the same purpose the Government, in collaboration with the International Labour Organization, has established the Management Development and Productivity Centre, to provide for the training of managerial and technical personnel during the process of industrialization and to improve the productivity of industry in general.

Very recently an industrial survey of the country has been carried out by a team from the Industrial Development Centre for Arab States and the Ministry of Industry and Mineral Resources and other departments in the Sudan with a view to evaluate the industrial potentials of the country, as well as domestic and foreign markets, and with the view to identify technically and economically feasible industrial projects that could be made available to potential investors. On the basis of the results of this survey the Government will prepare an industrial development plan.

Small scale industries in the Sudan are facing various problems in relation to finance, technical know-how and material supply. A comprehensive study of these problems has been undertaken by a U.S. expert. A detailed report has been prepared including developmental programme for the development

of small scale industries. The proposed programme for the development of small-scale industries will be considered among other industrial projects in the context of the new five year plan.

The absence of suitable factory accommodation in the Sudan is one of the major problems facing the expansion and development of small scale industries. Small factories and services workshops are constructed in such a way that no expansion is possible. The accommodation problem has been given due consideration and measures has been taken to allot suitable plots to small factories in the new extensions of new industrial areas extensions. This measure will enable the small factories to expand their operations and function economically.

One of the most remarkable steps taken by the Government of the Sudan for the development of small scale industries in the country are the provisions made for the establishment of Industrial Estates in five big towns. The Industrial Estates will be established by private companies with the Government participation. Concessioned facilities like water, electric power, transport will be granted. Moreover, common service facilities such as tool-rooms, foundries, heat treatment, forgings etc. will be made available in the proposed industrial estates. A provi-

sion of one million Sudanese pounds has been provided for the establishment of the industrial estates.

Small scale industries in the Sudan are confronted by the problem of raw material especially those which are engaged in iron, and wooden works, and those which are dependent on foreign raw materials. The supply of raw material is always short, and with high prices prevailing in the market. Small factories owners are advised to organise themselves into cooperatives to facilitate the purchase of raw materials, and for the marketing of their goods too. About 250 workshops owners in Omdurman town are going to organise themselves in a cooperative society for the same purpose.

The rapid development of small scale industries needs a flexible system of finance in order to meet the fixed and working capital requirement. The role of Sudanese Commercial Banks in the sphere of short, medium and long term finance to small industries is extremely limited. Even as regards to the advances of the banks they are almost wholly for short times to meet the requirements for borrowers Working Capital. In recent years some of the commercial banks in fact have been providing an appreciable medium-term finance for the purchase of capital requirement. The finance is often for a few years. Such advances may be given either against

the mortgage defentures specially created for purposes of security, or as regular loans against raw materials and finished goods or a charge on the amounts which are to be recalled for same time. The reasons for non-participation of banks as suppliers of long term finance are obvious. Since the liabilities of the banking system are essentially short terms they can not afford to lock their resources in long term investment against the security of fixed assets raises a number of difficult problems of administration, supervision, and valuations for which the banks are not having adequate machinery. The liquidity of assets is partly conditioned by the lending policies and regulations of the Central Bank which is the lender of last resort to the banking system.

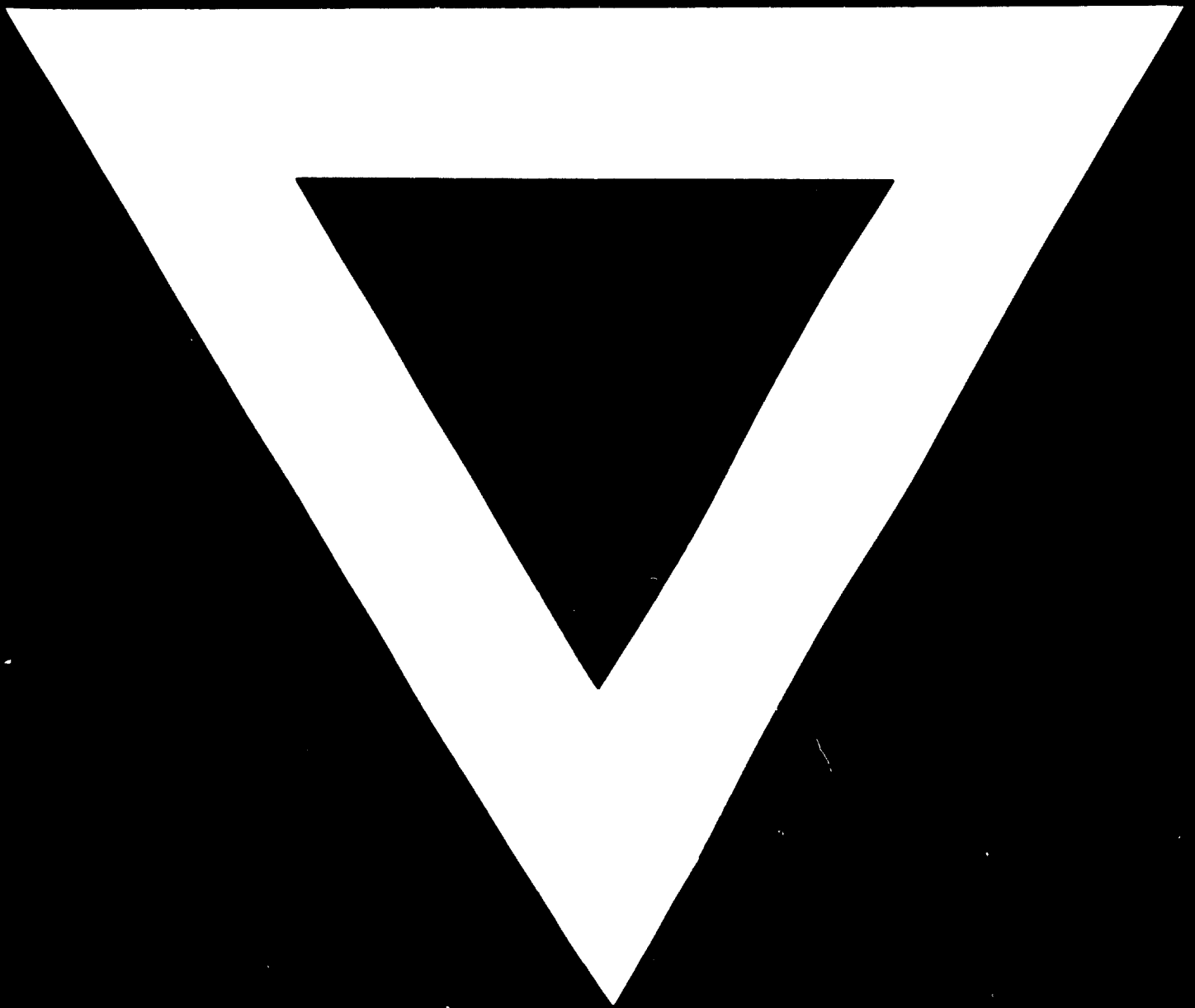
The Industrial Bank of Sudan has concentrated its activities on processing projects dependent on natural resources or local raw material, animal fodder, fish processing, Garad or acacia pods processing and oil mills utilizing white cotton seeds. The bank had also approved a loan to finance a service industries namely tourism.

The nature of the Industrial Bank is basically of development Bank with the object towards the promotion of industrial development in the private sector. The bank charges interest rates of 8½% and 9½% for loans repayable within 6 years and up to

15 years. These rates of interests are relatively high for small investor. The Industrial Bank of Sudan, and the other commercial banks should be more liberal in their lending policies, with the view to encourage the development of small scale industries in the country.

The implementation of the developmental plan for small scale industries necessitated the creation of a new administration for small scale industries. The proposed administration will be looking into the previous problems confronting the development of small scale industries, and for finding the necessary steps in order to tackle those problems. It will make feasibility studies of projects which will be carried, and offered to those investors who are interested in setting small factories. No adequate data about small industries is available the administrative sections of statistics and the proposed small scale industries sections will take the responsibility of collecting and analyzing all the necessary informations related to small industries. The comprehensive developmental programme for small scale industries for the coming five years will definitely bring out a remarkable achievements in the field of small scale industries in the Sudan.





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